

# PZU (2017)

- report on the application of corporate governance



Warsaw 15 March 2018



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## 1 Corporate governance principles applied by PZU

Since the day when its shares were admitted to trading on a regulated market, PZU has followed the corporate governance rules laid down in the Best Practices of WSE listed companies.

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This document was accepted by WSE's Supervisory Board on 4 July 2007 and has undergone several modifications since then. A document entitled "Best Practices of WSE Listed Companies 2016" adopted by a WSE Supervisory Board resolution on 13 October 2015 has been in force since 1 January 2016.

Its current wording is available on the website devoted to the corporate governance of companies listed on WSE ([www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl)) and on PZU's website ([www.pzu.pl](http://www.pzu.pl)) in the section dedicated to PZU's shareholders – Investor Relations.

The set of principles expressed in the Best Insurance Practices adopted on 8 June 2009 by the General Assembly of the Polish Chamber of Insurance ("PIU"), an organization whose members are insurance undertakings operating on the Polish market informs how PZU conducts its business operations and shapes relations with its stakeholders. This document is available on the website: <http://piu.org.pl>.

Furthermore, our own code entitled Best Practices in PZU defines the principles for how we mold relations with our stakeholders. This document is available on our website: <http://www.pzu.pl>.

On 22 July 2014 the Polish Financial Supervision Authority ("KNF") published Corporate Governance Rules for Regulated Institutions ("Corporate Governance Rules").

The Corporate Governance Rules constitute a set of guidelines that should be applied by regulated entities from 1 January 2015 under the applicable laws giving consideration to the rule of proportionality.

The Corporate Governance Rules and information on how to apply them are available on PZU's website: <http://www.pzu.pl/grupa-pzu/pzusa/zasady-ladu-korporacyjnego>.

## 2 Application of Best Practices of WSE Listed Companies

In 2017, PZU complied with the recommendations and principles set forth in Best Practices of WSE Listed Companies 2016, except for recommendation IV.R.2. which provides for a possibility for shareholders to participate in a shareholder meeting using means of electronic communication, in particular via the following:

- real-time transmission of the shareholder meeting,
- real-time bilateral communication where shareholders may take the floor during a shareholder meeting from a location other than the shareholder meeting,
- exercising, in person or by proxy, voting rights during a shareholder meeting.

Presently, PZU shareholders may follow the broadcast of the shareholder meeting. However, the Company has not elected to introduce an electronic shareholder meeting. According to PZU, there are many technical and legal factors that may affect the proper course of the shareholder meeting. The legal doubts pertain to the ability to identify shareholders and check the legitimacy of participants in the shareholder meeting. The risk of the occurrence of technical difficulties, e.g. with the internet connection or possible external interference in the IT systems may disrupt the work of the shareholder meeting and evince doubts concerning the efficacy of the resolutions adopted during its course. The appearance of these risks may affect the proper application of this rule to a full extent.

Furthermore, the following rules are not applicable to PZU:

- principle I.Z.1.10, providing for the publication of financial projections, if the company has decided to publish them, published at least in the last 5 years, including information about the degree of their implementation, because, as at the date of publication of this report, PZU has not published any financial projections or estimates;
- principle III.Z.6., concerning cases of non-separation of an internal audit function within the company's organizational structure, because this function has been separated in PZU's organizational structure;
- recommendation IV.R.3., concerning situations where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, because PZU securities are traded only on the Polish market.

Information on the status of PZU's application of the recommendations and rules laid down in the Best Practices of WSE Listed Companies 2016 is available on PZU's website: <https://www.pzu.pl/relacje-inwestorskie/dobre-praktyki-gieldowe>

### 3 Application of Corporate Governance Rules for Regulated Institutions

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

Information on the application of the Rules was presented by the PZU Management Board and Supervisory Board during PZU's Ordinary Shareholder Meeting held on 30 June 2015. The PZU Ordinary Shareholder Meeting declared that, acting within its powers, it will be guided by the Corporate Governance Rules in the wording issued by the Polish Financial Supervision Authority on 22 July 2014, except for certain specific rules waived by the PZU Ordinary Shareholder Meeting.

Published on PZU's website is detailed information on the application of the Corporate Governance Rules by PZU, including those rules whose application will be partial, namely:

- in respect of the rule laid down in § 8 section 4 of the Corporate Governance Rules concerning the enabling of all shareholders to participate in the Shareholder Meeting, including by procuring the possibility of actively participating electronically in the Shareholder Meeting, it should be noted that, presently, PZU shareholders may follow the broadcast of the Shareholder Meeting, however the Issuer decided not to introduce the so-called e-Shareholder Meeting, because, in PZU's opinion, there are a number of factors of a technological and legal nature which may affect the proper conduct of the Shareholder Meeting. Legal concerns include the possibility of identifying the shareholders and verifying their legitimacy; the risk of the occurrence of technical difficulties, e.g. with the Internet connection or possible external interference in the IT systems, may disrupt the work of the Shareholder Meeting and evince doubts concerning the efficacy of the resolutions adopted during its course; the materialization of the above risks may affect the proper application of this rule to its full extent;
- in respect of the rule laid down in § 21 section 2 of the Corporate Governance Rules according to which within the supervising body there should be a separate function of the chairperson in charge of managing the work of the supervising body, and the selection of the chairperson of the supervising body should be accomplished on the basis of experience and team management skills while giving consideration to the criterion of independence, it should be emphasized that, in accordance with the Commercial Company Code GLOSSARY and PZU's Articles of Association, the function of chairperson has been established within the PZU Supervisory Board; the PZU Supervisory Board's composition and the chairperson's function are shaped in accordance with the criteria of independence stated in the Statutory Auditor Act GLOSSARY; the selection of the Supervisory Board Chairperson is accomplished on the basis of the criterion of knowledge, experience and skills that confirm the competences required to discharge duly the duties of supervision; applying the criterion of independence to the chairperson according to the KNF Office's explanation of this rule may evince doubts concerning a possible collision with the legal regulations pertaining to shareholder rights;
- in respect of the rule laid down in § 49 section 3 of the Corporate Governance Rules concerning the appointment and dismissal, in a regulated institution, of the person managing the internal audit cell and the person managing the compliance cell with the consent of the supervising body or the audit committee, it should be pointed out that PZU applies the rules laid down in § 14 of the Rules to their full extent, which means that the PZU Management Board is the sole body empowered to, and responsible for, managing the Company's activity; moreover, according to the labor law regulations, the managing body exercises labor law activities; on account of the foregoing, PZU has adopted a solution that anticipates that the selection and dismissal of the person managing the internal audit cell is accomplished while taking into account the opinion of the Supervisory Board's Audit Committee; the person managing the compliance cell is appointed and dismissed in an identical manner; in making these decisions, the Management Board obtains the Audit Committee's opinions.

The PZU Ordinary Shareholder Meeting has waived the following rules:

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

Furthermore, the following rules are not applicable to PZU:

- the rule laid down in § 11 section 3 reading as follows: "In the event that the decision-making body makes a decision concerning a transaction with a related party, all shareholders should have access to all information required to assess the conditions on which it is implemented and its impact on a regulated institution's standing."
  - in PZU, the Shareholder Meeting does not make decisions on transactions with related parties;
- the rule laid down in § 49 section 4 reading as follows: "In a regulated institution in which there is no audit or compliance cell, the rights ensuing from sections 1-3 are vested in the persons responsible for performing these

functions."

- audit and compliance cells operate in PZU;
- the rule laid down in § 52 section 2 reading as follows: "In a regulated institution in which there is no audit or compliance cell or no cell responsible for this area has been designated, the information referred to in section 1 shall be conveyed by the persons responsible for performing these functions."
  - audit and compliance cells operate in PZU;
- the rules laid down in Chapter 9 entitled "Exercising rights from assets acquired at a client's risk", because PZU does not offer products entailing asset management at a client's risk.

#### 4 System of control in the process of preparing financial statements

Financial statements are prepared within the PZU Finance Division including the PZU Head Office (including the Accounting Department) and central units operating based on the applicable regulations. The PZU Finance Division is supervised by a PZU Management Board Member.

The elements which facilitate completing the process are the accounting principles (policy), the chart of accounts with a commentary and other detailed internal regulations approved by the PZU Management Board specifying key rules for recording business events in PZU, the valuation of assets and liabilities and dedicated reporting systems.

Data are prepared in the source systems using formal operating and acceptance procedures which specify the powers of specific persons.

The reporting process is controlled by appropriately qualified, skilled and experienced staff.

PZU monitors changes in external regulations concerning, without limitation, the accounting policy (procedures) and reporting requirements applicable to insurance undertakings and carries out appropriate adaptation processes in these areas.

The accounting records are closed and financial statements are prepared in accordance with detailed schedules, including the key activities and control points with assigned liability for timely and correct completion.

The key controls during preparation of the financial statements include:

- controls and permanent monitoring of the quality of input data, supported by financial systems with defined rules of data correctness, in accordance with PZU's internal regulations governing the control of accuracy of accounting data;
- data mapping from the source systems to financial statements supporting the proper presentation of data;
- analytical review of financial statements by specialists to compare them with the business knowledge and business transactions;
- formal review of the financial statements to confirm compliance with the applicable legal regulations and market practice in terms of required disclosures.

PZU internal audit periodically reviews the organization and the process of preparing the financial statements.

Activities within the consolidated financial reporting processes are coordinated through the organizational structure of the Finance Division in the PZU and PZU Życie Head Offices which is shared, i.e. organized based on a personal union. PZU controls all its consolidated subsidiaries through these companies' management boards and supervisory boards.

Consolidated financial reporting is governed by a number of internal regulations concerning the accounting principles (policy) adopted by the PZU Group and applied accounting standards as well as detailed schedules including the key activities and control points with assigned liability for timely and correct completion.

Consolidation packages forwarded by subsidiaries are subjected to:

- verification procedures by a statutory auditor scrutinizing the PZU Group's consolidated financial statements;
- analytical reviews by specialists and, in the case of consolidation packages forwarded by banks, also reconciliation with their published stock exchange disclosures.

### **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.

A statutory auditor appointed by the PZU Supervisory Board, based on a recommendation of the Audit Committee, reviews interim standalone and consolidated financial statements, audits annual standalone and consolidated financial statements and audits annual solvency and financial standing reports required by the Solvency II Directive (for PZU and the PZU Group).

## 5 An auditing company that audits financial statements

On 18 February 2014, the PZU Supervisory Board selected KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp.k. with its registered office in Warsaw, ul. Inflancka 4A, 00-189 Warsaw, entered by the National Chamber of Statutory Auditors in the list of entities authorized to audit financial statements under no. 3546 as the entity authorized to audit financial statements for the years 2014-2016, and on 27 April 2017, the PZU Supervisory Board exercised the option of extending this cooperation to include the years 2017 - 2018.

The scope of the concluded agreement encompasses the following in particular:

- auditing PZU's annual standalone financial statements and the PZU Group's annual consolidated financial statements;
- review of PZU's interim standalone financial statements and the PZU Group's interim consolidated financial statements.

In recent years, PZU's additional cooperation with KPMG Audyt has covered, without limitation, audits of solvency and financial standing reports required by the Solvency II Directive.

## 6 Share capital and PZU shareholders; shares owned by members of its governing bodies

On 30 June 2015, the Ordinary Shareholder Meeting of PZU adopted a resolution to split all PZU shares by decreasing the par value of each PZU share from PLN 1 to PLN 0.10 and increasing the number of PZU shares making up the share capital from 86,352,300 to 863,523,000 shares. The split was effected by exchanging all the shares at a ratio of 1:10. The share split did not affect the amount of PZU's share capital.

On 3 November 2015 the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register registered the pertinent amendment to PZU's Articles of Association.

On 24 November 2015, at PZU's request, the Management Board of the National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A., "KDPW") adopted Resolution No. 789/15 on setting 30 November 2015 as the date of a split of 86,348,289 PZU shares with a par value of PLN 1 each into 863,482,890 PZU shares with a par value of PLN 0.10 each.

Accordingly, PZU's share capital is divided into 863,523,000 ordinary shares with a par value of PLN 0.10 each carrying the right to 863,523,000 votes at the Shareholder Meeting.

| <b>Fee charged by the entity authorized to audit PZU financial statements (PLN thousands)</b>                 | <b>1 January – 31 December 2017</b> | <b>1 January – 31 December 2016</b> |
|---|-------------------------------------|-------------------------------------|
| compulsory audit of the annual financial statements / consolidated financial statements                       | 4,950                               | 1,365                               |
| other certifying services, including a review of the financial statements / consolidated financial statements | 1,793                               | 1,350                               |
| tax advisory services   | -                                   | -                                   |
| other services  | -                                   | 27                                  |
| <b>Total</b>  | <b>6,743</b>                        | <b>2,742</b>                        |

| <b>Fee charged by the entity authorized to audit PZU Group financial statements (PLN thousands)</b> | <b>1 January – 31 December 2017</b> | <b>1 January – 31 December 2016</b> |
|---|-------------------------------------|-------------------------------------|
| audit of the financial statements   | 7,673                               | 2,120                               |
| other certifying services,  | 3,568                               | 3,440                               |
| <b>Total</b>  | <b>11,241</b>                       | <b>5,560</b>                        |

The State Treasury holding 295,217,300 shares representing 34.19% of the Company's share capital carrying the right to 295,217,300 votes at the Shareholder Meeting is the only PZU shareholder with a significant equity stake.

On 29 May 2017, PZU was notified of a change in the holding of PZU's shares by Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK ("Aviva OFE"), informing the Company that as a result of PZU share purchase transactions executed on 24 May 2017, as at 26 May 2017, Aviva OFE decreased its stake in PZU to 4.89% of PZU's share capital, which represents 4.89% of the total number of votes at the PZU Shareholder Meeting.

The PZU Management Board does not have any information about executed agreements as a result of which changes may transpire in the percentages of shares held by its shareholders to date.

PZU did not issue, redeem or repay any debt or equity securities that would provide its shareholders with special control rights.

In 2013-2017, PZU did not have any employee share programs in place.

According to the Articles of Association, the shareholders' voting rights have been limited in such a manner that no shareholder may exercise more than 10% of the total number of votes in existence in PZU at its Shareholder Meeting on the date of holding a Shareholder Meeting subject to the reservation that for the purposes of determining the obligations of the buyers of significant equity stakes contemplated by the Act on Public Offerings and the Insurance Activity Act, such limitation of voting rights shall be deemed not to exist. The limitation of voting rights does not pertain to the following:

- shareholders who on the date of adopting the Shareholder Meeting resolution implementing this limitation were entitled to shares representing more than 10% of the total number of votes;
- shareholders acting with the shareholders prescribed in the item above pursuant to executed agreements concerning the joint exercise of voting rights to shares.

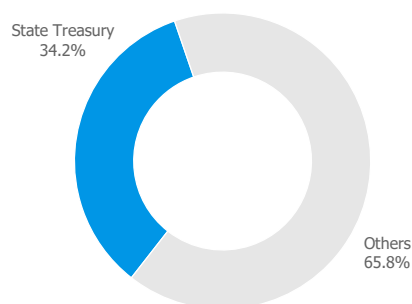
For the purpose of limiting voting rights, the votes of shareholders among whom there is a parent or subsidiary

relationship are totaled in accordance with the rules described in the Articles of Association.

In the event of doubt, the provisions regarding the restriction of voting rights are subject to interpretation according to Article 65 § 2 of the Civil Code GLOSSARY.

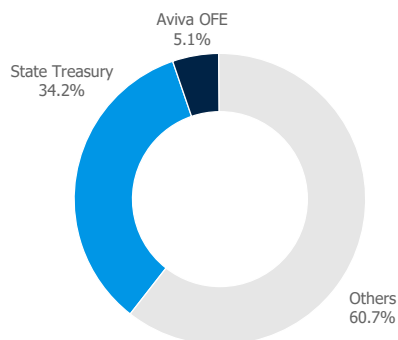
In line with PZU's Articles of Association, the said voting restrictions will expire starting from the moment when a share of a shareholder who, at the date of adopting a resolution of the Shareholder Meeting introducing the restriction, held shares carrying the right to more 10% of the total number of votes in the Company drops below 5% of the share capital.

### 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



### **Shares or rights to shares held by members of management or supervisory bodies and Directors of the PZU Group**

Neither as at the date of this Activity Report nor as at the date of the Activity Report for 2016 (i.e. 15 March 2017) did any of the members of the Management Board or the Supervisory Board or the Directors of the PZU Group hold any PZU shares, and shares in entities related to PZU, entitlements to these shares or shares or rights to PZU shares.

## **7 PZU's Articles of Association**

### **Amendments to the Articles of Association**

PZU's Articles of Association may be amended by the Shareholder Meeting provided that a resolution is adopted by a majority of three fourths of the votes, KNF's approval is issued in the cases referred to in the Insurance Activity Act GLOSSARY and the amendments are entered in the National Court Register. The Supervisory Board has the powers to approve the consolidated amended text of the Articles of Association.

## **8 Shareholder Meeting, Supervisory Board and 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 Articles of Association are available on PZU's corporate website ([www.pzu.pl](http://www.pzu.pl)) in the "Investor relations" section, under the "Company info" tab.

The Shareholder Meeting has not adopted its rules and regulations.

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 powers of the Shareholder Meeting, in addition to those specified in the Commercial Company Code or the Articles of Association, include the adoption of resolutions concerning the following:

- examination and approval of the Management Board's report on the Company's activity and the financial statements for the previous financial year and granting a discharge to individual members of the Company's corporate bodies on the performance of their duties;
- reviewing the Management Board's report on representation expenditures and expenditures for legal, marketing, public relations and public communication services and management consulting services;
- distribution of profits or coverage of losses;
- decisions on claims to remedy damages incurred during the incorporation of the Company or in its administration or oversight;
- selling or leasing a business or an organized part thereof or establishing a limited right in rem thereon;
- redemption of shares or issue of bonds;
- establishing reserve capital accounts and making decisions on their allocation or manner of allocation;
- splitting the Company, merging the Company with another company, winding up or dissolving the Company;
- appointing and dismissing members of the Supervisory Board, subject to the right granted to the State Treasury to appoint and dismiss one member of the Supervisory Board;
- establishing the rules for remunerating members of the Supervisory Board;
- purchase or sale of real estate, perpetual usufruct or a share in real estate or perpetual usufruct the gross value of which exceeds the equivalent of EUR 30.0 million (thirty million euros), subject to § 18a of the Articles of Association.

In accordance with the Articles of Association, the Shareholder Meeting's approval is required for:

- disposal of non-current assets within the meaning of the Accounting Act of 29 September 1994 (Journal of Laws of 2016, items 1047 and 2255) classified as intangible assets, property, plant and equipment or long-term investments, including contribution to a company or a cooperative – if the market value of those assets exceeds 5% of total assets within the meaning of the Accounting Act of 29 September 1994, determined on the basis of the most recent approved financial statements; and also handing those assets over for use to another entity for a period longer than 180 days

in a calendar year based on a legal act, if the market value of the subject matter of the legal act exceeds 5% of total assets, whereas the handing over of assets for use in the case of the following:

- lease, rental and other agreements to hand over an asset for use to other entities against payment, the market value of the subject matter of a legal act is defined as the value of benefits for:
  - one year – if the asset was handed over under agreements signed for an indefinite term,
  - the entire term of the agreement – in the case of agreements signed for a definite term,
- lending for use agreements and other agreements to hand over an asset to other entities for gratuitous use, the market value of the subject matter of a legal act is defined as the value of benefits that would be due if a lease or rental agreement was executed instead, for:
  - one year – if the asset is handed over under an agreement signed for an indefinite term,
  - the entire term of the agreement – in the case of agreements signed for a definite term,
- purchase of non-current assets within the meaning of the Accounting Act of 29 September 1994, with the value exceeding:
  - PLN 100 million or
  - 5% of total assets within the meaning of the Accounting Act of 29 September 1994, determined on the basis of the most recent approved financial statements,
- subscription or acquisition of shares in another company, with the value exceeding:
  - PLN 100 million or
  - 10% of total assets within the meaning of the Accounting Act of 29 September 1994, determined on the basis of the most recent approved financial statements,
- disposal of shares in another company, with the value exceeding:
  - PLN 100 million or
  - 10% of total assets within the meaning of the Accounting Act of 29 September 1994, determined on the basis of the most recent approved financial statements.

Shareholder Meeting resolutions concerning the following issues require a three-fourths majority of votes:

- amendments to the Articles of Association;
- decrease in the share capital;

- selling or leasing a business or an organized part thereof or establishing a limited right in rem thereon.

A majority of 90% of votes at the Shareholder Meeting is required to pass resolutions relating to the following:

- preference shares;
- Issuer's business combination by transferring all its assets to another company;
- merger by forming a new company;
- dissolving the Company (also as a result of moving its registered office or the head office abroad);
- liquidation, transformation or reduction in the share capital through the redemption of a portion of shares without a concurrent capital increase.

A Shareholder Meeting is held:

- as an Ordinary Shareholder Meeting which should be held within six months from the end of each financial year;
- as an Extraordinary Shareholder Meeting which is convened in cases specified in the generally applicable law and the Articles of Association.

Shareholder Meetings are held in Warsaw and convened by placing an appropriate announcement on PZU's website in accordance with the method for providing current information specified in the Act on Public Offerings, Conditions Governing the Introduction of Financial Instruments to Organized Trading and Public Companies of 19 July 2005, i.e. in the form of current reports. Such announcement should be made not later than twenty-six days before the date of the Shareholder Meeting. From the date of convening the Shareholder Meeting, the announcement with materials presented to shareholders at the Shareholder Meeting are available on PZU's corporate website ([www.pzu.pl](http://www.pzu.pl)) in the "Investors relations" section under the "Shareholder Meeting" tab. A duly convened Shareholder Meeting is deemed valid regardless of the number of attending shareholders. Resolutions are passed in an open ballot. A secret ballot is ordered in elections or on motions to dismiss members of the Issuer's corporate bodies or liquidators, in matters concerning their personal liability to the Issuer as well as in other personal matters or, excluding cases when voting by open ballot ensues from a statute, at the request of at least one of the shareholders attending or represented at the Shareholder Meeting. The rights of the shareholders and the method of exercising thereof at the Shareholder Meeting are specified in the Commercial Company Code GLOSSARY and the Articles of Association. Only persons

who were shareholders of the issuer sixteen days prior to the date of the Shareholder Meeting have the right to participate in the Meeting (date of registration of attendance at the Meeting). Shareholders may attend the Shareholder Meeting and exercise the right to vote in person or through a proxy. The proxy document to participate in the Shareholder Meeting and exercise the voting right must be granted in writing or electronically. One PZU share gives the right to a single vote at the Shareholder Meeting, subject to restrictions with respect to exercising the voting rights described in the Company's Articles of Association. A shareholder may vote differently from each of the shares held by it.

During the Shareholder Meeting, each shareholder may provide draft resolutions concerning items on the agenda.

In accordance with the Commercial Company Code, detailed procedures concerning participation in the Shareholder Meeting and exercising the voting rights are always presented in an announcement of the Shareholder Meeting published on the date of convening the Shareholder Meeting on PZU's corporate website ([www.pzu.pl](http://www.pzu.pl)) in the "Investors relations" section under the "Shareholder Meeting" tab.

## **Composition, powers and functioning of the Supervisory Board**

### **Composition**

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.

Members of the Supervisory Board are appointed by the Shareholder Meeting for a joint term of office which lasts three consecutive full financial years. At least one member of the audit committee appointed by the Supervisory Board must hold qualifications in accounting or financial audit within the meaning of the Act on Statutory Auditors, Audit Firms and Public Supervision. Furthermore, in accordance with the said Act, the majority of the audit committee members should meet the statutory independence criteria (independent member) concerning, without limitation, professional or family ties, especially to managers or supervisors of PZU or PZU Group entities.

The independent member is required to present a written statement that he/she satisfies all the independence criteria provided for in the Articles of Association and is required to inform the Company if such criteria are no longer satisfied. In addition, the Articles of Association give the State Treasury the right to appoint and dismiss one member of the Supervisory Board by way of a written statement submitted to the Management Board. This right will expire if the State Treasury ceases to be a Company shareholder. A candidate for a Supervisory Board member named by the State Treasury should meet the requirements set forth in Article 19 of the Act of 16 December 2016 on Rules for Managing State Property.

As at 1 January 2017, the following persons sat on the PZU Supervisory Board:

- Paweł Kaczmarek – Supervisory Board Chairman
- Marcin Gargas – Supervisory Board Deputy Chairman
- Maciej Zaborowski – Supervisory Board Secretary
- Marcin Chludziński – Supervisory Board Member
- Eligiusz Krześniak – Supervisory Board Member
- Alojzy Nowak – Supervisory Board Member
- Jerzy Paluchniak – Supervisory Board Member
- Piotr Paszko – Supervisory Board Member
- Radosław Potrzezszcz – Supervisory Board Member

On 8 February 2017, Eligiusz Krześniak tendered his resignation from membership in the Supervisory Board effective as of 8 February 2017. On 8 February 2017, the PZU Extraordinary Shareholder Meeting dismissed Marcin Gargas, Piotr Paszko and Radosław Potrzezszcz from the Company's Supervisory Board effective as of 8 February 2017. At the same time, on 8 February 2017, the Extraordinary Shareholder Meeting appointed Agata Górnicka, Łukasz Świerżewski, Paweł Górecki and Bogusław Banaszak to the PZU Supervisory Board.

Accordingly, as of 8 February 2017, the composition of the PZU Supervisory Board was as follows:

- Paweł Kaczmarek – Supervisory Board Chairman
- Maciej Zaborowski – Supervisory Board Secretary
- Bogusław Banaszak – Supervisory Board Member
- Marcin Chludziński – Supervisory Board Member
- Paweł Górecki – Supervisory Board Member
- Agata Górnicka – Supervisory Board Member
- Alojzy Nowak – Supervisory Board Member
- Jerzy Paluchniak – Supervisory Board Member
- Łukasz Świerżewski – Supervisory Board Member

On 14 March 2017, the PZU Supervisory Board entrusted the function of Chairman of the PZU Supervisory Board to Paweł Górecki, the function of Deputy Chairman of the PZU Supervisory Board to Łukasz Świerżewski and the function of Secretary of the PZU Supervisory Board to Alojzy Nowak.

On 23 March 2017, the PZU Supervisory Board decided to second PZU Supervisory Board Member Marcin Chludziński to temporarily act as the President of the PZU Management Board.

On 12 April 2017, effective as of 12 April 2017, the Minister of Development and Finance, acting pursuant to § 20 Section 7 of the PZU Articles of Association, dismissed Jerzy Paluchniak from the position of PZU Supervisory Board Member. At the same time, effective as of 12 April 2017, the Minister of Development and Finance, acting pursuant to § 20 Section 7 of the PZU Articles of Association, appointed Aneta Fałek to the position of PZU Supervisory Board Member. On 12 April 2017, Łukasz Świerżewski tendered his resignation from membership in the PZU Supervisory Board, effective as of 12 April 2017. On 12 April 2017, effective as of 12 April 2017, the PZU Extraordinary Shareholder Meeting dismissed Paweł Kaczmarek from the Company's Supervisory Board and appointed Robert Śnitko and Katarzyna Lewandowska to the PZU Supervisory Board.

On 13 April 2017, the PZU Supervisory Board entrusted the function of being the PZU Supervisory Board Chairman to

Katarzyna Lewandowska and the function of PZU Supervisory Board Deputy Chairman to Aneta Fałek.

Accordingly, after the changes in the composition of the PZU Supervisory Board made on 12 April 2017 and the changes in the composition of the presidium of the PZU Supervisory Board made on 13 April 2017, the composition of the Supervisory Board was as follows:

- Katarzyna Lewandowska – Supervisory Board Chairwoman
- Aneta Fałek – Supervisory Board Deputy Chairwoman
- Alojzy Nowak – Supervisory Board Secretary
- Bogusław Banaszak – Supervisory Board Member
- Marcin Chludziński – Supervisory Board Member
- Paweł Górecki – Supervisory Board Member
- Agata Górnicka – Supervisory Board Member
- Robert Śnitko – Supervisory Board Member
- Maciej Zaborowski – Supervisory Board Member

The current term of office of the PZU Supervisory Board started on 1 July 2015 and will end after the elapse of three full financial years. 2016 was the first full financial year of this term of office. The mandates of members of the Supervisory Board will expire not later than on the date of the Shareholder Meeting approving the financial statements for the last full financial year of their term.

### The PZU's Supervisory Board composition as at 31 December 2017

| Name and surname      | PZU Supervisory Board member's period of holding office   |
|-----------------------|---|
| Katarzyna Lewandowska | Supervisory Board Chairwoman since 13 April 2017<br>(in the Supervisory Board since 12 April 2017)        |
| Aneta Fałek           | Supervisory Board Deputy Chairwoman since 13 April 2017<br>(in the Supervisory Board since 12 April 2017) |
| Alojzy Nowak          | Supervisory Board Secretary since 14 March 2017<br>(in the Supervisory Board since 30 May 2012)           |
| Bogusław Banaszak     | Supervisory Board Member since 8 February 2017  |
| Marcin Chludziński    | Supervisory Board Member since 7 January 2016   |
| Paweł Górecki         | Supervisory Board Member since 8 February 2017  |
| Agata Górnicka        | Supervisory Board Member since 8 February 2017  |
| Robert Śnitko         | Supervisory Board Member since 12 April 2017  |
| Maciej Zaborowski     | Supervisory Board Member since 7 January 2016   |

On 8 January 2018, Aneta Fałek tendered her resignation from membership in the PZU Supervisory Board effective as of 8 January 2018. On 8 January 2018, effective as of 8 January 2018, pursuant to § 20 Section 7 of the Articles of Association, the Prime Minister appointed Maciej Łopiński to be a PZU Supervisory Board Member. On 9 January 2018, due to his demise, the mandate of Bogusław Banaszak as a Supervisory Board Member expired.

On 9 January 2018, the PZU Supervisory Board entrusted the function of Chairman of the PZU Supervisory Board to Maciej Łopiński and the function of Deputy Chairman of the PZU Supervisory Board to Paweł Górecki.

On 9 March 2018 PZU's Extraordinary Shareholder Meeting appointed Robert Jastrzębski to the Supervisory Board as of 9 March 2018.

Accordingly, after the changes in the composition of the PZU Supervisory Board made on 8 January 2018 and 9 March 2018, the changes in the composition of the presidium of the PZU Supervisory Board made on 9 January 2018 and the expiration of the mandate of Bogusław Banaszak, the composition of the Supervisory Board is as follows:

#### The PZU's Supervisory Board composition as at 14 March 2018

| Name and surname      | PZU Supervisory Board member's period of holding office  |
|-----------------------|--|
| Maciej Łopiński       | Supervisory Board Chairman since 9 January 2018<br>(in the Supervisory Board since 8 January 2018)         |
| Paweł Górecki         | Supervisory Board Deputy Chairman since 9 January 2018<br>(in the Supervisory Board since 8 February 2017) |
| Alojzy Nowak          | Supervisory Board Secretary since 14 March 2017<br>(in the Supervisory Board since 30 May 2012)            |
| Marcin Chludziński    | Supervisory Board Member since 7 January 2016  |
| Agata Górnicka        | Supervisory Board Member since 8 February 2017   |
| Robert Jastrzębski    | Supervisory Board Member since 9 March 2018  |
| Katarzyna Lewandowska | Supervisory Board Member since 12 April 2017   |
| Robert Śnitko         | Supervisory Board Member since 12 April 2017   |
| Maciej Zaborowski     | Supervisory Board Member since 7 January 2016  |



**Maciej Łopiński**

**Supervisory Board Chairman**

On the Supervisory Board since 8 January 2018

Graduate of the University of Gdańsk. Editor-in-Chief of Tygodnik Gdański, a journalist of Głos Wybrzeża and Tygodnik Czas, among others. A member of parliament in the 7th term of office. Secretary of State in the Office of President Lech Kaczyński in 2005-2010 and in turn in the Office of President Andrzej Duda in 2015-2016. He has many years of experience in company law and corporate governance also gained in supervisory bodies in commercial law companies, among others, KGHM Poland Miedź SA, PZU Asset Management SA, Telewizja Polska SA.



**Paweł Górecki**

**Supervisory Board Deputy Chairman**

In the Supervisory Board since 8 February 2017

Graduated from the Faculty of Law, Administration and Economics of the University of Wrocław. He received the degree of Doctor of Law. He was a legal advisor trainee and a court trainee and has been entered in the registry of legal advisors. A university lecturer. He has authored several dozen peer-reviewed papers on the subject of law published by Polish and international journals and has authored numerous unpublished legal opinions. He has been an active participant of conferences organized by Polish academic centers. He specializes in the providing legal services to companies and applying administrative, fiscal and court-and-administrative procedures.



**Alojzy Nowak**

**Supervisory Board Member**

In the Supervisory Board since 30 May 2012

Professor ordinary at the University of Warsaw, a graduate of the Department of Foreign Trade of the Central School of Planning and Statistics. Completed, among others, economics studies at the University of Illinois Urbana-Champaign in the United States and completed studies in banking, finance and capital markets at the University of Exeter in the United Kingdom. Head of the Department of National Economy at the Management Faculty of the University of Warsaw, Director of the European Center of the University of Warsaw, Dean of the Management Faculty of the University of Warsaw. Member of the National Development Council at the President of the Republic of Poland, adviser to the Prime Minister. He has extensive experience in corporate governance, gained, among others, while serving as a member of the supervisory boards of PTE WARTA S.A., PKO BP S.A. and JSW S.A.



**Marcin Chludziński**

**Supervisory Board Member**

In the Supervisory Board since 7 January 2016

AGraduate of the European Regional and Local Studies and the Faculty of Journalism and Political Sciences of the University of Warsaw. From 2004, associated with Invent Grupa Doradztwa i Treningu. From 2009, President of the Management Board of Urbino sp. z o.o., a licensed coach and consultant specializing in strategic and organizational planning and project management. He has been working for the University of Warsaw, the Collegium Civitas and the Łazarski University as a lecturer. Has gained extensive experience in corporate governance in companies with a State Treasury shareholding and municipal companies. Author of articles on public management.



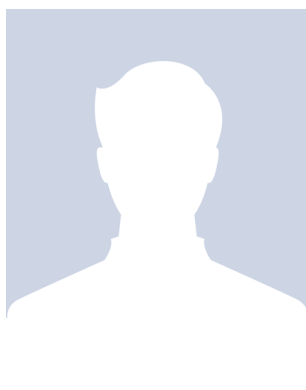


**Agata Górnicka**

Supervisory Board Member

In the Supervisory Board since 8 February 2017

Graduate of the Faculty of Journalism and Political Science at the University of Warsaw and. She has obtained a post-graduate diploma in media management from the Kozminski University in Warsaw. From 2006 to 2012 she was professionally associated with Telewizja Polska S.A., in 2012-2013 she was a Project Coordinator at the Bank Zachodni WBK S.A. Foundation, in 2013-2014 she was an Assistant to the President of the Bank Zachodni WBK S.A. Management Board. From 2014 to 2015, she was the Manager of the Office of the Management Board and Supervisory Board at Bank Zachodni WBK S.A. Since December 2015, she has served as the Director of the Political Office at the Ministry of Development.



**Robert Jastrzębski**

Supervisory Board Member

In the Supervisory Board since 9 March 2018

Graduate of the Faculty of Law and Administration at the University of Warsaw. In 2001 he obtained the academic degree of doctor of legal sciences in the law, and in 2009 he obtained the academic degree of a habilitated doctor. He is the author of more than 80 academic publications. Winner of awards and distinctions, including, among others, an Award from the Faculty of Law and Administration at the University of Warsaw for outstanding academic achievement. Employed since 2001 by the Faculty of Law and Administration at the University of Warsaw. Since 2015 Head of the Workshop on 20th century Polish law. Member among others of the program council of the magazine Przegląd Ustawodawstwa Gospodarczego (2010) (Business Legislation Review), editorial team of the magazine Zeszyty Naukowe Biura Analiz Sejmowych (2016) (Research Bulletin of the Parliamentary Research Office).



**Katarzyna Lewandowska**

Supervisory Board Member

In the Supervisory Board since 12 April 2017, she served as the Supervisory Board Chairwoman from 13 April 2017 to 8 January 2018.

Graduated from Warsaw School of Economics. From 1996 to 2017, an employee of the State Treasury Ministry where she gained extensive experience in exercising corporate governance in companies operating in the defense industry, operating in the coal mining industry, managing sea ports and exercising the State Treasury's monopoly in number games and cash lotteries. From March 2017 Deputy Director of the State Treasury Department in the Prime Minister's Office. Member of the Supervisory Board of the LOTOS S.A. Group. Acting Director of the State Treasury Department.



**Robert Śnitko**

Supervisory Board Member

In the Supervisory Board since 12 April 2017

Graduate of the London School of Economics and Political Science, University of London, School of Oriental and African Studies, University of London, Faculty of Economics at the Radom Technical University. Holder of a Scholarship awarded by the Minister of National Education (Minister of Science and Higher Education), the United Kingdom's Ministry of Foreign Affairs and non-governmental organizations from the United Kingdom and the United States. Ph.D. in economics obtained from the Warsaw School of Economics. Member of the International Institute for Strategic Studies.



### **Maciej Zaborowski**

#### **Supervisory Board Member**

In the Supervisory Board  
since 7 January 2016

Graduated from the Law and Administration Department at the University of Warsaw. Completed post-graduate studies in intellectual property law and postgraduate studies in evidence law. Graduate of the Center for American Law Studies, Leadership Academy for Poland. Advocate and professional mediator of the Mediation Center at the Polish Bar Council. Lecturer of advocate training at the Bar Association in Warsaw. Currently, he runs his own legal practice and is a Managing Partner at the law firm Kopeć Zaborowski Adwokaci i Radcowie Prawni sp.p. He has acquired experience in corporate governance as a member of the supervisory boards in various companies.



## Powers

The Supervisory Board continuously oversees the Company's business in all areas of its operation. In accordance with the Articles of Association, the powers of the Supervisory Board include:

- evaluating the Management Board's report on the Company's activity and the financial statements for the previous financial year for compliance with the accounting ledgers and documents as well as the facts,
- evaluating the Management Board's motions to distribute profit or cover loss,
- submitting a written report to the Shareholder Meeting on the results of the evaluation referred to in the foregoing items and submitting a concise annual evaluation of the Company's standing with an assessment of its internal control system and the system for managing significant risks to the Company, and an annual report on the Supervisory Board's work;
- executing, terminating and amending agreements with Management Board members and setting the rules for their compensation;
- appointing, suspending and dismissing the President of the Management Board, Management Board members or the entire Management Board and making decisions to discontinue such suspension;
- granting consent to transferring an insurance portfolio in whole or in part;
- accepting motions submitted by the Management Board to purchase, subscribe to or sell ownership interest and shares in companies and on the Company's participation in other entities – the Supervisory Board may define the maximum amount, the terms and conditions and the procedure that the Management Board may use to conduct the foregoing activities without the obligation to obtain approval from the Supervisory Board, except in cases where the decision in this respect is made by the Shareholder Meeting pursuant to § 18a of the Articles of Association;
- seconding members of the Supervisory Board to perform temporarily the functions of members of the Management Board who have been dismissed, resigned or cannot perform their functions for other reasons,
- accepting instructions for the Company's representatives to vote at Shareholder Meetings of PZU Życie SA in the following matters: increasing or decreasing the share capital, issuing bonds, selling or leasing PZU Życie SA's enterprise or establishing a usufruct right on the enterprise, splitting PZU Życie SA, merging PZU Życie SA with another company, liquidating or dissolving PZU Życie SA;

- selecting an entity authorized to audit financial statements to audit the Company's annual financial statements;
- establishing the consolidated text of the amended Articles of Association;
- approving the Company's long-term development plans and annual financial plans devised by the Management Board;
- approving of the rules and regulations of the Management Board;
- examining and issuing opinions on matters submitted by the Management Board for deliberation at the Shareholder Meeting

Moreover, one of the the Supervisory Board's powers its to give consent to the following:

- acquisition or disposal of real property, perpetual usufruct or share in real property or in perpetual usufruct with a value exceeding the equivalent of EUR 3.0 million;
- executing a material agreement, as construed by the the Regulation on Current and Periodic Information, by the Company with its related party, except for standard agreements executed by the Company on an arm's length basis as part of its operating activities;
- executing an agreement with an underwriter of the kind referred to in Article 433 § 3 of the Commercial Company Code;
- paying out an interim dividend;
- creating and shutting down regional or foreign branches;
- executing an agreement to provide legal, marketing, public relations and public communication services or management consulting services if the total net fee to be paid for such services is greater than PLN 500 thousand annually;
- amending an agreement to provide legal, marketing, public relations and public communication services or management consulting services by increasing the said fee above and beyond the net amount of PLN 500 thousand annually;
- executing an agreement to provide legal, marketing, public relations and public communication services and management consulting services which do not specify the maximum amount of the fee;
- executing a donation or other agreement having a similar effect, the value of which exceeds PLN 20 thousand or 0.1% of total assets within the meaning of the Accounting Act of 29 September 1994, determined on the basis of the most recent approved financial statements;
- executing a debt forgiveness or other agreement having a similar effect, the value of which exceeds PLN 50

thousand or 0.1% of total assets within the meaning of the Accounting Act of 29 September 1994, determined on the basis of the most recent approved financial statements.

### **Mode of operation**

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.

The Articles of Association stipulate that the Supervisory Board should meet at least once every quarter. The Supervisory Board may delegate its members to fulfil specific supervising activities on their own and to this effect appoint temporary committees. The scope of responsibility of a delegated member of the Supervisory Board and the committee is specified in a resolution of the Supervisory Board.

The Supervisory Board adopts its resolutions by an absolute majority of votes. In the event of a voting tie, the Chairman of the Supervisory Board has the casting vote. Resolutions of the Supervisory Board may be adopted using means of direct remote communication and circular vote. Additionally, the Articles of Association stipulate that a vote may be cast in writing through another member of the Supervisory Board.

Resolutions of the Supervisory Board are adopted in an open ballot, except for resolutions concerning the appointment of the Chairperson, Deputy Chairperson or the Secretary of the Supervisory Board, delegation of members of the Supervisory Board to temporarily fill in for members of the Management Board and for resolutions on appointing, suspending and dismissing the President, members of the Management Board or the entire Management Board as well and making decisions to stop such suspension, which are adopted in a secret ballot. Moreover, a secret ballot may be held at the request of a member of the Supervisory Board.

The Supervisory Board elects from among its members the Chairperson and Deputy Chairperson and may also elect the Secretary from among its members.

In accordance with the Rules and Regulations of the Supervisory Board, apart from appointing the audit committee

and the nomination and compensation committee, provided for in the Articles of Association to properly perform its supervision, the Supervisory Board may appoint other permanent advisory and consultative committees whose competencies, composition and manner of operation are laid down in the rules and regulations of the committee in question adopted by the Supervisory Board.

The Rules and Regulations provide for the possibility for the Supervisory Board and its appointed committees to use the services provided by experts and consulting firms.

Members of the Management Board, PZU employees involved in the issue under consideration selected by the Management Board and other persons invited by the Supervisory Board may take part in Supervisory Board meetings without voting rights. In specific cases, the Supervisory Board may also invite members of the management board or supervisory board of other PZU Group member companies. Moreover, members of the Supervisory Board, with the consent of the Supervisory Board, may select no more than one advisor authorized to take part in the meetings of the Supervisory Board devoted to reports and financial statements and give their advice, provided that such a person adheres to the rules of confidentiality and signs a confidentiality undertaking.

At present, the following committees operate as part of the PZU Supervisory Board:

- audit committee;
- nomination and compensation committee;
- strategy committee.

The Articles of Association provide for the appointment of an audit committee by the Supervisory Board. The committee is composed of three members. Pursuant to the Act of 21 June 2017 on Statutory Auditors, Audit Firms and Public Supervision, at least one member of the audit committee appointed by the Supervisory Board should hold qualifications in accounting or financial audit. Furthermore, the majority of the audit committee members should meet the statutory independence criteria (independent member) concerning, without limitation, professional or family ties, especially to managers or supervisors of PZU or PZU Group entities. The detailed tasks and terms and conditions of appointing members of the audit committee and its operation are specified in a resolution of the Supervisory Board which takes into account the relevant competencies and experience of candidates for members of the committee.

In accordance with the rules and regulations of the audit committee adopted by a resolution of the Supervisory Board, the audit committee is an advisory and consultative body to the Supervisory Board and is appointed to improve the effective supervision of the correctness of financial reporting and the effectiveness of internal control, including internal audit and risk management, exercised by the Supervisory Board. Moreover, the audit committee may request the Supervisory Board to commission the performance of specific control activities in the Company, and such commissioned control activities may be performed by an internal unit or an external entity.

The Supervisory Board appointed the Audit Committee on 3 June 2008. Composition of the audit committee as at 1 January 2017:

- Piotr Paszko – Committee Chairman;
- Marcin Chludziński – Committee Member;
- Jerzy Paluchniak – Committee Member.

Marcin Chludziński and Jerzy Paluchniak were indicated by the Supervisory Board as independent members within the meaning of Article 86 Section 4 of the Act on Statutory Auditors and their Self Regulation, Entities Authorized to Audit Financial Statements and Public Supervision, holding accounting or financial audit qualifications.

In connection with the changes in the PZU Supervisory Board, on 23 February 2017 the PZU Supervisory Board resolved that the audit committee will be composed of 3 persons and established the following composition of the committee:

- Bogusław Banaszak – Committee Chairman;
- Marcin Chludziński – Committee Member;
- Jerzy Paluchniak – Committee Member.

Due to the change in the composition of the committee, Bogusław Banaszak was additionally indicated by the Supervisory Board as a member of the audit committee satisfying the requirements provided for in Article 86 Section 4 of the Act on Statutory Auditors and their Self Regulation, Entities Authorized to Audit Financial Statements and Public Supervision.

On 13 April 2017, the PZU Supervisory Board supplemented the composition of the audit committee to include Robert Śnitko as a Committee Member. Following this change, the composition of the audit committee was as follows:

- Bogusław Banaszak – Committee Chairman;

- Marcin Chludziński – Committee Member;
- Robert Śnitko – Committee Member.

On 18 September 2017, the PZU Supervisory Board changed the composition of the audit committee to the following:

- Bogusław Banaszak – Committee Chairman;
- Marcin Chludziński – Committee Member;
- Maciej Zaborowski – Committee Member.

Bogusław Banaszak and Maciej Zaborowski were indicated as independent members within the meaning of Article 129 Section 3 of the Act on Statutory Auditors, Audit Firms and Public Supervision, and Marcin Chludziński was indicated as a member holding accounting or financial audit qualifications.

As at 31 December 2017, the composition of the committee was unchanged.

On 9 January 2018, due to his demise, the mandate of Bogusław Banaszak as the Committee Chairman expired.

In accordance with the Rules and Regulations of the Supervisory Board, once PZU's shares are listed on a regulated market within the meaning of the Financial Instruments Trading Act of 29 July 2005, the Supervisory Board may appoint a nomination and compensation committee.

In accordance with the Articles of Association, detailed responsibilities and the method of appointing members of the nomination and compensation committee, the manner of its operation and remunerations are defined by a Supervisory Board resolution. The committee should include at least one independent member. If the Supervisory Board includes five members elected in a vote, the nomination and compensation committee is not appointed and its tasks are carried out by the entire Supervisory Board.

According to the regulations of the nomination and compensation committee adopted by a resolution of the Supervisory Board of 4 April 2013, the committee is an advisory and consultative body to the Supervisory Board and is appointed to improve the effectiveness of the Supervisory Board's oversight activities related to establishing the management structure, including organizational issues, the remuneration system and principles and the selection of properly qualified staff.

Composition of the nomination and compensation committee as at 1 January 2017:

- Radosław Potrzezszcz – Committee Chairman;
- Marcin Gargas – Committee Member;
- Paweł Kaczmarek – Committee Member;
- Eligiusz Krześniak – Committee Member.

In connection with the changes in the PZU Supervisory Board, on 23 February 2017 the PZU Supervisory Board resolved that the nomination and compensation committee will be composed of 3 persons and established the following composition of the committee:

- Agata Górnicka – Committee Chairwoman;
- Paweł Górecki – Committee Member;
- Paweł Kaczmarek – Committee Member.

In connection with the changes in the PZU Supervisory Board, on 13 April 2017 the PZU Supervisory Board resolved that the nomination and compensation committee will be composed of 3 persons and established the following composition of the committee:

- Aneta Fałek – Committee Chairwoman;
- Paweł Górecki – Committee Member;
- Katarzyna Lewandowska – Committee Member.

As at 31 December 2017, the composition of the committee was unchanged.

In connection with the changes in the PZU Supervisory Board, on 9 January 2018 the PZU Supervisory Board resolved that the nomination and compensation committee will be composed of 3 persons and established the following composition of the committee:

- Paweł Górecki – Committee Chairman;
- Agata Górnicka – Committee Member;
- Katarzyna Lewandowska – Committee Member.

On 13 March 2018 Maciej Łapiński joined to the nomination and compensation committee.

The committee is dissolved once five members of the Supervisory Board are elected by group voting, following which its powers are taken over by the whole Supervisory Board.

According to the rules and regulations of the strategy committee adopted by a resolution of the Supervisory

Board of 4 April 2013, the committee is an advisory and consultative body to the Supervisory Board and is appointed to improve the effectiveness of the Supervisory Board's oversight activities related to issuing opinions on all strategic documents presented by the Management Board (in particular, the Company's development strategy) and providing the Supervisory Board with recommendations on planned investments that materially impact the Company's assets.

Composition of the strategy committee as at 1 January 2017:

- Alojzy Nowak – Committee Chairman;
- Marcin Chludziński – Committee Member;
- Marcin Gargas – Committee Member;
- Piotr Paszko – Committee Member;
- Radosław Potrzezszcz – Committee Member;
- Maciej Zaborowski – Committee Member.

In connection with the changes in the PZU Supervisory Board, on 23 February 2017 the PZU Supervisory Board resolved that the strategy committee will be composed of 6 persons and established the following composition of the committee:

- Alojzy Nowak – Committee Chairman;
- Bogusław Banaszak – Committee Member;
- Marcin Chludziński – Committee Member;
- Agata Górnicka – Committee Member;
- Łukasz Świerżewski – Committee Member;
- Maciej Zaborowski – Committee Member.

In connection with the changes in the PZU Supervisory Board, on 13 April 2017 the PZU Supervisory Board supplemented the composition of the strategy committee to include Robert Śnitko as a Committee Member. Following this change, the composition of the strategy committee was as follows:

- Alojzy Nowak – Committee Chairman;
- Bogusław Banaszak – Committee Member;
- Marcin Chludziński – Committee Member;
- Agata Górnicka – Committee Member;
- Robert Śnitko – Committee Member;
- Maciej Zaborowski – Committee Member.

As at 31 December 2017, the composition of the committee was unchanged.

On 9 January 2018, due to his demise, the mandate of Bogusław Banaszak as a Committee Member expired.

On 13 March 2018 Robert Jastrzębski joined to the strategy committee.

## Management Board

### Composition

In accordance with PZU's Articles of Association, the Management Board is composed of three to seven members appointed for a joint term of office of three consecutive full financial years.

Management Board Members, including the President of the Management Board, are appointed and dismissed by the Supervisory Board. Such appointment takes place following a recruitment procedure aimed at verifying and evaluating the qualifications of the candidates and selecting the best candidate, for a joint term of office of three consecutive full financial years. The President of the Management Board of the new term of office appointed before the current term elapses has the right to submit a motion to the Supervisory Board requesting appointment of the remaining Management Board members of the new term of office before the current term elapses.

A Management Board Member must fulfill all of the following conditions:

- holds a graduate degree or a graduate degree received abroad and recognized in the Republic of Poland pursuant to separate regulations,
- has at least 5-year employment period based on an employment agreement, appointment, selection, nomination, cooperative employment agreement or provision of services on the basis of another contract or conducting business activity on one's own account,
- has at least 3 years of experience on managerial or independent positions or arising from conducting business activity on one's own account,
- in addition to the above requirements, meets other requirements arising from separate regulations, in particular is not in breach of any restrictions or prohibitions for holding an executive position in commercial companies.

A Management Board Member may not be a person who fulfills at least one of the following conditions:

- acts as a social associate or is an employee of an MP's office, senator's office, MP-senator's office or office of a member of European Parliament pursuant to an employment agreement or provides work on the basis of a mandate agreement or other similar agreement,

- is a member of a body of a political party that represents the political party externally and is authorized to incur liabilities,
- is employed by a political party pursuant to an employment agreement or provides work on the basis of a mandate agreement or other similar agreement,
- is an elected official of a company trade union or a company trade union in a group company,
- his/her public or business activity raises conflict of interest with the Company's business.

On 22 March 2017, effective as of 22 March 2017, the PZU Supervisory Board dismissed Michał Krupiński from the position of President of the PZU Management Board and from membership in the Management Board. On 23 March 2017, effective as of 23 March 2017, the Supervisory Board seconded PZU Supervisory Board Member Marcin Chludziński to temporarily act as the President of the Management Board until the President of the Management Board is appointed, for a period of up to 3 months.

Accordingly, from 23 March 2017 the Management Board composition was as follows:

- Marcin Chludziński – temporarily seconded to discharge the function of President of the Management Board;
- Roger Hodgkiss – Management Board Member;
- Andrzej Jaworski – Management Board Member;
- Tomasz Kulik – Management Board Member;
- Maciej Rapkiewicz – Management Board Member.

On 13 April 2017, effective as of 13 April 2017, the Supervisory Board withdrew the secondment of Supervisory Board Member Marcin Chludziński to temporarily act as the President of the Management Board. At the same time, on 13 April 2017, effective as of 13 April 2017, the Supervisory Board appointed Paweł Surówka to the Management Board and entrusted him with acting in the capacity of President of the Management Board.

Accordingly, from 13 April 2017 the Management Board composition was as follows:

- Paweł Surówka – President of the Management Board;
- Roger Hodgkiss – Management Board Member;
- Andrzej Jaworski – Management Board Member;
- Tomasz Kulik – Management Board Member;
- Maciej Rapkiewicz – Management Board Member.

On 29 May 2017, Andrzej Jaworski tendered his resignation from the function of Management Board Member effective as of 29 May 2017.

Accordingly, from 30 May 2017 the Management Board composition was as follows:

- Paweł Surówka – President of the Management Board;
- Roger Hodgkiss – Management Board Member;
- Tomasz Kulik – Management Board Member;
- Maciej Rapkiewicz – Management Board Member.

On 12 June 2017, effective as of 13 June 2017, the Supervisory Board appointed Małgorzata Sadurska to the Management Board and entrusted her with acting in the capacity of Management Board Member.

Accordingly, from 13 June 2017 the Management Board composition was as follows:

- 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.

As at 31 December 2017, the Management Board composition was unchanged.

The current term of office of the PZU Management Board started on 1 July 2015 and will last until the end of three consecutive financial years. The mandates of the Management Board members will expire no later than on the date of the Shareholder Meeting approving the financial statements for the most recent full financial year of the discharge of their functions.

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.

The Rules and Regulations of the Management Board define:

- the scope of the Management Board's powers and activities that require approval or confirmation by the Supervisory Board;
- powers the President of the Management Board and other Management Board members;
- principles and organization of the Management Board's activities, including its meetings and decision-making procedures;
- rights and obligations of Management Board members upon dismissal.

In accordance with the Rules and Regulations of the Management Board, resolutions of the Management Board are especially required for:

- adoption of a long-term plan for the Company's development and operations;
- adoption of an action and development plan for the PZU Group;
- adoption of an annual financial plan and a report on its implementation;
- approval of the financial statements for the previous financial year and the Management Board's report on the Company's activities;
- approval of a motion to distribute profit or cover loss;
- determination of premiums in compulsory and voluntary insurance and the general terms and conditions of voluntary insurance;
- determination of the scope and size of outward reinsurance and the tasks for inward reinsurance;
- adoption of an annual audit and control plan and a report on its implementation with conclusions;
- determination of the terms and conditions of investment, prevention and sponsoring activities;
- granting sureties and guarantees (excluding insurance operations) and contracting or providing credit facilities or loans by the Company (excluding credit facilities and loans granted from the Company Social Benefits Fund);
- appointment of a commercial proxy.

In accordance with the Rules and Regulations, meetings of the Management Board are held at least once a fortnight. The

work of the Management Board is headed by the President of the Management Board whose powers include in particular:

- defining the scope of responsibility of each member of the Management Board;
- convening meetings of the Management Board;
- setting the agenda of meetings of the Management Board;
- applying to the Supervisory Board for appointing or dismissing members of the Management Board;
- designating a person to administer the work of the Management Board during the absence of the President of the Management Board.

The work of the Management Board is headed by the President of the Management Board who defines the scope of responsibility for each member of the Management Board.

The Management Board prepares and presents to the Shareholder Meeting a report on representation expenditures and expenditures for legal, marketing, public relations and public communication services and management consulting services.

Resolutions of the Management Board are adopted only in the presence of the President of the Management Board or a person designated to head the work of the Management Board during the President's absence.

Resolutions of the Management Board are adopted by an absolute majority of votes; in the event of a voting tie, the President has the casting vote. The Management Board, with the consent of the President, may adopt resolutions in writing, on paper or in electronic form (i.e. using means of remote communication and a qualified electronic signature). The Articles of Association also provide that meetings of the Management Board may be held using means of direct remote communication.

The President of the Management Board makes decisions in the form of orders and official instructions. Other members of the Management Board administer the operations of the Company within the scope specified by the President.

PZU's Articles of Association do not provide for any special rights of the Management Board concerning decisions on issuing or redeeming shares.

Presented below are the scopes of responsibility of the Management Board members in office as at the end of 2017:



| Name and surname<br>(composition of the<br>Management Board at<br>the end of 2017) | In the PZU Group  | Responsibilities<br>(as at the end of 2017)   |
|--|---|---|
| Paweł Surówka  | President of the PZU Management Board since 13 April 2017/<br>President of the PZU Życie Management Board since 23 June 2016 to 13 April 2017 | management and corporate governance in the PZU Group, corporate management, internal audit, administration, strategy and development, innovation, compliance, reinsurance                                 |
| Roger Hodgkiss   | PZU Management Board Member since 19 January 2016 /<br>PZU Życie Management Board Member since 29 January 2016                                | mass non-life insurance (sales and sales network management, products and tariffs), corporate non-life insurance (sales and sales network management, underwriting, financial insurance), direct sales    |
| Tomasz Kulik   | PZU Management Board Member since 14 October 2016 /<br>PZU Życie Management Board Member since 19 October 2016                                | finance, investments, actuarial affairs   |
| Maciej Rapkiewicz  | PZU Management Board Member since 22 March 2016 /<br>PZU Życie Management Board Member since 25 May 2016                                      | risk management   |
| Małgorzata Sadurska  | PZU Management Board Member since 13 June 2017 /<br>PZU Życie Management Board Member since 19 June 2017                                      | bancassurance and strategic partnership programs, real estate, supervision over the PZU Group's foreign companies   |
| Roman Pałac  | President of the PZU Życie Management Board since 26 April 2017 /<br>PZU Group Director since 15 February 2016                                | life insurance (products and tariffs, management of sales and agency and corporate sales channels), management of the PZU Branch network, health insurance, claims handling, benefits and remote channels |
| Aleksandra Agatowska   | PZU Życie Management Board Member /<br>PZU Group Director since 25 March 2016   | procurement   |
| Tomasz Karusewicz  | PZU Życie Management Board Member /<br>PZU Group Director since 29 January 2016   | IT, non-life and life operations  |
| Bartłomiej Litwińczuk  | PZU Życie Management Board Member /<br>PZU Group Director since 19 August 2016  | security, legal services, HR management   |
| Dorota Macieja   | PZU Życie Management Board Member /<br>PZU Group Director since 15 March 2017   | marketing, customer relationship management, corporate communication  |





### **Paweł Surówka**

President of the PZU Management Board since 13 April 2017/ President of the PZU Życie Management Board since 23 June 2016 to 13 April 2017

Graduate of Université Paris I Panthéon Sorbonne, Ecole des Hautes Etudes en Sciences Sociales (EHESS) and the Ludwig Maximilian Universität (LMU) in Munich. From 2007 to 2013, he held the position of financial advisor with Bank of America Merrill Lynch. From 2013 to 2015 he served as a Management Board Member in Boryszew SA, Director of the Automotive Sector Development Department and CEO of subsidiaries in the automotive sector. Until January 2016, he was an advisor to the CEO of PKO Bank Polski SA and Director of Corporate and Investing Banking for Germany, he was responsible for opening the first international corporate branch of PKO Bank Polski as well as for advisory and financial services for PKO Bank Polski's top corporate clients.



### **Roger Hodgkiss**

PZU Management Board Member since 19 January 2016 / PZU Życie Management Board Member since 29 January 2016

Roger holds an Honours Degree in Mechanical Engineering from Liverpool University and also qualified as a Chartered Accountant in the United Kingdom. From 1998 to 2007, he worked for GE Capital where he held various managerial positions in finance and operations. From 2007 to 2008 he was the CEO of AAS Balta – the largest insurer in Latvia. From 2008 to 2009 he was the Commercial Director in Intouch Insurance Group, the Joint Venture established by the RSA Group and DIFI to establish Direct Insurance businesses in Emerging Markets. From 2009 he was CEO of Link4 Towarzystwo Ubezpieczeń S.A. He received the prestigious "Man of the Year" award from Gazeta Ubezpieczeniowa in 2014.



### **Tomasz Kulik**

PZU Management Board Member since 14 October 2016 / PZU Życie Management Board Member since 19 October 2016

He graduated from the Warsaw School of Economics. He also completed MBA studies at the University of Illinois and the Warsaw-Illinois Executive MBA program. A member of The Association of Chartered Certified Accountants (ACCA). Through most of his professional career, he was associated with the Aviva Group (former Commercial Union). Prior to his appointment to the PZU Management Board, he served as the Director of the Planning and Controlling Department. He prepared the PZU Group's strategy for the years 2016-2020 and the PZU Group's capital and dividend policy. Member of the TFI PZU SA Management Board in charge of finance, risk, operations and IT. In his capacity as Member of the TFI PZU SA Management Board, he was also responsible for the corporate area.



### **Maciej Rapkiewicz**

PZU Management Board Member since 22 March 2016 / PZU Życie Management Board Member since 25 May 2016

He graduated from the Faculty of Law and Administration at the University of Łódź and completed post-graduate studies in business insurance at the Kraków Academy of Economics, MBA Finance & Insurance at the Łódź University of Technology / Illinois State University, and Ph.D. studies at the Economics Faculty of the Finance, Banking and Insurance Institute of Łódź University. In 2006-2009, Member and then Vice President of the TFI PZU SA Management Board. Since 2015, he has been working for TFI BGK S.A., where he has been discharging the function Management Board Member. President of the ŁSSE S.A. Management Board, Member of the Morizon S.A. Supervisory Board (in 2015-2016), Chairman of the Dom Invest Sp. z o.o. Supervisory Board (since 2016).



**Małgorzata Sadurska**

PZU Management Board  
Member since 13 June 2017 /  
PZU Życie Management Board  
Member since 19 June 2017

Graduated from the Law and Administration Faculty of the Maria Curie-Skłodowska University in Lublin and completed a post-graduate course in Organization and Management. From 2002 to 2005, she was a Member of the Puławy County Board. From 2005 to 2015, she was a member of the Sejm of the Republic of Poland (of the 5th, 6th and 7th terms). She worked in the Committees on the European Union, Internal Affairs, Special Committee for changes in legal codes, where she acted as the deputy chairwoman of the Committee for two terms of office. She was also member of the National Council of the Judiciary of Poland, Chairwoman of the Supervisory Board of the ZUS Social Insurance Institution. In 2007, she was the Secretary of the State on labor and social policy at the Prime Minister's Office. In 2015-2017, she served as Head of the Chancellery of the President of the Republic of Poland.



**Roman Pałac**

President of the PZU Życie  
Management Board since  
26 April 2017/ PZU Group  
Director since 15 February  
2016

Graduated in Economics from the Warsaw School of Economics (SGH) and completed MBA studies at the London Business School. Gained extensive experience working for Polish and foreign financial institutions. In 2003-2007, he worked as Project Manager at the World Bank in charge of the preparation and coordination of loan programs aimed at implementing policies intended to improve energy efficiency in countries of Central and Eastern Europe. From 2009 to 2016, he was associated with The Boston Consulting Group where he was responsible for the provision of insurance and banking advisory services related to motor insurance claims handling, business strategy development and sales activation. He also participated as an expert in several bank merger deals.



**Aleksandra Agatowska**

PZU Życie Management Board  
Member / PZU Group Director  
since 25 March 2016

Graduate of the Jagiellonian University majoring in Economic Sociology and Market Research. She gained her professional experience working for ING Życie, ING Powszechnie Towarzystwo Emerytalne and ING Spółka Dystrybucyjna. She also collaborated with the team of the Public Policy Evaluation and Analysis Center. For HDI (currently Warta S.A.), she managed the product marketing team, developing and executing sales support campaigns. Then she headed the Marketing Intelligence team at Sony Europe. At Philips S.A. she managed the Marketing and Business Intelligence team in 17 countries of the region. As an external consultant, she advised among others Aviva on the implementation of distribution channel projects.



**Dorota Maciejka**

PZU Życie Management Board  
Member / PZU Group Director  
since 15 March 2017

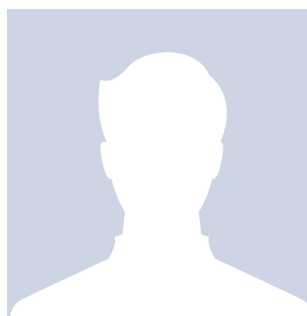
Graduate of Polish philology at the University of Warsaw. Associated with the PZU Group since 2016. As a director, she supervised prevention and sponsoring activities at PZU and PZU Życie SA. In 2010-2016, she coordinated and managed publishing and film production projects. In 2008-2010, she served as deputy director and director of Channel 1 of Telewizja Polska SA. Earlier, in 2007, she headed TVP1's News program. For many years, a journalist working for Tygodnik Solidarność, Wprost and Radio Free Europe. During martial law in Poland, she was associated with the underground publishing house "Wola".



### **Tomasz Karusewicz**

PZU Życie Management Board Member / PZU Group Director since 29 January 2016

Graduate of the Department of Economic Sciences and Management at Szczecin University. Certified internal auditor. In 2006-2008, he worked for the Ciech Group. He served as a member of the Ciech S.A. Supervisory Board and was also Deputy Director of the Corporate Governance Department. A member of the supervisory boards of Zakłady Chemiczne Alwernia S.A. and Ciech Polfa Sp. z o.o. In 2007-2009, the deputy director of the Foreign Investment Department at PZU. In 2010-2012, he worked for Telewizja Polska S.A., initially as Deputy Director of the Management and Corporate Department, then as Director of the Internal Audit and Control Department. He also served as a member of the supervisory boards of Enea S.A. and Zakłady Azotowe w Tarnowie-Mościcach S.A.



### **Bartłomiej Litwińczuk**

PZU Życie Management Board Member / PZU Group Director since 19 August 2016

Graduated from the Faculty of Law and Administration at the University of Warsaw. Advocate at the Bar Association in Warsaw. Practiced as an advocate specializing in civil law. He combines the knowledge of business with extensive experience resulting from his provision of legal assistance services in cases related to commercial company law, copyright law, administrative law and criminal law. He also served as an advisor to the Extraordinary Committee of the Sejm for changes in legal codes. He has acquired experience in corporate governance serving as a member of supervisory bodies of commercial law companies.

## 9 Compensation of the members of governing bodies

The rules for compensating Management Board members are shaped by the Supervisory Board in accordance with resolution 4 adopted by PZU's Extraordinary Shareholder Meeting of 8 February 2017 in the matter of determining the compensation of the Management Board members amended by resolution 38 adopted by PZU's Ordinary Shareholder Meeting of 29 June 2017 in connection with the Act of 9 June 2016 on the Rules for Shaping the Compensation of Persons Managing Some Companies.

The foregoing rules adopted by a Supervisory Board resolution stipulate that the total compensation due to a Management Board member for rendering management services and discharging other obligations ensuing from the Management Services Provision Agreement consists of the following:

- fixed compensation - flat monthly base compensation (for a calendar month) that cannot exceed the reference range established pursuant to art. 4 section 2 of the Act on the Rules for Shaping the Compensation of Persons Managing Some Companies without prejudice to the situations outlined in art. 4 section 3 of the aforementioned act;
- variable compensation - supplementary compensation for a given financial year depending on the extent to which management objectives are attained, within the catalogue of management objectives defined pursuant to the aforementioned act, and which include, among others, growing the company's value and improving its economic and financial ratios. The variable compensation for a given financial year may not exceed 100% of the annual fixed compensation in the previous financial year for which the amount of variable compensation due is to be calculated. In addition, a significant portion of the variable compensation is awarded in the form of deferred variable compensation. Deferred variable compensation is subject to deferral for 3 years. 12, 24 and 36 months, respectively from the date of allocation, a Management Board member may acquire the right to 1/3 of the deferred variable compensation for a given year subsequent to satisfying the conditions defined in the Management Services Provision Agreement.

Moreover, Management Services Provision Agreements entered into with Management Board members and accepted by a Supervisory Board resolution regulate their term of notice and issues related to refraining from engaging in

competitive activity to the Company's after their termination in consideration for damages to be paid as determined on the basis of the aforementioned act. In 2016-2017, the PZU Group companies subject to consolidation did not grant any loans or similar benefits to members of their management boards, higher level managers or members of their supervisory boards.

### PZU Group Directors

A joint management model is in place at PZU and PZU Życie SA. Under this model, the positions of Directors of the PZU Group exist, the rules governing the establishment of which and the appointment to and dismissal from which are laid down in the Organizational Rules and Regulations of these companies. According to this model, the persons discharging the functions of Management Board members at PZU Życie SA are at the same time employed as directors of the PZU Group at PZU and are in charge of the same business structures and areas at PZU and PZU Życie SA.

As at 1 January 2017, the following persons served as directors of the PZU Group:

- Aleksandra Agatowska;
- Tomasz Karusewicz;
- Bartłomiej Litwińczuk;
- Sławomir Niemierka;
- Roman Pałac;
- Paweł Surówka.

On 15 March 2017, Dorota Macieja was appointed to the position of Director of the PZU Group. On 31 October 2017, Sławomir Niemierka was dismissed from the position of Director of the PZU Group.

The following persons served as directors of the PZU Group throughout 2017 or during part of the year:

- Aleksandra Agatowska;
- Tomasz Karusewicz;
- Bartłomiej Litwińczuk;
- Dorota Macieja;
- Sławomir Niemierka;
- Roman Pałac;
- Paweł Surówka.

| Salaries and other short-term employee benefits paid by PZU (in thousands) | 1 January – 31 December 2017 |                                       | 1 January – 31 December 2016 |                                       |
|--|------------------------------|---------------------------------------|------------------------------|---------------------------------------|
|  |                              | Including bonuses and special awards: |                              | Including bonuses and special awards: |
| <b>Management Board, including:</b>  | <b>6,870</b>                 | <b>2,042</b>                          | <b>6,680</b>                 | <b>-</b>                              |
| Paweł Surówka  | 683                          | 74                                    | 176                          | -                                     |
| Rodger Hodgkiss  | 1,171                        | 412                                   | 634                          | -                                     |
| Tomasz Kulik   | 319                          | -                                     | - 1)                         | -                                     |
| Maciej Rapkiewicz  | 1,152                        | 379                                   | 581                          | -                                     |
| Małgorzata Sadurska  | 421                          | -                                     | -                            | -                                     |
| Michał Krupiński   | 2,086 2)                     | 895                                   | 1,377                        | -                                     |
| Andrzej Jaworski   | 945 3)                       | 282                                   | 434                          | -                                     |
| Marcin Chludziński   | 93                           | -                                     | -                            | -                                     |
| Beata Kozłowska-Chyła  | -                            | -                                     | 634 4)                       | -                                     |
| Robert Pietryszyn  | -                            | -                                     | 273                          | -                                     |
| Sebastian Klimek   | -                            | -                                     | 579 5)                       | -                                     |
| Przemysław Dąbrowski   | -                            | -                                     | 683 6)                       | -                                     |
| Dariusz Krzewina   | -                            | -                                     | 668 7)                       | -                                     |
| Tomasz Tarkowski   | -                            | -                                     | 121                          | -                                     |
| Rafał Grodzicki  | -                            | -                                     | 520 8)                       | -                                     |
| <b>High-level managers (PZU Group Directors), including:</b>               | <b>5,138</b>                 | <b>1,381</b>                          | <b>4,503</b>                 | <b>199</b>                            |
| Aleksandra Agatowska   | 854                          | 254                                   | 505                          | -                                     |
| Tomasz Karusewicz  | 1,031                        | 356                                   | 611                          | -                                     |
| Bartłomiej Litwińczuk  | 754                          | 122                                   | 241                          | -                                     |
| Sławomir Niemierka   | 751                          | 199                                   | 862                          | 199                                   |
| Roman Pałac  | 986                          | 378                                   | 581                          | -                                     |
| Dorota Macieja   | 501                          | -                                     | -                            | -                                     |
| Paweł Surówka  | 261 9)                       | 72                                    | 455 10)                      | -                                     |
| Tobiasz Bury   | -                            | -                                     | 706 11)                      | -                                     |
| Przemysław Henschke  | -                            | -                                     | 542 12)                      | -                                     |

| Salaries and other short-term employee benefits paid by PZU (in thousands) | 1 January – 31 December 2017 |                                       | 1 January – 31 December 2016 |                                       |
|--|------------------------------|---------------------------------------|------------------------------|---------------------------------------|
|  |                              | Including bonuses and special awards: |                              | Including bonuses and special awards: |
| <b>Supervisory Board, including:</b>                                       | <b>1,344</b>                 | -                                     | <b>1,241</b>                 | -                                     |
| Paweł Górecki  | 131                          | -                                     | -                            | -                                     |
| Alojzy Nowak   | 154                          | -                                     | 120                          | -                                     |
| Marcin Chludziński   | 133                          | -                                     | 119                          | -                                     |
| Agata Górnicka   | 133                          | -                                     | -                            | -                                     |
| Katarzyna Lewandowska  | 115                          | -                                     | -                            | -                                     |
| Robert Śnitko  | 105                          | -                                     | -                            | -                                     |
| Maciej Zaborowski  | 146                          | -                                     | 143                          | -                                     |
| Bogusław Banaszak  | 142                          | -                                     | -                            | -                                     |
| Marcin Gargas  | 18                           | -                                     | 167                          | -                                     |
| Aneta Fałek  | 114                          | -                                     | -                            | -                                     |
| Paweł Kaczmarek  | 48                           | -                                     | 191                          | -                                     |
| Eligiusz Krześniak   | 13                           | -                                     | 119                          | -                                     |
| Jerzy Paluchniak   | 39                           | -                                     | 118                          | -                                     |
| Piotr Paszko   | 13                           | -                                     | 119                          | -                                     |
| Radosław Potrzyszcz  | 13                           | -                                     | 119                          | -                                     |
| Łukasz Świerzewski   | 27                           | -                                     | -                            | -                                     |
| Zbigniew Cwiąkański  | -                            | -                                     | 3                            | -                                     |
| Zbigniew Derdziuk  | -                            | -                                     | 2                            | -                                     |
| Dariusz Filar  | -                            | -                                     | 2                            | -                                     |
| Dariusz Kacprzyk   | -                            | -                                     | 2                            | -                                     |
| Jakub Karnowski  | -                            | -                                     | 2                            | -                                     |
| Aleksandra Magaczewska   | -                            | -                                     | 2                            | -                                     |
| Maciej Piotrowski  | -                            | -                                     | 2                            | -                                     |
| Piotr Walkowiak  | -                            | -                                     | 11                           | -                                     |

<sup>1)</sup> in 2016 the remuneration is only received from PZU Życie, the amount presented in the next table

<sup>2)</sup> including remuneration resulting from competition prohibition clause of PLN 600 thousand

<sup>3)</sup> including remuneration resulting from competition prohibition clause of PLN 276 thousand

<sup>4)</sup> including remuneration resulting from competition prohibition clause of PLN 55 thousand

<sup>5)</sup> including remuneration resulting from competition prohibition clause of PLN 111 thousand

<sup>6)</sup> including remuneration resulting from competition prohibition clause of PLN 332 thousand

<sup>7)</sup> including remuneration resulting from competition prohibition clause of PLN 55 thousand

<sup>8)</sup> including remuneration resulting from competition prohibition clause of PLN 312 thousand

<sup>9)</sup> remuneration for the period of performing the function of the PZU Group Director until April 12, 2017

<sup>10)</sup> including remuneration for the Advisor to the Management Board of PZU: PLN 345 thousand PLN in the period of April 24, 2016 - October 31, 2016

<sup>11)</sup> including remuneration resulting from competition prohibition clause of PLN 371 thousand

<sup>12)</sup> including remuneration resulting from competition prohibition clause of PLN 312 thousand

| Salaries and other short-term employee benefits paid by other PZU Group entities (in thousands) | 1 January – 31 December 2017 |                                       | 1 January – 31 December 2016 |                                       |
|---|------------------------------|---------------------------------------|------------------------------|---------------------------------------|
|   |                              | including bonuses and special awards: |                              | including bonuses and special awards: |
| <b>Management Board, including:</b>   | <b>2,835</b>                 | <b>801</b>                            | <b>4,031</b>                 | <b>-</b>                              |
| Paweł Surówka   | 499                          | 214                                   | 329                          | -                                     |
| Rodger Hodgkiss   | 491                          | 214                                   | 599                          | -                                     |
| Tomasz Kulik  | 840                          | 103                                   | 206                          | -                                     |
| Maciej Rapkiewicz   | 446                          | 135                                   | 208                          | -                                     |
| Michał Krupiński  | 67 <sup>1)</sup>             | -                                     | -                            | -                                     |
| Andrzej Jaworski  | 492 <sup>2)</sup>            | 135                                   | 208                          | -                                     |
| Beata Kozłowska-Chyła   | -                            | -                                     | 329 <sup>3)</sup>            | -                                     |
| Robert Pietryszyn   | -                            | -                                     | 135                          | -                                     |
| Sebastian Klimek  | -                            | -                                     | 208 <sup>4)</sup>            | -                                     |
| Przemysław Dąbrowski  | -                            | -                                     | 368 <sup>5)</sup>            | -                                     |
| Dariusz Krzewina  | -                            | -                                     | 360 <sup>6)</sup>            | -                                     |
| Tomasz Tarkowski  | -                            | -                                     | 801 <sup>7)</sup>            | -                                     |
| Rafał Grodzicki   | -                            | -                                     | 280 <sup>8)</sup>            | -                                     |
| <b>High-level managers (PZU Group Directors), including:</b>                                    | <b>3,030</b>                 | <b>706</b>                            | <b>2,332</b>                 | <b>107</b>                            |
| Aleksandra Agatowska  | 509                          | 137                                   | 272                          | -                                     |
| Tomasz Karusewicz   | 604                          | 192                                   | 329                          | -                                     |
| Bartłomiej Litwińczuk   | 455                          | 66                                    | 147                          | -                                     |
| Sławomir Niemierka  | 539                          | 107                                   | 599                          | 107                                   |
| Roman Pałac   | 604                          | 204                                   | 313                          | -                                     |
| Dorota Macieja  | 319                          | -                                     | -                            | -                                     |
| Tobiasz Bury  | -                            | -                                     | 380 <sup>9)</sup>            | -                                     |
| Przemysław Henschke   | -                            | -                                     | 292 <sup>10)</sup>           | -                                     |
| <b>Supervisory Board, including:</b>  | <b>3</b>                     | <b>-</b>                              | <b>-</b>                     | <b>-</b>                              |
| Ryszard Wawryniewicz  | 3                            | -                                     | -                            | -                                     |

<sup>1)</sup> remuneration for fulfilling the function of a Member of the SB of Alior Bank in the period of January 1, 2017 - June 14, 2017

<sup>2)</sup> including remuneration resulting from competition prohibition clause of PLN 149 thousand (PZU Życie)

<sup>3)</sup> including remuneration resulting from competition prohibition clause of PLN 119 thousand (PZU Życie)

<sup>4)</sup> including remuneration resulting from competition prohibition clause of PLN 138 thousand (PZU Życie)

<sup>5)</sup> including remuneration resulting from competition prohibition clause of PLN 179 thousand (PZU Życie)

<sup>6)</sup> including remuneration resulting from competition prohibition clause of PLN 30 thousand (PZU Życie)

<sup>7)</sup> including remuneration resulting from competition prohibition clause of PLN 150 thousand (LINK4)

<sup>8)</sup> including remuneration resulting from competition prohibition clause of PLN 168 thousand (PZU Życie)

<sup>9)</sup> including remuneration resulting from competition prohibition clause of PLN 200 thousand (PZU Życie)

<sup>10)</sup> including remuneration resulting from competition prohibition clause of PLN 168 thousand (PZU Życie)



| <b>Total estimated value of non-cash benefits granted by PZU and PZU's subsidiaries (in thousands)</b> | <b>1 January – 31 December 2017</b> | <b>1 January – 31 December 2016</b> |
|--|-------------------------------------|-------------------------------------|
| <b>Management Board, including:</b>  | <b>701</b>                          | <b>962</b>                          |
| Paweł Surówka  | 62                                  | 54                                  |
| Rodger Hodgkiss  | 144                                 | 36                                  |
| Tomasz Kulik   | 76                                  | 76                                  |
| Maciej Rapkiewicz  | 107                                 | 101                                 |
| Małgorzata Sadurska  | 15                                  | -                                   |
| Michał Krupiński   | 162                                 | 79                                  |
| Andrzej Jaworski   | 135                                 | 77                                  |
| Beata Kozłowska-Chyła  | -                                   | 105                                 |
| Robert Pietryszyn  | -                                   | 51                                  |
| Sebastian Klimek   | -                                   | 66                                  |
| Przemysław Dąbrowski   | -                                   | 92                                  |
| Dariusz Krzewina   | -                                   | 126                                 |
| Tomasz Tarkowski   | -                                   | 48                                  |
| Rafał Grodzicki  | -                                   | 51                                  |
| <b>High-level managers (PZU Group Directors), including:</b>   | <b>924</b>                          | <b>605</b>                          |
| Aleksandra Agatowska   | 201                                 | 97                                  |
| Tomasz Karusewicz  | 138                                 | 51                                  |
| Bartłomiej Litwińczuk  | 151                                 | 51                                  |
| Sławomir Niemierka   | 147                                 | 171                                 |
| Roman Pałac  | 168                                 | 93                                  |
| Dorota Maciejka  | 119                                 | -                                   |
| Tobiasz Bury   | -                                   | 60                                  |
| Przemysław Henschke  | -                                   | 82                                  |



## 10 Diversity policy applied to the issuer's administrative, managing and supervising bodies

PZU is a company in which the State Treasury has a shareholding. Accordingly, the persons who sit in its managing bodies are selected in accordance with the statutory regulations applicable to these types of entities.

PZU employs best practices promulgating diversity and it cares about equal treatment for employees.

Respecting human rights is assigned special significance in HR policy when it comes to organizational culture. This involves counteracting mobbing and discrimination, offering equal opportunities to all employees regardless of their professional position in the PZU Group, sex, age, disability, race, religion, nationality, political convictions, union membership, ethnic origin, ethnic origin, denomination, sexual orientation, employment for a specified or unspecified term or on a full-time or part-time basis while respecting the right of assembly and the right to strike.

Respecting individuality, promulgating equal treatment and combating discrimination at work are accomplished in practice by supporting procedures and initiatives:

- countering mobbing – support is given by the Anti-mobbing Procedure contemplating the appointment of an Anti-mobbing Commission to investigate every report of improper conduct that may involve elements of mobbing;
- ensuring equal treatment in employment opportunities and counteracting discrimination – support is given by the "Report an Incident" procedure enabling employees to convey information pertaining to the breach of a rule through the intranet platform.

In addition, e-learning training entitled "Mobbing – legal and psychological aspects" is available to all employees. This training deals not just with mobbing but also discrimination and equal treatment in employment opportunities.

Additionally, elements pertaining to the psychological working environment are part of regular occupational safety and health training offered to employees and managers alike.

PZU provides its employees equal opportunities for development to enhance their skills, being promoted and

compensation, while having regard for employees' individual potential, their accomplishments and work performance.

Respecting the personal dignity of employees is an important aspect of organizational culture.

Principles supporting diversity and equal treatment span all career stages in PZU, starting from the recruitment process to the duration of the employment relationship (employment terms, access to training and development-minded activities, opportunities to be promoted) to the termination of cooperation.

PZU confirmed its will to pursue a diversity policy by joining the signers of the Charter of Diversity in 2013.