

Report on non-financial
information of the PZU Group and PZU SA in

2019

“The future is created by you – PZU’s culture and work environment
encourage innovation”

Integrated report of the PZU Group and PZU SA in 2019
according to the IRC guidelines and GRI standards



Table of Contents

Letter from the CEO	6	5.2 Health	110
1 On the PZU Group	8	5.3 Cultural patronage	114
1.1 PZU Group's financial effectiveness [IIRC]	14	5.4 Improvement of living conditions in local communities	115
1.2 Business model [UoR] [IIRC]	15	6. Ethical foundations of business operations	120
1.3 PZU Group's value creation model [IIRC]	17	6.1 Corporate governance and risk management, giving consideration to ESG and climate factors	123
1.4 CSR Strategy [IIRC]	20	6.2 Preventing corruption and conflict of interest	135
1.5 Future outlook – strategic challenges of the future	25	6.3 Diversity and respecting human rights	138
Digitization – the future of insurance companies [separator] [IIRC]	26	6.4 Whistleblowing System	143
Coping with the challenge of climate change [separator] [IIRC]	30	6.5 Transaction security	145
2 Client at the center of attention	36	6.6 Cooperation with suppliers	148
2.1 Innovations	44	7. About this report	152
2.2 Responsible sales	51	7.1 Dialogue with the environment	154
2.3 Cybersecurity	57	7.2 GRI content index	158
3 Environmental impact	60	7.3 Table of compliance with the Accounting Act	165
3.1 Business in the face of climate change	60	7.4 Taking into consideration guidelines on on reporting climate-related information	166
3.2 Direct environmental impact	67	7.5 Additional data	168
4 Employee matters	80		
4.1 Human capital management	81		
4.2 Working conditions	89		
4.3 Employee development	96		
4.4 Knowledge sharing	102		
5 PZU Group's social commitment	104		
5.1 Safety	106		



DON'T PRINT IF YOU DON'T NEED TO.

Approach to reporting and methodology

[GRI 102-45] In accordance with the requirements of the Accounting Act, the report on the PZU Group's non-financial information in 2019 encompasses non-financial information and consolidated data pertaining to the PZU Group and PZU, its parent company in line with the structure of the organization included in the Consolidated Financial Statements for the year ended 31 December 2019. The data from PZU Życie, Alior Bank Group, Pekao Group, LINK4, AAS Balta, AB Lietuvos Draudimas and PrJSC IC PZU Ukraine are consolidated and presented in the information pertaining to the PZU Group. Alior Bank and Bank Pekao, in turn, have decided to present separately, as part of their Management Board activity reports, separate disclosures on non-financial data, as public interest entities. Alior Bank presented them also in the consolidated form. The PZU Zdrowie Group (PZU Zdrowie as the parent company), Armatura Kraków and PZU CO (CIG) are not public interest entities hence they are not subject to separate regulatory obligations regarding disclosure of non-financial data. Information regarding these companies and the other PZU Group companies has been presented in the consolidated data showcased in the report. Additionally, updated consolidated non-financial data for 2018 for the aforementioned entities were presented.



Key to the iconographics used in the report:



INSURANCE



HEALTH



INVESTMENTS



BANKING



BEST PRACTICES OF THE PZU GROUP



BUSINESS BEST PRACTICES

[XXX-X] THE GRI STANDARD INDICATORS

[UoR] ACCOUNTING ACT REQUIREMENTS

[IIRC] GUIDELINES FOR IIRC INTEGRATED REPORTING





Paweł Surówka
CEO of PZU

[GRI 102-14] Dear Stakeholders,

Responsibility is measured not only by the achievement of our business goals, but also by our social commitment and how we care for the natural environment and our employees. Powszechny Zakład Ubezpieczeń, the country's largest insurer, caring for the safety of 22 million clients, hereby again conveys to you its activity report: to enhance safety and health and improve comfort in life, the environment, culture and science.

Social responsibility and social commitment, service and assistance and forward-looking thinking in categories of public interest are an irreplaceable part of the actions undertaken by PZU. We endeavor to set market standards as an advocate of social responsibility. 2019, the year in which we announced PZU's social strategy entitled #10yearslonger was an exceptional year in this respect.

The foundation of our activity is focusing on client expectations and needs: ranging from conceiving products to client contact channels. That means professional, efficient and quick service, having branches located close by, an extensive scope of online services and rolling out products that are even better aligned to client expectations. It is our ambition to offer

the products and services we ourselves would like to use and have for our families.

The pace of growth and of the PZU Group stems from the growing engagement demonstrated by our employees. In PZU it reached 51% in 2019 according to Poland's largest study conducted by Kincentric and rose by 11 p.p. over 2018. While a downward trend has been observed among companies in Poland. Following a period of growth in 2019 engagement is therefore several points higher than not just the average for insurance companies but for all companies in Poland.

54% of all employees, or 13 p.p. higher than the average for other insurers, declare that PZU provides them with opportunities to develop and gain experience. 47%, or 9 p.p. above the average consider PZU to be one of the best places to work.

The largest sales and service network offering convenient access across the country, the fast growing number of PZU Zdrowie centers and offices of PZU's tied agents are also a way of preventing the exclusion of residents of small towns. We are successfully developing remote client contact channels. The mojePZU platform is enabling them to report a loss at

any time of the day from any and everywhere, book a doctor's visit, buy some policies and invest their money.

The ability to respond rapidly is an important part of our activity. When gales, floods and other tragedies transpire, PZU advisors reach out to clients and are frequently the first ones to provide them with assistance. At the same time, we expend a lot of effort to prevent misfortunes, instead of just helping out once they occur. That is the essence of PZU's social strategy entitled #10latdluzej (#10yearslonger) blending a number of initiatives in health prevention and safety.

In 2019 alone the Group earmarked more than PLN 96 million to prevention and sponsoring activities. We organize preventive health tests, educational campaigns such as "Safe Holidays with PZU", social campaigns to enhance safety in road traffic such as in "Are You Driving? Then Put the Phone Down!" and "Are You Giving Up on Life, Too?". Thanks to the campaign entitled "Helping Is Power" we have engaged organizations whose goal is to augment safety and health in local communities. We finance equipment for firemen from units belonging to the Voluntary Fire Service, we give away reflective lights to pedestrians to protect them against road accidents.

We also launched a project in collaboration with the Health Ministry under the slogan of "Band of Life". This is a small electronic device worn on the wrist to monitor the basic vital signs of patients and alert medical personnel of any emergencies. Thanks to PZU, the first "bands of life" have been conveyed to patients of the Mazovian Regional Hospital in Siedlce in a pilot program. In the future, they may be used widely thereby becoming a mainstay in hospitals and clinics. They may also be used to monitor the state of health of senior citizens living on their own and sick people.

We also fulfill our social mission by supporting numerous institutions of culture and museums. PZU is the patron of the Royal Łazienki Museum the Grand Theater – National Opera, the National Museums in Warsaw and Cracow and the Warsaw Uprising Museum. The Minister of Culture and National Heritage's Award conferred on PZU in 2019 affirms and honors our engagement.

The PZU Group is involved in protecting the natural environment in terms of its day-to-day practices in its offices and through larger scale projects. We track legislative changes pertaining to the natural environment at the European and

global level. We manage the company in the responsible way, we strive to design insurance services and making investment decisions based on ESG criteria. Under the strategy on which we are working we intend to specify actions and define parameters to strive to achieve carbon neutrality in direct activities.

Technology and protecting the data we collect are becoming the basis for our digital transformation. We are helping innovators inside and outside our organization in the search for the best solutions to enhance safety in the flow of information, accessibility and ease of using our services. Thanks to PZU, the Polish insurance products industry is associated not only with having a long tradition but also – ever more frequently – with being one of the most competitive insurtech markets in the world.

The report conveyed to you combines financial results and non-financial information. We truly care about the standards, policies and best practices we implement and develop being transparent and comprehensible, and for them to be co-created by our clients who by engaging in dialogue with our company have an impact on the decisions we make and allow us to perfect them.

An insurer, especially one of such significance as PZU is nowadays both a service provider and a leader of change in every field. That is why we successfully blend the attainment of our business objectives with social sensitivity and a major degree of engagement.

I would encourage you to peruse this report and I thank you for your trust.


Sincerely,

Paweł Surówka, President of the PZU Management Board, Supervisory Board Chairman of Bank Pekao, Supervisory Board Chairman of PZU Życie, Supervisory Board Chairman of PTE PZU

1. On the PZU Group

[GRI 102-1], [GRI 102-2]

The PZU Group (PZU Group, Group) is the largest financial institution in Poland and Central and Eastern Europe. Its consolidated assets are above PLN 340 billion. The Group serves approx. 22 million clients in five countries. The Polish market is the PZU Group's core market measured by its magnitude and client numbers. Nevertheless, its subsidiaries play an important role on the markets in Lithuania, Latvia, Estonia and Ukraine.


 PZU heads up the Group and is listed on the Warsaw Stock Exchange. Its traditions date back to 1803 when the first insurance company was established in Poland. Since its floatation in 2010, PZU has been in the WIG20 index. It is one of the most highly valued companies and heavily traded stocks on the Polish stock exchange. Since 2019, PZU has been part of the WIG ESG (sustainability) index.

The Group's Strategy innovatively defines the mission of all its companies and forms the common denominator for its present and future initiatives. In response to the rapidly evolving business environment PZU undertakes actions at a large scale while utilizing solutions afforded by the most sophisticated technologies.

[GRI 102-2], [GRI 102-7]

The PZU Group's key market advantages are rooted in its well-known and esteemed brand, largest client database and distribution network in Poland and large capital base.

The PZU Group companies are active in life insurance (PZU Życie), non-life insurance (PZU, TUW PZU, LINK4, companies in the Baltic States and Ukraine), investment products (TFI PZU), pensions (PTE PZU), health protection (PZU Zdrowie) and banking (Pekao and Alior Bank).

 The main brand used is the PZU corporate brand. As many as 89% of all Poles recognize it spontaneously. Its aided recognition¹ is 100%.² The PZU brand is used to identify the PZU Group, most of its companies operating on the Polish market (PZU, PZU Życie, PTE PZU, TFI PZU, PZU Pomoc, PZU Zdrowie, PZU Centrum Operacji) and some of the international subsidiaries – the Ukrainian companies and the branch in Estonia.

In the PZU Group's architecture, there is also a group of PZU family brands. This family is formed by companies whose names do not reference the parent company brand, such as AAS Balta or TUW PZUW. Visually, however, their logos are similar to the corporate brand.

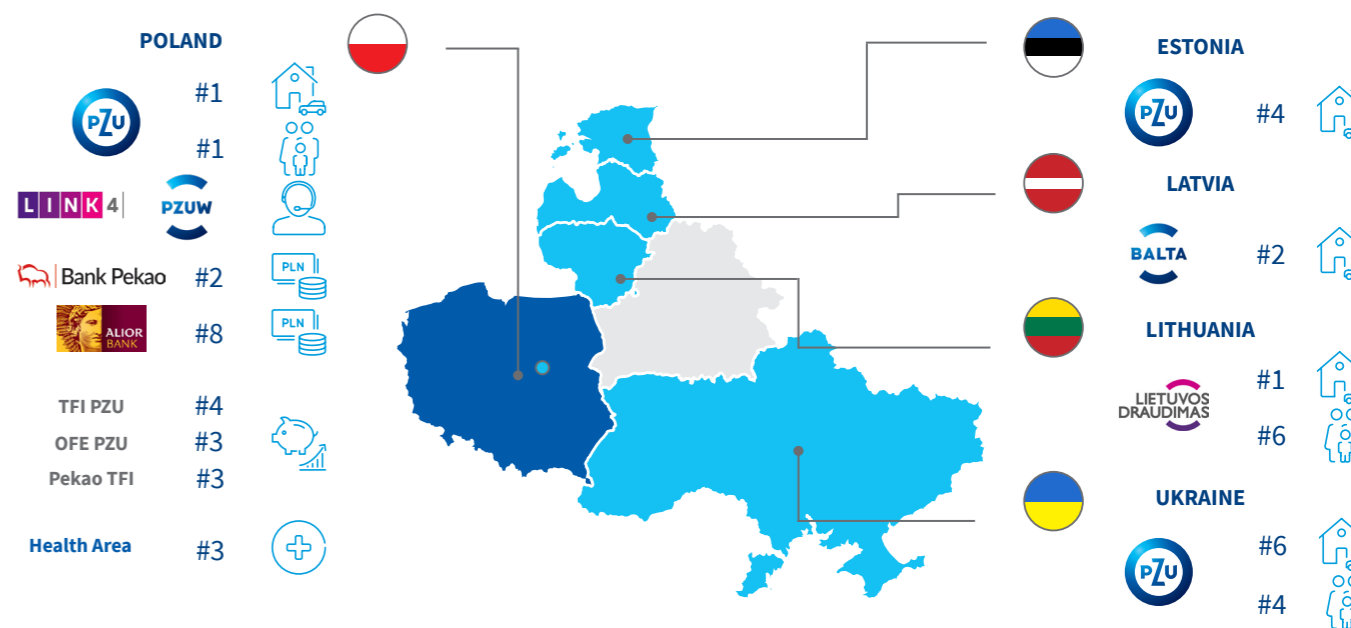
The last level of brand architecture is the independent brands group. This category includes the brands within the PZU Group whose names and graphic identification differ from the corporate brand, such as LINK4.

¹ Percentage of the target group declaring familiarity with the brand after the pollster reads it aloud.
² Recognition of the PZU and PZU Życie brand, Study conducted by GfK Polonia, 2019

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



[GRI 102-4, 102-6] Markets where the PZU Group operates



-  Non-life insurance
 -  Life insurance
 -  Insurance sold in direct sales channels via internet / telephone
 -  Market position by assets under management
 -  Market position by assets
 -  Market position by revenues
 -  PZU Headquarter
Warsaw, al. Jana Pawła II 24
- POLAND**
- Non-life insurance
 - Powszechny Zakład Ubezpieczeń SA
 - LINK4 Towarzystwo Ubezpieczeń SA
 - Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych
 - Life insurance
 - Powszechny Zakład Ubezpieczeń na Życie SA
 - Banking services
 - Pekao Group
 - Alior Group
 - Medical services
 - PZU Zdrowie Group
 - Management of pension funds
 - Powszechnie Towarzystwo Emerytalne PZU SA
 - Creation, representing and management of mutual funds
 - Towarzystwo Funduszy Inwestycyjnych PZU SA
 - Pekao TFI SA
- LITHUANIA (Lietuvos Draudimas AB also has a branch in Estonia)**
- Non-life insurance
 - Lietuvos Draudimas AB
 - Life insurance
 - UAB PZU Lietuva Gyvybes Draudimas
- UKRAINE**
- Non-life insurance
 - PrJSC IC PZU Ukraine
 - Life insurance
 - PrJSC IC PZU Ukraine Life Insurance
- LATVIA**
- Non-life insurance
 - Apdrošināšanas Akciju Sabiedrība Balta



AWARDS:

Business:

PZU: Trustworthy Brand



PZU: Super Ethical Company



PZU: First place in IIF's data quality ranking for 2019



PZU: Patron of Culture - title conferred by the Ministry of Culture and National Heritage



Innovations:

PZU: InsurTech Award 2019 for PZU GO



Alior: Top Institutional Innovator of the Year



Alior: EFMA Award - Most Innovative Personal Account



Alior: The Heart - Corporation Innovation Awards 2019



LINK4: The Best Digital Insurer



LINK4: Client's Golden Laurel of 2019 in the Motor Insurance Category



PZU Zdrowie: 100% Polish Product



TFI PZU: "The Most Credible in the Polish Economy" in the "Revolutionary" category for inPZU



HR:

PZU: Employer Branding Excellence Awards 2019 - 3 awards



LINK4: Great Place to Work



Pekao: Top Employer 2019



PZU Zdrowie: Health Employer



CSR:

PZU: Philanthropist of the Year in 2019 in the Sports category



PZU: Mobile Trends Awards in the Social/CSR Category



LINK4: Effie Awards for LINK4 Mom "Don't Be Afraid to Be Afraid"



PZU Zdrowie: Icebreakers - for Employers Supporting the Hiring of Disabled People



Pekao: Euromoney - Best Corporate Bank in Poland



Pekao: Euromoney - Best Trade Finance Service Provider



Pekao: Best Investment Bank in Poland and CEE



Alior: Forbes - Company-Friendly Bank (1st place)



Marketing:

PZU and LINK4: Kantar's Panther for the Most Effective Brand Creation



PZU: E-commerce Poland in the Most Digital Insurer Category



IR:

PZU: The Best Annual Report 2018 - Best of the Best



PZU: Issuer's Golden Website - for the Best IR Service



Alior: Gazeta Bankowa - Best Bank of 2019 (2nd place)



Alior: Newsweek's Friendly Bank of 2019

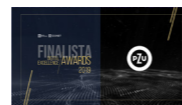


Innovations:

PZU: Efma & Accenture Insurance Awards 2019 workforce transformation, core insurance transformation



PZU: Digital Excellence Awards for moje.pzu



AWARDS AND DISTINCTIONS in 2019:

Digitization to serve the client better

mojePZU was victorious in the prestigious international contest organized by Efma & Accenture Insurance Awards 2019, held annually by Efma, an organization bringing together 80% of Europe's largest financial institutions. PZU won an award in the core insurance transformation category.

Kudos were also extended to mojePZU in the industry contest Digital Excellence Awards. The jury appreciated the advanced nature and maturity of the project which resulted in the creation of an online channel focused on the needs and comfort of clients and incorporating the latest trends on the finance and insurance markets.

PZU GO was recognized as the most interesting innovation in the insurance industry and received the InsurTech Award in the contest FinTech & InsurTech Awards 2019.

TFI PZU was ranked first in the category Revolutionary in the competition Most Reliable Businesses in the Polish Economy for launching an online platform at PZU that enables clients to purchase investment products quickly and easily.

PZU also received the main award at the E-commerce Polska Awards gala in the category Best Online Insurer for its new corporate portal pzu.pl.

HR

PZU received 3 distinctions in the contest Employer Branding Excellence Awards 2019 in the following categories: Offline Recruitment Campaign 2019, Best Employer Branding Campaign, Best Campaign in Social Media, and was ranked fourth in the category EB Leaders 2019 according to the report Employer Branding in Poland 2019 organized by the HRM Institute.

Business

In the contest Efma & Accenture Insurance Awards 2019, PZU received an award in the category Workforce Transformation for a project which resulted in the deployment of robotic process automation tools to support the work of employees.

For the fourth time since 2015 and for the third consecutive time, PZU received an award in the prestigious Polish contest Ethical Company. Having won the award three times in a row, PZU also received the elite title of Super Ethical Company. For

the first time in its history, PZU Życie also became a laureate of this contest and the winner of the Ethical Company title.

PZU received the Kantar Panther award granted by the research company Kantar Polska. PZU was ranked first for the most effective brand creation among insurance companies. LINK4 also received an award. Notably, the 2019 edition of the contest differed from all previous editions in that it was consumers rather than representatives of the financial market who made the award decisions.

LINK4 came first in the Consumer Laurel contest in the motor insurance category. The company's offering in this segment was ranked the highest by as many as 30% of respondents. The Laurel is a nationwide annual competition that selects the most recognizable and most frequently recommended products and brands in their categories.

Social impact

On 7 March 2019, PZU received a Mobile Trends Award in the Social/CSR category for the campaign "Slow down as you approach a school. Keeping children safe on the road". Out of concern for the safety of children on the roads, PZU in collaboration with NaviExpert created a special version of GPS software for drivers. In the vicinity of 14,000 primary schools across Poland, a child's voice requested drivers exceeding the speed limit to slow down. The project was part of the campaign "Reflectors. Keeping children safe on the road". PZU was also awarded the title of Philanthropist of the Year 2019.

LINK4 received a bronze statuette for its "Don't be afraid to be afraid" campaign at the Effie Awards. It was the third such statuette won by the company.

Magnitude of operation and impact

WHAT ROLE DO INSURERS PLAY?

Protecting the Polish economy, forging stabilization and a feeling of security among companies and private persons. Constant development would be impossible without that. Insurers attenuate uncertainty, protect assets and health, provide financial support in difficult circumstances. These actions mean that our standard of living is rising. Insurers are the third largest institutional investor in Poland. This industry invests billions of Polish zloty of assets in corporate bonds and equities, not just capital to grow businesses but also to finance public spending on health, education and infrastructure. Data best depict the sector's influence: more than 225 thousand

jobs in the industry and related sectors, with roughly a 2% contribution to GDP.

Source: Polish Insurance Association, Deloitte, „[How insurance changes Poland and Poles. Report on the impact of the insurance industry](#)”

Among all the Polish insurers the PZU Group offers its clients the largest sales and service network. It has 410 conveniently accessible branches, 10,000 tied agents and, 3,200 multiagencies, 1,100 insurance brokers and electronic distribution channels. When it comes to bancassurance and strategic partnerships, PZU collaborates with 13 banks and 21 strategic partners. The PZU Group also has a claims handling system that operates efficiently.



In Poland, the PZU Group's clients have access to the distribution network of Bank Pekao (805 outlets at the end of 2019) and Alior Bank (at the end of December 2019, Alior Bank had 820 outlets, including 197 traditional branches, 7 private banking branches, 8 corporate centers and 608 partner centers). Both banks have professional call centers and mobile and internet banking platforms.

BEST PRACTICE

Tightening cooperation with banks

The tightening of cooperation with the banks within the PZU Group (Alior Bank has been in the Group since 2015 and Bank Pekao since 2017) has opened up tremendous growth opportunities, especially in terms of integrating and focusing services on clients at every stage of their personal and professional development. The PZU Group assumes that in 2020 it will collect PLN 1 billion of additional written premium from cooperation with these banks and that they will acquire 1 million of the Group's insurance clients.



In the Baltic States, PZU's distribution network consists of approximately 700 agents, 21 multiagencies and 408 brokers. The Group also cooperates with 4 banks and 14 strategic partners. In Ukraine, insurance products are distributed through approximately 400 agents and in cooperation with 15 multiagencies, 37 brokers, 7 banks and 4 strategic partners.



In addition, in health the PZU Group cooperates with more than 2,200 partner centers in 620 towns and cities in Poland and is steadily rolling out its own network currently consisting of 130 medical centers.

BEST PRACTICE

Development of the scale of operations of PZU Zdrowie



In 2019, acquisitions of the following three companies were finalized by PZU Zdrowie:

- Alergo-Med, a local leader in the private medical care market in Tarnów;
- FCM Zdrowie (formerly Falck Centra Medyczne), a recognized service provider in the private medical care market and owner of a number of medical centers throughout the country along with its subsidiary Starówka, a recognized service provider in the public and private medical care market and owner of a number of medical centers in Warsaw and Mazowieckie Voivodeship;
- Tomma Diagnostyka Obrazowa (along with its subsidiaries Asklepios Diagnostyka sp. z o.o. and Bonus-Diagnosta sp. z o.o.).

Also in 2019, one new PZU Zdrowie medical center was opened – in Wrocław. This is another center situated in an excellent location, built on a greenfield basis with interior design consistent with the latest visual identity standards of the PZU Zdrowie brand.

Additionally, a new center was opened in Radom, also in compliance with the new standards. The newly opened medical centers have a multi-specialization profile, to enable both patients benefiting from the medical care offered by PZU Zdrowie and patients who use the services rendered in these centers on an ad hoc basis to be provided with the necessary medical assistance. An important issue is the location of these centers – they have been built in modern buildings easily accessible by public transport.

Additionally, PZU Zdrowie merged with Revimed and Artimed in 2019. In December 2019, Elvita merged with Multimед and in January 2020 Profmed merged with CM Medica.



1.1 PZU Group's financial effectiveness

[GRI 102-7] [GRI 201-1], Direct economic value generated and distributed.

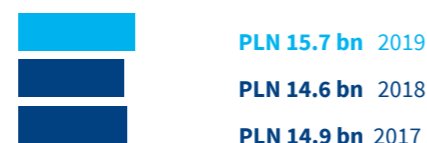
Gross written premium

PLN 24.2 bn
+3.1%



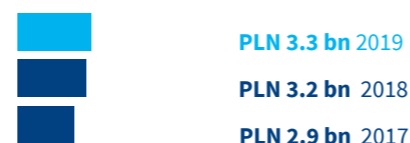
Net insurance claims and benefits

PLN 15.7 bn
+7.8%

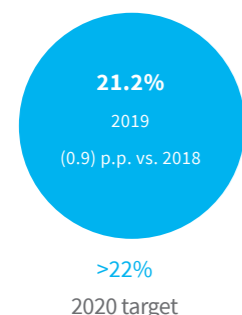


Net profit (excluding minorities)

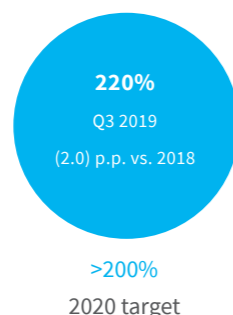
PLN 3.3 bn
+2.6%



ROE



Solvency II



Dividend



Green PZU



„Its robust results form the basis for continuing to share dividend payouts with shareholders. Under the #newPZU strategy, we have committed to investors that we will recommend payouts to shareholders of the earnings we do not need to finance our rapid growth. We have kept that promise by recommending a dividend payment of PLN 2.80 per share from 2018 earnings. At the same time, we remember our strategic obligation for the amount of the Dividend Per Share (DPS) to grow from year to year in the long run.”

Paweł Surówka, President of the PZU Management Board,

The PZU Group has in place the Capital and Dividend Policy in 2016-2020, which was adopted in a PZU Supervisory Board resolution in 2016. According to this policy, the PZU Group endeavors to manage capital effectively and maximize the rate of return on equity for the parent company's shareholders, in particular by maintaining the level of security and retaining capital resources for strategic growth objectives through acquisitions. Moreover, when it recommends a dividend payout to the Shareholder Meeting, the PZU Group gives consideration to the recommendations and guidelines set forth in other documents applicable to PZU.



As a regulated company, PZU submits to the guidelines set forth in the Communiqué published by the Polish Financial Supervision Authority pertaining to the assumptions underlying the dividend policy of commercial banks, cooperative banks and affiliation banks, insurance and reinsurance undertakings, brokerage houses, mutual fund management companies and pension fund management companies. PZU is also subject to the “Guidelines of the Chancellery of the Prime Minister regarding companies in which the State Treasury has an equity stake that draw up financial statements for 2019”.

According to the guidelines given by the Chancellery of the Prime Minister, when setting the dividend PZU takes into account, in particular, its capital needs, the necessity to cover

its uncovered loss, investment projects in progress and the company's indebtedness and it gives consideration to the recommendations and individual instructions given by the Polish Financial Supervision Authority.

BEST PRACTICE



Own risk and solvency assessment process

This process forms an integral part of the financial planning process. The own risk and solvency assessment process and the analyses it involves have been designed to ensure support for the whole financial planning process in terms of risk profile analysis and evaluation of compliance with the capital requirements within the planned time horizon and the financial plan assumptions. It also constitutes the summary and review of efficiency of the measures taken in the risk management process. The PZU Group has in place a policy of own risk and solvency assessment.

More financial information is available in the financial report available on PZU's website.

1.2 Business model [UoR] [IIRC]

Our client relationships and our knowledge of our clients are the PZU Group's core value, while our chief product is our acumen in addressing client needs to have a stable future. This approach has been defined in the “New PZU” strategy announced in 2018, which lays down the Group's new mission as “We help clients care for their future”, which is an innovative and broader approach to establishing a long-term relationship with clients in a manner that greatly transcends insurance.

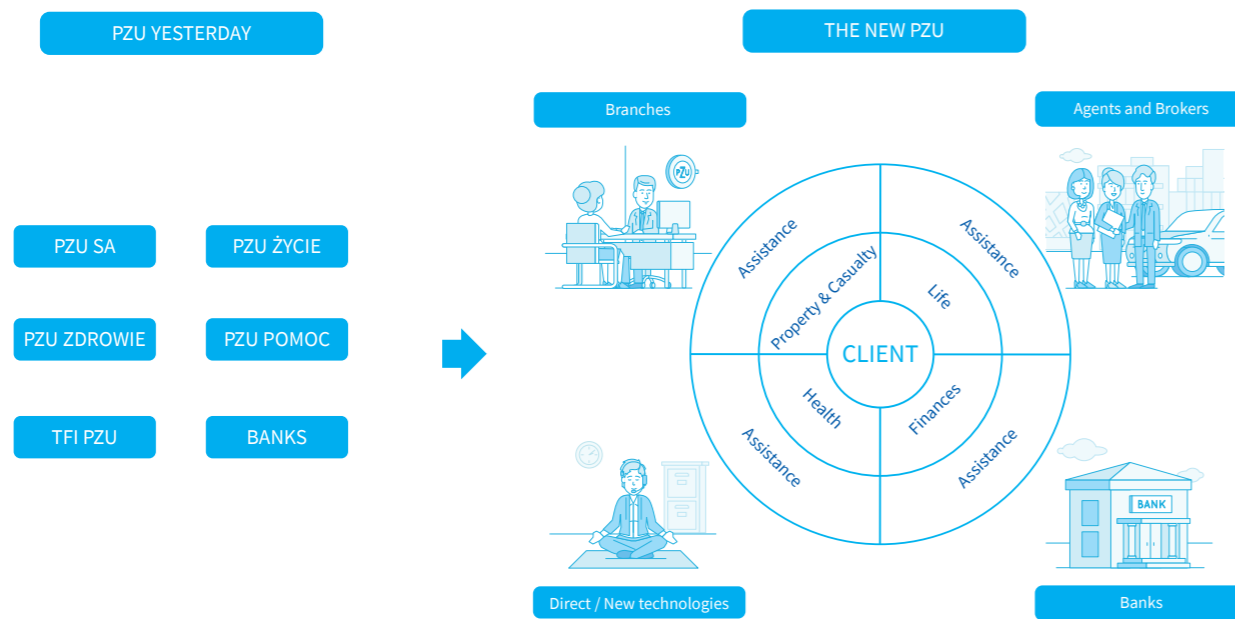
PZU's philosophy of thinking is driving the gradual transformation of the company's operating method from a typical insurer model (pricing and transferring risk) to the model of a service company specializing in utilizing data (risk management consulting and services as well as caring for the future of clients, retail and business alike). This new formula blends all kinds of the PZU Group's activities and focuses them on clients to support them at every stage of their lives.

Immediate economic value created and shared (data in m PLN)

	2018	2019
Income	38,047	40,061
Operating expenses excluding: payroll, levy on financial institutions and community investments	(24,280)	(26,550)
Total payroll and employee benefit expenses	(5,109)	(5,252)
Income tax	(2,098)	(1,844)
Levy on financial institutions	(1,092)	(1,134)
Voluntary investments in the broader community	(100)	(96)
Dividends paid to all shareholders	(3,818)	(3,804)
Economic value retained	1,550	1,381

The presented retained value is the remainder following the distribution of the generated economic value among the company's stakeholders. This amount is not consistent with the net profit carried in the Profit and Loss Account because it also includes paid dividends (as distributed economic value).

We are changing PZU – we are becoming a lifetime partner



PZU's operating model is distinguished by its comprehensiveness. The Group operates in insurance (life, non-life), finance (banking, pension and investment products) and health (health insurance, insurance for medicine, medical service bundles).

CHALLENGE

In connection with the PZU Group's development, it is necessary to create a system to ensure effective management of the overall corporate group while preserving the distinctiveness of its various companies and the separateness of the markets on which they operate.

Since 2010 the PZU Group's practice in terms of its corporate governance model and collaboration among its various entities is for representatives of PZU and PZU Życie in the supervisory boards of the group's main companies. That is why Paweł Surówka, CEO of PZU, is the Supervisory Board Chairman of Bank Pekao; Tomasz Kulik, Management Board Member of PZU and PZU Życie, the CFO, is the Supervisory Board Chairman of Alior Bank; while Bartłomiej Litwińczuk, Management Board Member of PZU Życie and PZU Group Director, is the Supervisory Board Chairman of LINK4. Since the supervisory boards constantly supervise the operations of the companies in all the areas of their operations, this solution ensures a

uniform approach to governance standards in the key areas of the PZU Group's functioning.

In addition to PZU, 26 subsidiaries currently cooperate with each other in a number of areas, including: procurement, risk management, IT management, internal audit, the PZU Group's strategy and project management, marketing and PZU brand management, legal advisory and assistance services, security management, HR management, corporate communication, tax policy, corporate governance in the PZU Group, actuarial services, accounting, planning and controlling, compliance, reinsurance, oversight over international companies, client experience management, claims and benefits handling, corporate social responsibility, tariff-related actuarial matters, analysis of the experience and tariff-setting for insurance and development of technology and sales tools.

The scope of cooperation in a given area is specified in the Group's policy and may involve the following in particular:

- rules of cooperation between PZU's pertinent cells and entities;
- fundamental operating rules for cooperation;
- description of the tasks discharged by PZU's pertinent cell in relation to entities and by entities in relation to PZU's pertinent cell;
- scope of, and deadlines for, reporting applicable to the entities.

Implementing PZU Group policies directly in banking structures would require the incorporation of the distinctive nature of banking operations therein, including separate solutions pertaining to risk management, which might not be an optimum solution. Accordingly, relationships with banks within the PZU Group are governed by separate agreements laying down the rules of cooperation and exchange of information, among others, on reporting duties and accounting, planning and controlling, compliance and internal control, internal audit, risk and security.

Because the PZU Group includes two banks (Alior Bank and Bank Pekao), PZU's organizational structure is governed by the principle of Chinese walls implemented in PZU's organizational cells responsible for the conduct of business processes. The purpose of Chinese walls is to ensure the observance of the two banks' legally protected trade secrets and limitation on the exchange of sensitive information concerning their business activity, also to ensure the separation of the flow of information obtained from PZU as the entity heading up the PZU Group, to procure compliance with the legal regulations pertaining to information subject to banking secrecy and other legally protected secrets.

A major challenge in unifying governance standards in the PZU Group was the implementation of a coherent and effective risk management system.

Having regard for the different business nature of the banking entities and the insurance entities, and their sectoral regulations, the direct application of the risk management system functioning in the insurance companies was not plausible. The challenge was to align the process so that the attainment of the PZU Group's objectives in risk management would transpire while respecting the banking sector's regulations, the independence of the entities within the understanding of the Commercial Company Code and equal access to information among all the shareholders of the banks. This alignment was crafted in full cooperation with both banks. Risk appetite in banking entities is a topic for consultation with the PZU Group's parent company and the subject matter of opinions issued by the PZU Group Risk Committee with a view to ensuring consistency between the activities carried out by the banks and the strategic plans and business objectives of the PZU Group as a whole while maintaining an acceptable level of risk at the Group level. Once agreed, the level of risk appetite is then approved by the banking entities' supervisory boards.

1.3 Group's value creation model [IIRC]

What is the value creation model according to the international guidelines given by the International Integrated Reporting Council (IIRC)?

Integrated reporting makes it possible to combine material information pertaining to an organization's strategy, approach to management, performance and future prospects in a way that reflects the financial, social and environmental context of an organization's operations. The report depicts its approach to creating value over time while using the capital available to it. Capital is a resource which the organization can access and use to create value. Legally, however, it does not have to belong to the organization.

IIRC distinguishes the following 6 types of capital:

- **Financial capital** – resource containing funds that arises by providing funding through loans or grants, or is generated through operating activity. These funds include shareholder funds, equity and external capital;
- **Intellectual capital** – organization's resource based on knowledge, experience, including among others intellectual property such as patents, copyrights, software, rights and licenses, the organization's know how, motivation to improve and develop processes, leadership and cooperation and investments in new solutions and innovations facilitating development;
- **Human capital** – competences, know how, skills, experience and motivation of employees to develop and innovate, including the capacity of grasping and implementing the organization's strategy;
- **Social and relational capital** – reputation, earned trust and the quality of relations with clients, communities and other stakeholders;
- **Infrastructural capital** – physical objects used by the organization in the process of producing goods or rendering services (branches, centers) as well as the distribution network formed by agents, private persons conducting agency activity and other partners cooperating with the PZU Group;
- **Natural capital** – renewable and unrenewable natural resources (including water, minerals and air) and processes whereby products or services are delivered.

„An organization should portray value creation from the perspective of inputs, outputs and outcomes.”

Source: <IR> framework, International Integrated Reporting Council

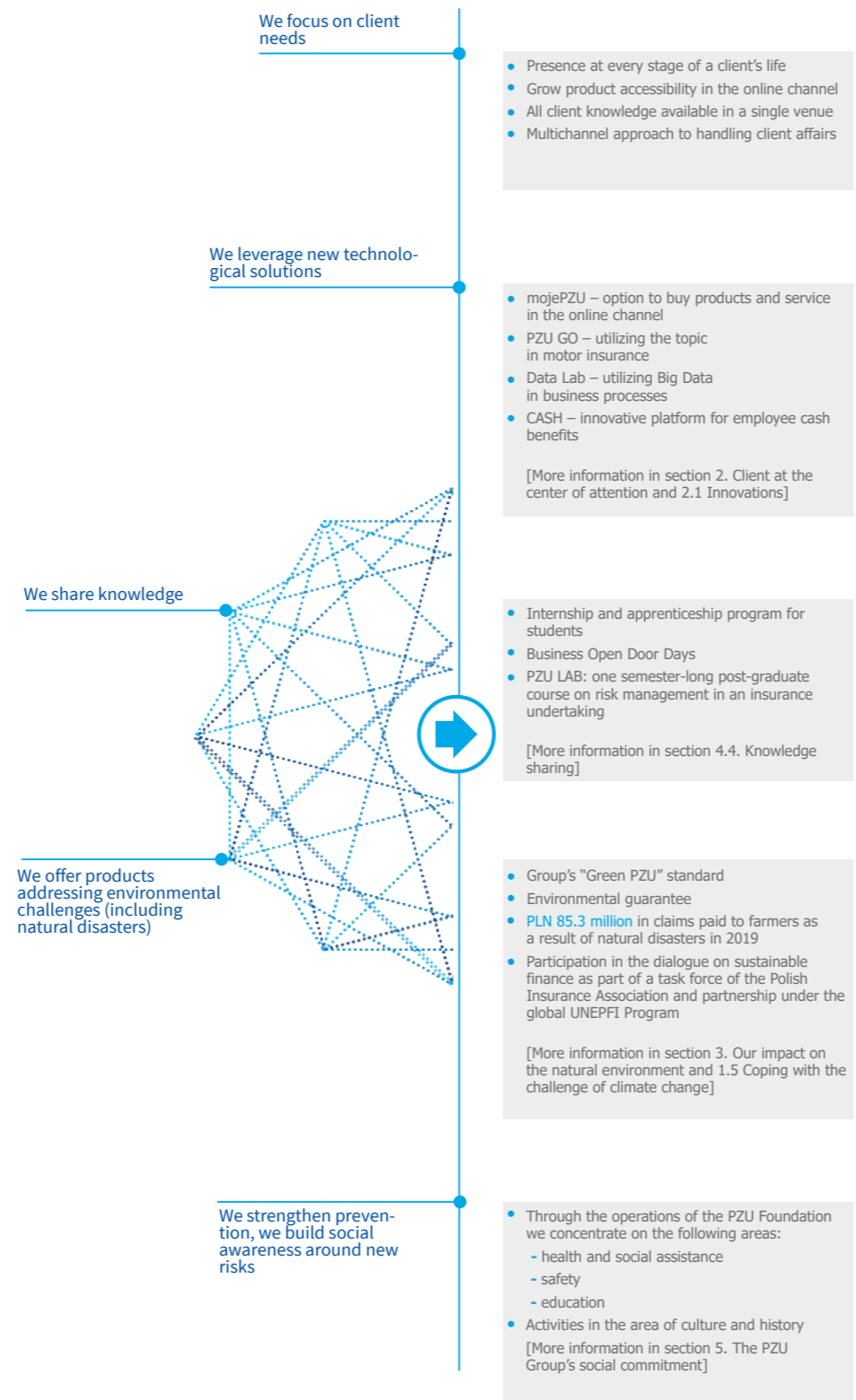
How does the PZU Group create value?

The PZU Group leverages its tangible and intangible resources to create value for its shareholders, clients, employees and agents, and exert an influence on the Polish economy and its sectors.

<p>Financial</p> <ul style="list-style-type: none"> • PLN 343,340 million – consolidated asset (vs PLN 328 554 million in 2018) • PLN 16,169 million – parent company's equity (vs PLN 14 925 million in 2018) • PLN 6,700 million – Group's bonds (subordinated liabilities) (PLN 6,061 million in 2018) • PLN 217,831 million – bank deposits from clients (PLN 206,909 million in 2018) 	<ul style="list-style-type: none"> • PLN 24,191 million – gross written premium (life insurance and non-life insurance) (PLN 23,470 million in 2018) • PLN 9.7 billion – gross written premium on motor insurance (PLN 9.9 billion in 2018) • PLN 5.8 billion – gross written premium on non-life insurance other than motor insurance (PLN 5.2 billion in 2018) • PLN 7.0 billion – gross written premium on group and individually continued life insurance (PLN 6.9 billion in 2018)
<p>Products and distribution</p> <p>Broadest offer of insurance, investment and banking products in Poland</p> <ul style="list-style-type: none"> • 410 PZU branches (411 in 2018), 805 Bank Pekao branches (825 in 2018) and 820 Alior Bank branches (861 in 2018) • 10 thousand tied agents and agencies (9.1 thousand in 2018) 	<ul style="list-style-type: none"> • 4.8 thousand hotline employees (PZU, PZU Zdrowie, LINK4, Alior Bank, Bank Pekao) (4.8 thousand in 2018) • ~25 main products with possible customization of the offer and a broad portfolio of medical services offered by PZU Zdrowie (~20 in 2018) • 130 own medical centers (over 60 in 2018) and over 2,200 medical centers collaborating as part of PZU Zdrowie's network (2,100 in 2018)
<p>HR</p> <ul style="list-style-type: none"> • 41,042 PZU Group employees converted into FTEs (41,605 in 2018) • 68% women and 32% men (same as in 2018) • 13% employed in management positions, 87% employed in other positions (same as in 2018) 	<ul style="list-style-type: none"> • 76 persons employed in the Group's innovation centers (70 in 2018)
<p>Intellectual</p> <ul style="list-style-type: none"> • 967 thousand training hours throughout the PZU Group (893 thousand in 2018) • 23.2 h of training per year per PZU Group employee (21.5 in 2018) • More than PLN 271 million of investments (financial expenditures) throughout the Group for technological projects aimed at boosting innovation (PLN 275 million in 2018) 	<ul style="list-style-type: none"> • 5 innovation centers (PZU Innovation Laboratory, PZU LAB, LINK4 Business and Innovation Development Division, Alior Bank Innovation Center, Bank Pekao Innovation Laboratory) • 38% of pending projects involved technological changes at PZU and PZU Życie (42% in 2018)
<p>Natural</p> <p>PZU Group's Standard – Green PZU showing the direct environmental impact of the conducted activity (including atmospheric emissions, waste generation, water consumption, power consumption and paper usage) as well as indirect (related to relations with third parties, including environmental practices of suppliers and business partners and shaping environmental awareness).</p>	
<p>Social relations</p> <ul style="list-style-type: none"> • PLN 51.8 million allocated to prevention activities by PZU, PZU Życie and TUW PZUW (PLN 53.1 million in 2018) • PLN 11.2 million allocated to sponsorship activities by PZU and PZU Życie (PLN 12.9 million in 2018) • PLN 20.7 million allocated by PZU and PZU Życie to endeavors of the PZU Foundation (PLN 20.7 million in 2018) • PLN 3.7 million donated as part of the nationwide preventive campaign called Helping is Power – "Healthy and safe family" (> PLN 3 million in 2018) 	<ul style="list-style-type: none"> • PLN 5.0 million donated as part of the nationwide preventive campaign called Helping is Power – "Support for voluntary firefighting units" (PLN 0 in 2018) • 1,170 PZU volunteers (630 in 2018), 880 Pekao volunteers (1,130 in 2018) and 559 Alior Bank (approx. 200 in 2018) • 175,823 beneficiaries who were assisted by PZU employees as part of voluntary work (12,945 in 2018)* • 210 preventive USG examinations sponsored by the PZU Foundation on the occasion of Women's Day and Mother's Day for women employed by PZU (460 in 2017-2018)

What does that entail in practice?

At the same time, the PZU Group effectively utilizes scale of operations, innovativeness (products and services), more than 200 years of its experience and knowledge of client needs – today and tomorrow.



How outputs and impact are measured?

New, more integrated PZU Group will be able to help clients better at all stages of life and support sustainable development of the Polish economy.



<p>Clients</p> <ul style="list-style-type: none"> • PLN 6,102 million of claims and benefits paid in life insurance (PLN 6,049 million in 2018) • PLN 7,925 million of claims and benefits paid in non-life insurance (PLN 7,263 million in 2018) • PLN 105.9 billion of bank loans granted to natural persons (PLN 97.6 billion in 2018) • PLN 89.0 billion of bank loans granted to corporations (PLN 84.5 billion in 2018) • PLN 10.7 million clients of PZU Życie (10.8 million in 2018) • PLN 138 billion – sum of sums insured for MOD insurance on vehicles (PLN 117 billion in 2018) • PLN 1,814 billion – sum of sums insured for buildings against damage caused by natural disasters (PLN 1,670 billion in 2018) • 122 thousand doctor consultations arranged monthly by PZU Zdrowie (100 thousand in 2018) • 85% of PZU clients satisfied with the claims and benefits handling process (83.5% in 2018) • 18.7% NPS (net promoter score) for PZU and PZU Życie (6.4% in 2018) • 97.93%, 97.7%, 91.5%, 77.5% - complaints handling timeliness ratio for the PZU and PZU Życie, PZU Zdrowie Group, Alior Group and Pekao Group, respectively (97.9%, 97.0%, 95.7%, 90.5% in 2018) 	<p>Investors and shareholders</p> <ul style="list-style-type: none"> • 21.2% return on equity for shareholders of the parent company (22.1% in 2018) • PLN 2,418 million of dividend paid from PZU (PLN 2,159 million in 2018), PLN 1,732 million from Pekao (PLN 2,074 million in 2018) • PLN 7,084 million of the Group's operating profit (PLN 7,087 million in 2018) • PLN 5,185 million of consolidated net profit (PLN 5,368 million in 2018) • Insurance: 88.4% of profitability of non-life insurance in Poland – COR (86.6% in 2018) • Insurance: 21.3% of operating margin in group and individually continued insurance (22.1% in 2018) • Banking: PLN 7,216 million (of investment gains net of interest expenses (PLN 6,945 million in 2018) • Banking: PLN 3,146 million of net fee and commission income (PLN 3,182 million in 2018) • High level of security: Solvency II ratio for the PZU Group at 220% of after Q3 2019 (222% in 2018) • A-/positive rating awarded by S&P Global Ratings for PZU and PZU Życie – one of the highest possible ratings for a Polish company to receive • Inclusion in the WIG ESG index
<p>Employees and agents</p> <ul style="list-style-type: none"> • 15.7% of PZU and PZU Życie employee turnover (15.6% in 2018) • 9.9% and 8.5% of internal vertical promotions for women and men, respectively, at PZU and PZU Życie (9.8% and 7.2% in 2018) • 84.3% of employees of employees covered by additional medical insurance Opieka Medyczna funded by PZU (81% in 2018) • 86.2% of PZU and PZU Życie employees covered by the company's Employee Pension Scheme (EPS) (86% in 2018) • 573 agents in the Elite Agent Club (711 in 2018) • 1,052 PZU Sport Team members • 17,847 kilometers run, 1,483 nautical miles swum, 7,422 person-hours of training with ski instructors 	<p>Social environment</p> <ul style="list-style-type: none"> • 187 initiatives pursued by the PZU Foundation to promote art and culture (881 of all initiatives) (in 2018, 187 and 845 initiatives, respectively) • 7.8 million visitors to cultural institutions supported by PZU (4.5 million in 2018) • 6,070 persons to whom support was provided under the PZU Foundation's grant contests (8,234 in 2018) • 19 thousand schoolchildren participating in the PZU Foundation's Academy of Safety original project (18 thousand in 2018) • 533 school children eligible to take part in the "Gifted Persons Aid Program" in the 2018/2019 school year • 385 persons in a difficult situation who received subsidies for rehabilitation, purchasing medications and rehabilitation equipment from the PZU Foundation (403 in 2018) • > 100,000 participants in running events held by PZU (117,980 in 2018) • 214,514 hours worked by volunteer rescuers under cooperation with the Voluntary Mountain Rescue Service (GOPR) (222,857 in 2018) • 175,823 beneficiaries aided by PZU employees through voluntary work (12,945 in 2018)
<p>Central administration</p> <ul style="list-style-type: none"> • PLN 1,844 million of current income tax paid on the PZU Group's consolidated earnings (PLN 2,098 million in 2018) • PLN 1,134 million of levy on financial institutions (PLN 1,092 million in 2018) • Financing the state budget's borrowing needs: PLN 68.6 billion – value of Treasury Securities in the portfolio of PZU Group companies (PLN 61.6 billion in 2018) 	

* The increased number of beneficiaries results from the employees' involvement in environmental projects, including cleaning of forests and rivers – such a cleaned areas are used by many people and animals

1.4 CSR Strategy [IIRC]



Corporate Social Responsibility (CSR) - “PZU Group is socially responsible – we endeavor to contribute as many positive values to relations with our stakeholders and the surrounding environment. Harmonious activity at all levels of our cooperation is not plausible without incorporating the rights and needs of the surrounding environment. We promulgate openness, we support empathetic values and we encourage people to participate in charitable campaigns. We support the civic attitudes of our employees.”

PZU Group’s Policies [UoR]

[GRI 103-2], [GRI 103-3]

Ethics and corporate social responsibility are crucial to the PZU Group. The PZU Group’s value growth should be aligned to the needs of the environment and rely on sustainable resource utilization. The firm strives to manage the many types of capital responsibly: financial, human, environmental and social.

In 2018 the PZU Group’s corporate social responsibility strategy in 2018–2020 was ratified. This document along with “PZU Group’s Best Practices” lays down the ethical principles and business standards that form its organizational culture and the attitudes of employees and agents in the work environment. It serves as the foundation for the overall PZU Group’s common values.

Objectives of the CSR strategy:

- bringing order to the most important areas and principles of responsibility;
- defining ambitions, directions of activities and initiatives in reference to business and social challenges.

The PZU Group’s corporate social responsibility focuses on key resources inside the company and in its surroundings. Relations with clients and suppliers are the most important thing for the overall business strategy; that is why they form the point of reference for the initiatives being implemented.

The primary assumption of the CSR strategy involves paraphrasing the PZU Group’s mission: “We care about the future to help our clients”.

We respond to the needs of our clients

The PZU Group endeavors to be a stable and trustworthy partner for its clients. That is why it plans to have long-term relations with them and attempts to anticipate their needs.

These assumptions are pursued in PZU and PZU Życie under the formula known as the client experience management program. Client opinions and satisfaction level are monitored on an ongoing basis, in particular by running satisfaction studies on service and products and by examining complaints. Client experience maps are prepared to identify which elements of service are in need of repair.

We create an inspiring place of work

The PZU Group is striving to be the best employer on the markets where it renders services. Its objectives are as follows: being in the leadership position among the financial industry companies most frequently selected by people looking for employment, engaged and top of class staff on the market and maintaining a low level of turnover among the organization’s top talents.

To achieve these goals, the PZU Group:

- offers transparent development paths;
- facilitates employee development;
- advances entrepreneurship, innovation and teamwork instils better quality in organizational culture;
- tweaks processes related to counteracting employee attrition;
- develops a program to retain key employees;
- offers a friendly environment and atmosphere and development opportunities, while at the same time guaranteeing respect for life-work balance.

We manage our environmental impact in a deliberate manner

The PZU Group is devising its own environmental standard to define the key assumptions pertaining to its governance approach to environmental issues. They are embodied by these principles:

- sustainable development;
- high level of environmental protection;
- prudence and prediction of negative impact of our actions, if any;
- prevention, prevention of pollution and its elimination at its source;
- inclusion of environmental protection elements into the business policy and strategy;
- partnership, or the requirement for all PZU Group entities to take joint environmental protection actions.

We cultivate a risk management system and a culture of ethics and compliance

The risks inherent in PZU’s business are covered by the risk management system established on the basis of the following four levels of authority: the Supervisory Board, the Management Board, committees and the level of operational activities broken down into three lines of defense.

A detailed description of the approach to risk management has been provided in SECTION 6.1 CORPORATE GOVERNANCE AND RISK MANAGEMENT, GIVING CONSIDERATION TO ESG FACTORS.

As regards compliance risk, a modern compliance function has been established in the PZU Group based on best market standards and internally developed compliance solutions and tools.

A detailed description of the approach to risk management has been provided in SECTION 6. ETHICAL FOUNDATIONS OF BUSINESS OPERATIONS.

We are a leader in social activities focusing on security

Insurance companies are responsible for the risks of other persons. That is why social engagement among insurers takes on special meaning. For many years the PZU Group has taken specific and measurable efforts to attenuate risk at source by using the prevention fund.

On top of sponsoring activity or the charitable activity of the PZU Foundation, the PZU Group gets involved in social investments to reduce risk and simultaneously produce business and social benefits. These initiatives’ major objective is to prevent accidents, reduce their repercussions and support those types of activities that advance health prevention.

The strategic pillars underpinning PZU’s social involvement are as follows: safety (road and public safety, at the local level), health, culture and expert approach with respect to which the key measures were described in detail in the SECTION 5.PZU GROUP’S SOCIAL COMMITMENT.

We are devising new standards in relations with suppliers

PZU has an awareness of its material impact on the procurement market and its responsibility for shaping the top business standards. The PZU Group companies advance the idea of corporate social responsibility in relations with their suppliers, cooperating only with business partners who observe human rights and act in compliance with legal regulations, in particular with regard to the prevention of corruption. They also expect their partners to provide safe and dignified work conditions, apply the highest ethical standards and care for the natural environment.

Responsible business management in the PZU Group - activities, initiatives



We respond to the needs of our clients



We are devising new standards in relations with suppliers



We create an inspiring place of work



We are a leader in social activities focusing on security



We cultivate a risk management system and a culture of ethics and compliance



We manage our environmental impact with a sense of awareness



Status of the execution of the strategic assumptions [IIRC]:



We respond to the needs of our clients

The PZU Group endeavors to be a stable and trustworthy partner for its clients. That is why it plans to have long-term relations with them and attempts to anticipate their needs.

These assumptions are pursued in PZU and PZU Życie under the formula known as the Client Experience Management Program. Client opinions and satisfaction are monitored on an ongoing basis, in particular by running satisfaction studies on service and products and by examining complaints. Client experience maps are prepared to identify which elements of service are in need of repair.

“New PZU” 2020 ambition

– NPS (satisfaction) indicator for retail clients in insurancea

>higher than the competition

– indicator concerning the timeliness of examining complaints

95% up to 28 days

Clients were once again inclined to recommend PZU to a greater extent in 2019 in comparison to the competition. Its NPS (Net Promoter Score) was 10 p.p. higher than the competition's. This score is to a large extent the outcome client satisfaction studies enabling us to identify the organization's strengths and areas in need of modification and improvement.



We create an inspiring place of work

The PZU Group is striving to be the best employer on the markets where it renders services. Its objectives are as follows: being in the leadership position among the financial industry companies most frequently selected by people looking for employment, engaged and top of class staff on the market and maintaining a low level of turnover among the organization's top talents.

To achieve these goals the PZU Group:

- offers transparent development paths;
- facilitates employee development;
- advances entrepreneurship, innovation and teamwork instils better quality in organizational culture;
- tweaks processes related to counteracting employee attrition;
- develops a program to retain key employees;
- offers a friendly environment and atmosphere and development opportunities, while at the same time guaranteeing respect for life-work balance.

“New PZU” 2020 ambition

– employee engagement index 55%

– percentage of women in management position

min. 50%

The employee engagement index rose 11 p.p. in 2019 y/y to 51%. The participation ratio was 84% (73% in 2018).



We manage our environmental impact in a deliberate manner

The PZU Group is devising its own environmental standard to define the key assumptions pertaining to its governance approach to environmental issues. They are embodied by these principles:

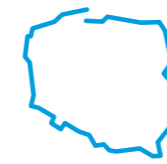
- sustainable development;
- high level of environmental protection;
- prudence and prediction of negative impact of our actions, if any;
- prevention, prevention of pollution and its elimination at its source;
- inclusion of environmental protection elements into the business policy and strategy;
- partnership, or the requirement for all PZU Group entities to take joint environmental protection actions.

“New PZU” 2020 ambition

– implementation of the “Green PZU” standard by 2020

complete implementation

The PZU Group's “Green PZU” Standard, along with the action plan document for the administration and real property area is aimed at ensuring informed management of the natural environment and mitigation of negative impact on the environment.



We are a leader in social activities focusing on security

Insurance companies are responsible for the risks of other persons. That is why social engagement among insurers takes on special meaning. For many years the PZU Group has taken specific and measurable efforts to attenuate risk at source by using the prevention fund.

On top of sponsoring activity or the charitable activity of the PZU Foundation, the PZU Group gets involved in social investments to reduce risk and simultaneously produce business and social benefits. These initiatives' major objective is to prevent accidents, reduce their repercussions and support those types of activities that advance health prevention.

The strategic pillars underpinning PZU's social involvement are as follows: safety (road and public safety, at the local level), health, culture and expert approach with respect to which the key measures were described in detail in the SECTION 5. PZU GROUP'S SOCIAL COMMITMENT.

“New PZU” 2020 ambition

– financial commitment to social activity

>at the level of over PLN 50 million annually

Financial commitment to social activity in 2019: 84 million (PZU, PZU Życie, TUV PZU)



We are devising new standards in relations with suppliers

PZU has an awareness of its material impact on the procurement market and its responsibility for shaping the top business standards. The PZU Group companies advance the idea of corporate social responsibility in relations with their suppliers, cooperating only with business partners who observe human rights and act in compliance with legal regulations, in particular with regard to the prevention of corruption. They also expect their partners to provide safe and dignified work conditions, apply the highest ethical standards and care for the natural environment.

“New PZU” 2020 ambition

– percentage of suppliers adhering to the “Code of CSR Best Practices for PZU's Suppliers

90% of PZU's suppliers* covered by the tender process accept and comply with the “Code of CSR best practices for the PZU Group's suppliers”

In 2019 the work was underway to implement a new procurement platform that, according to the assumptions underpinning the CSR strategy, incorporates the necessity of affirming the obligation to abide by the “Code of CSR Best Practices.

*Suppliers of goods or services invited to participate in tenders organized by the Procurement Department at PZU and PZU Życie

Goal achieved

The PZU Group is undergoing a process of updating its business strategy, including in the context of environmental, social and corporate governance (ESG) factors.

On the PZU Group

Governance – we are building our CSR position in the industry

The actions taken in this area concentrate on formulating the CSR policy within the PZU Group, defining objectives and strategic metrics and tending to the active implementation of planned efforts.

Governance initiatives call for coordinating ventures and duties discharged by all the PZU Group companies. Every year the “PZU Group’s non-financial report” is drafted. Its membership from 2012 to the end of 2019 in the Respect Index, a stock index consisting of companies espousing corporate social responsibility, which at the beginning of 2020 was replaced by a new index called WIG-ESG, also makes it possible to render an accurate and objective evaluation of the Group’s CSR activities.

The Group’s ambition is to ensure efficient and comprehensible internal communication regarding CSR-related values, objectives and practices. This should provide for appreciation of the planned activities and support from persons and units guaranteed in the execution of the CSR strategy.



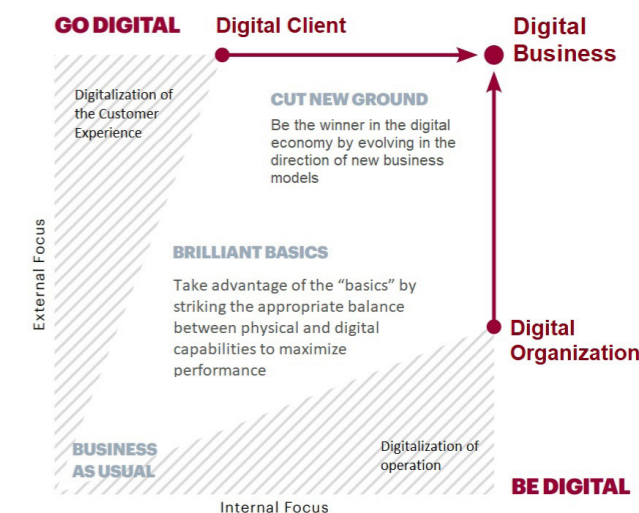
STRATEGIC CHALLENGES OF THE FUTURE



„It is important to remain up to date on what is going on in new technologies and what the trends are. We look at fintech and insuretechs as an opportunity for the entire sector. Having regard for the magnitude of our business, we are currently an attractive partner for many technological undertakings poising us to deliver the most sophisticated solutions to our clients while simultaneously becoming the leader of digital change on the Polish market. ”

Paweł Surówka, President of the PZU Management Board

Model examining the level of digitization in the organization



Source: Digitization of the Insurance Sector in Poland, Report prepared by Accenture in cooperation with the Polish Chamber of Insurance (PIU)

[GRI 102-15] Digitalization is a process that has come to stay and is constantly developing in all sectors of both the global economy and our domestic economy. Investing in digital solutions generates a number of benefits not only for companies, their staff and their business partners but also for their clients.



Clients expect more and more personalized products, are aware of the risks arising from cybercrime and personal data management issues. According to the report¹ prepared by Accenture in cooperation with the Polish

Insurance Association, there is enormous potential associated with the digitalization of the insurance sector. The use of artificial intelligence and automation in processing large amounts of data is gaining in significance.

The model proposed by Accenture for a fully digital business calls for change on two of the most important planes. On one hand, this entails introducing the most advanced digital solutions in internal processes while, on the other hand, enabling clients to engage in the optimum amount of interaction with their insurer by using online tools. The PZU Group sees the need for digital transformation in both of these areas and applies the principle of gradually achieving full digitalization: by modifying internal processes and client communication channels.

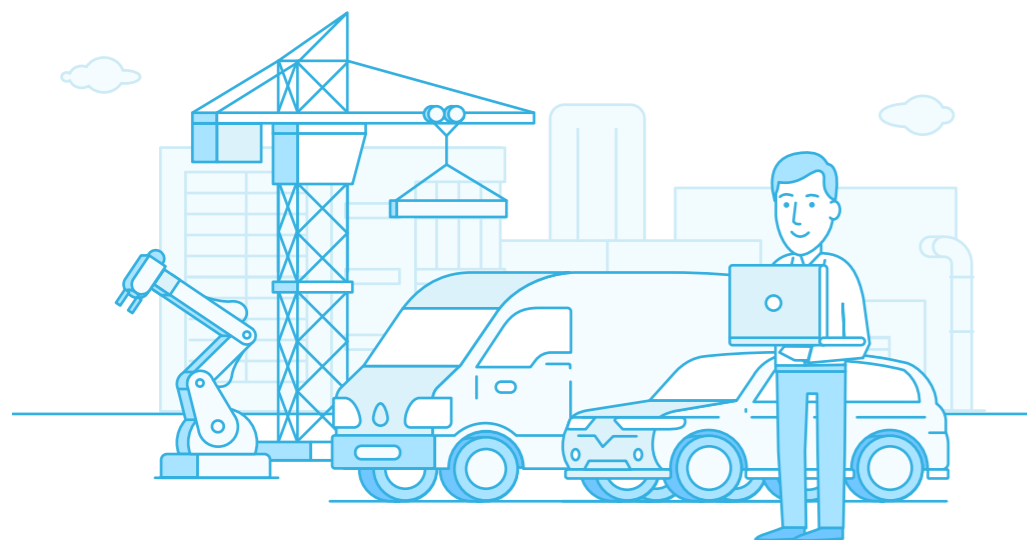
¹ Digitalization of the Insurance Sector in Poland, a report prepared by Accenture in cooperation with the Polish Insurance Association

In Accenture's global report Digital Consumers 2017² the following four main trends related to the digital development of organizations are distinguished:

- optimization and automation of processes;
- transformation of organizational culture;
- advanced analytics and data management;
- digital IT – consumers are aware of cyber threats and need to have a sense of security in the area of data management.

The PZU Group is becoming more accomplished at recognizing the opportunities new technological implementations offer to the insurance sector. In our activities we always pose the question to ourselves, what challenges will our company and clients face not just in one or two years but how will the insurance services market look in 5 and 10 years. We also observe implementations in digitally advanced innovation hubs in Singapore, Israel and the United Kingdom. It is important for the organization to obtain “a view of tomorrow” because designing solutions that may be the standard in several years time must begin today. Looking at the growing supply of startups in insurance technology, big data analytics and financial services across the world, we are constantly searching for new sources of innovative projects both in Poland and abroad.

² Dynamic Digital Consumers – ever-changing expectations and technology intrigue, Accenture, 2017



Digitalization – the future of insurance companies [IIRC]

We understand the role artificial intelligence (AI) will play in digital transformation. The Accenture Report indicates that 62% of the study's respondents are satisfied with the course of the processes supported by artificial intelligence and appreciate the benefits ensuing from that. In turn, 87% of consumers are highly interested in being able to monitor and check their personal data made available online. It is understandable that the connection with the digital environment is particularly big in younger age groups: the PZU Group's prospective clients in upcoming decades. In our efforts to care for their best possible customer experience, convenience and safety, PZU has made digitalization one of the flywheels of growth.

The strength of the #newPZU strategy lies in technological support spanning the field of innovation and encompassing nearly all the Group's operating areas. Multi-dimensional data analysis makes it possible to gain a better grasp of client needs, offer more efficient client service and provide for easier contacts with a greater amount of partnership. The means to execute these initiatives involve the usage of tools based on artificial intelligence, Big Data and mobile solutions.

In 2018 PZU launched the mojePZU platform. This modern self-service offers the ability to obtain information in a single location to access PZU Group's products and services and helps in the handling of numerous matters without having to visit a branch or call a hotline. It is accessible from any location and at any time on personal computers and through the mojePZU mobile app. mojePZU is the most comprehensive platform available on the insurance, financial and health markets. It is continuously being upgraded with new functions. (see Best Practice mojePZU, page 41)



PZU ushers in its ambitious technological plans into the Group's strategy. As part of its efforts involving process optimization and automation, PZU uses artificial intelligence to identify and handle claims (see Best Practice: Automatic

analysis of photographs and costs of damaged vehicles, page 49). Transformation of the organizational culture takes place at the level of employee involvement in new projects and pursuit of new initiatives (see Best Practice: Click on development, page 100). In turn, advanced analytics streamlines, among others, internal processes (see Best Practice: Data Lab, page 45). To provide clients with a sense of data protection, the PZU Group focuses on cybersecurity. A multiple-layer system to

protect against cybersecurity threats functions in the company and is being developed.

Key figures from the aforementioned best practices:

Artificial intelligence requires a mere **30 seconds** to analyze technical documentation.

Artificial intelligence makes it possible to select **90% of the documentation** that fulfills the requirements needed to preserve high quality of claims handling in PZU.

More than **882 thousand** high risk attacks have been stopped

More than **2.3 million malicious e-mails** were blocked.

LINK4 as the first insurance company on the insurance market in Poland to sell products by phone continues to be a leader in direct insurance. The ongoing transformation into a data driven company involves development of the technology and organization around data collection and processing, machine learning and artificial intelligence (see page 47). To this effect the Data and Advanced Analytics Center was established in LINK4. Its key tasks include data processing and preparation, development of predictive models and data reporting and visualization. The project's overriding objective is to generate value through comprehensive and advanced data analysis in the entire organization. 2019 was also a year of testing different technologies in the company. In areas such as claims, client service, sale or back office, technologies in, among others, the following areas were tested: picture analysis, text analysis, speech/voice analysis and automatic search of processes for robotization. The achieved results show the technology's great potential, which will be reflected in the company's implementation schedule for 2020.

The banking industry is going through a major technological change – clients are utilizing products and processes in digital channels on a massive scale. The number of visits and transactions in branches is falling; the digitalization of economic activity is progressing. Moreover, finance and technology companies are getting more and more involved in areas reserved thus far solely to the financial sector.

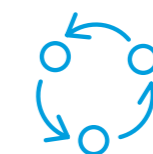
For that reason digitization and digitalization are one of the strategic priorities for the banks operating in the PZU Group.

Since 2017 Alior Bank has been pursuing its "Digital Disruptor" strategy. It harnesses pioneering technological solutions such as blockchain, open banking, artificial intelligence and biometrics. It was the first bank in Poland to create a fully internet-based currency exchange office. It is also responsible for launching the first in Poland video verification in the opening of personal accounts. In April 2019, Alior Bank ended the process of moving clients from the so-called old online banking to the new system. Online and mobile banking were enriched by a number of functions – both sales, transaction and service ones. Executing the process of moving the clients from branches to the digital world (the so-called project digitization), the systems were expanded to include a number of self-service functions.

Bank Pekao also continued its digital transformation process in 2019. This process has spanned more than 200 technologically advanced initiatives focused on development of sales and improvement of the quality of service in remote channels, automation and robotization of processes and enriching the offering to include state-of-the-art digital services. Bank Pekao's electronic banking is systematically modernized and developed. Under the Digital Transformation Project, clients obtained access to a new version of the electronic banking service entitled new Pekao24. Pekao is consistently developing its modern PeoPay mobile app actively used by 1.4 million bank clients. In 2019 the bank has also given clients the possibility to open an online account themselves through the web by using a computer or a smartphone. Identity is verified by using biometric measurements of a face and a personal ID. Pekao is the first bank in Poland which offered the identity verification process based on face biometrics.



DIGITALIZATION IN COOPERATION
AGENT – INSURER



MULTI-CHANNEL ACCESS AND NO PAPER
DOCUMENTATION



INCREASE THE SCALE OF CUSTOMER
SELF-SERVICE



PROCESSES AUTOMATISATION



CONTINUOUS GROWTH OF ARTIFICIAL
INTELLIGENCE

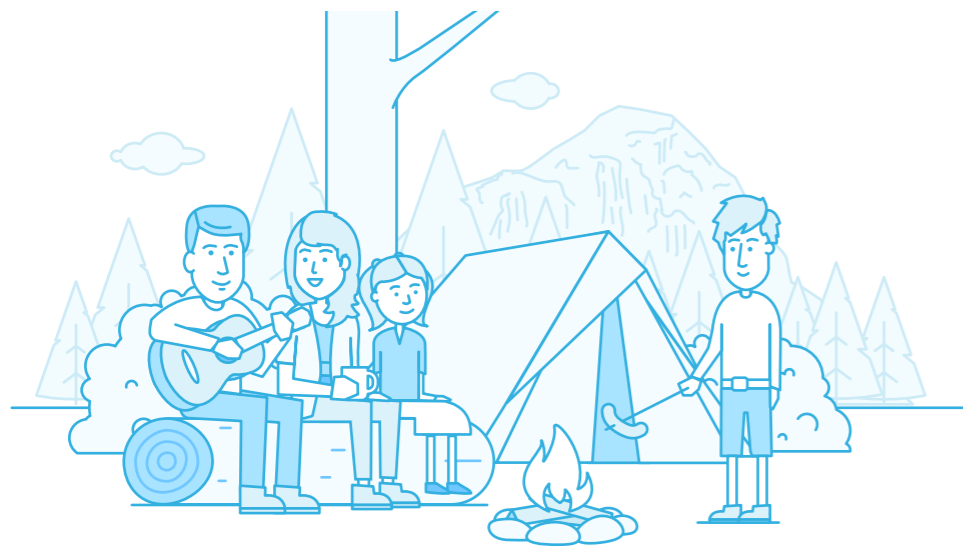


USE OF EXTERNAL DATA SOURCES



ECOSYSTEMS





Coping with the challenge of climate change [IIRC]



„Care and concern for the environment will help reduce the fast-occurring consequences of climate change. This is a task for the state, local governments and each and every household. Also, the special responsibility of leaders of the Polish economy is to pursue the strategic goals of the state through sustainable and well-considered business practices and to support efforts aimed at adaptation to climate change and use of appropriate prevention measures.

Weronika Pelc, Director of Management Board Office in PZU and PZU Życie

[GRI 102-15] Climate change currently poses one of the biggest global challenges to sustainable development. According to The Global Risk Report³, published in January 2020 by the World Economic Forum, among 10 key risks for the next 10 years in terms of impact and probability of materialization, as many as 5 are related to environmental factors. Back in 2012, a similar list contained only one environmental risk.

The PZU Group acknowledges the fact that climate change and related risks will have to be taken into account in the management methods, because its impact on financial performance will be increasingly more substantial. In recent years, there has been an increase in the number of extreme weather phenomena around the world, followed by an upsurge in related costs.

Over PLN 16 billion – this is how much the 2010 flood would have cost Poland if it had occurred in 2018. If the flood had hit with the same strength as eight years earlier, it would have caused damage greater by as much as 21%.

Polish Insurance Association in the report “Risk climate. How prevention and insurance may reduce the impact of natural disasters on the environment?”, prepared in collaboration with Deloitte.

³ http://www3.weforum.org/docs/WEF_GRR18_Report.pdf.

As one of the largest financial institutions in Poland and across Central and Eastern Europe, the PZU Group is aware of the scale of its direct and indirect impact on the economy and the natural environment through the insurance services it offers as well as through its banking and investment activities.

Responding to the changing reporting guidelines, growing requirements and expectations of our stakeholders, investors and analysts in terms of a transparent information policy addressing the issue of preparation for climate change, in this report we describe aspects of both our direct and indirect impact on the natural environment. In accordance with Guidelines on non-financial reporting: Supplement on reporting climate-related information (2019/C 209/01), the disclosures in this report meet the double materiality perspective, namely, they contain information regarding the climate’s impact on the PZU Group’s business and the Group’s impact on the climate.

It is worth emphasizing that in its day-to-day operations the PZU Group undertakes a number of initiatives intended to ensure conscious management of its environmental impact, aiming to reduce the volume of pollutants released into the environment and lessen the consumption of natural resources. The PZU Group’s highest priority is to respond to the current needs of the Polish market and economy in accordance with EU and domestic regulations, including Poland’s Energy Policy until 2030 currently being developed and the National Plan for Energy and Climate for 2021-2030, which has been submitted to the European Commission for further consultations.

Since 2017, PZU has been a member of the United Nations Environment Programme Finance Initiative

The need to take urgent action to curb climate change was highlighted in the Paris Agreement of 2015⁴ and in the United Nations agenda adopted in the same year, setting sustainable development goals (SDGs)⁵. In recent years, the European Union has been taking comprehensive steps to encourage a low-carbon economy and sustainable development, for instance by implementing

⁴ Paris Agreement, United Nations, 2015. The Agreement provided for a global action plan to put a cap on global warming to below 2 degrees Celsius.
⁵ Transforming our world, The 2030 Agenda for sustainable development, A/RES/70/1, United Nations.

the European Green Deal⁶ intended to ensure achievement of climate neutrality in EU countries by 2050. Moreover, in 2019, the European Commission published Guidelines on non-financial reporting, providing for the disclosure of detailed climate-related data. The Financial Stability Board has set up the Task Force on Climate-related Financial Disclosures (TCFD) the activities of which include the provision of incentives to financial institutions and enterprises to disclose information on climate-related risks and opportunities.

The PZU Group is aware of the role it may play in mitigating the carbon footprint but also in the effective management of new risk categories that directly affect its financial performance.

By taking proper action, the Group seeks to align its business with current trends in this area, for instance through:

- execution of projects mitigating and preparing for climate change SECTION 3.1 OUR BUSINESS IN THE FACE OF CLIMATE CHANGE;
- inclusion of environmental risk analysis in the adopted risk management model SECTION 6.1 CORPORATE GOVERNANCE AND RISK MANAGEMENT, GIVING CONSIDERATION TO ESG AND CLIMATE-RELATED FACTORS;
- disclosure of data related to climate impact and measures taken to adapt to climate change SECTION 3.1 OUR BUSINESS IN THE FACE OF CLIMATE CHANGE and SECTION 3.2 OUR DIRECT ENVIRONMENTAL IMPACT

In the coming years, the PZU Group intends to continue the development of its strategic approach, policies and practices in the area of indirect environmental impact, in line with sectoral trends and in consideration of the specificity of the Polish economy.

Defining risks is the first stage in the process of effective risk management, which must be followed by subsequent steps, in particular: materiality assessment, identification of potential action scenarios, business impact assessment, development of response plans.

The European Commission's Guidelines on non-financial reporting, providing for the disclosure of detailed climate-related data classify the risks related to the climate's adverse impact on businesses as physical risks and transition risks. Physical risk is a risk for a business stemming from the physical consequences of climate change and encompasses acute

(e.g. storms, fires) and chronic physical risk (rising sea level). Transition risk is the risk related to the economy's transition to a low-carbon and climate-resilient economy and encompasses risk related to policy and legal, technology, market and reputational risks.

The probability that the risk related to the global economy's transition process will materialize is much higher than the probability that the most extreme physical risk related to climate change will materialize. PZU takes measures to limit the probability that transition risk will materialize through investments for a low-carbon economy. On the other hand, the materialization of the most extreme physical risk (e.g. in the RCP 8.5 ICPP scenario) would constitute a threat to the entire insurance sector. The effects of escalating climate changes might contribute to the materialization of risks for which insurance may become unaffordable.

Among the new tools that are consistent with TCFD recommendations and the European Commission's Guidelines is scenario analysis. This kind of analysis is based on hypothetical models of temperature changes, enabling assessment of a company's operations depending on the changing climate and resilience of its business model.

Adopted parameters and key assumptions

- Discount rate
- Carbon price
- Energy demand and mix
- Prices of key raw materials and products
- Macroeconomic variables
- Demographic variables
- Technology
- Regulations
- Geographic and climatic considerations

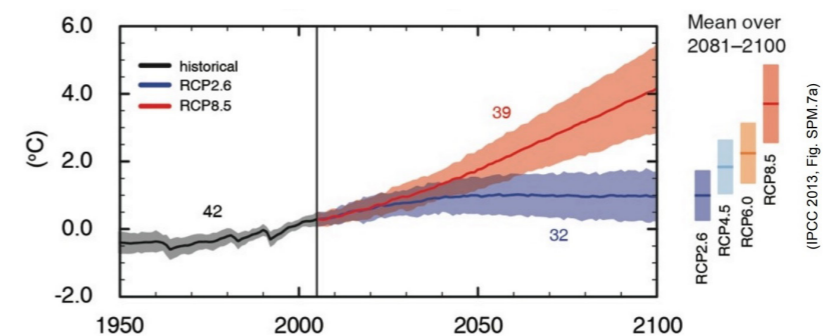
Impact on and outcomes for business

- Earnings (e.g. EBITDA)
- Expenses
- Income
- Losses related to physical risk

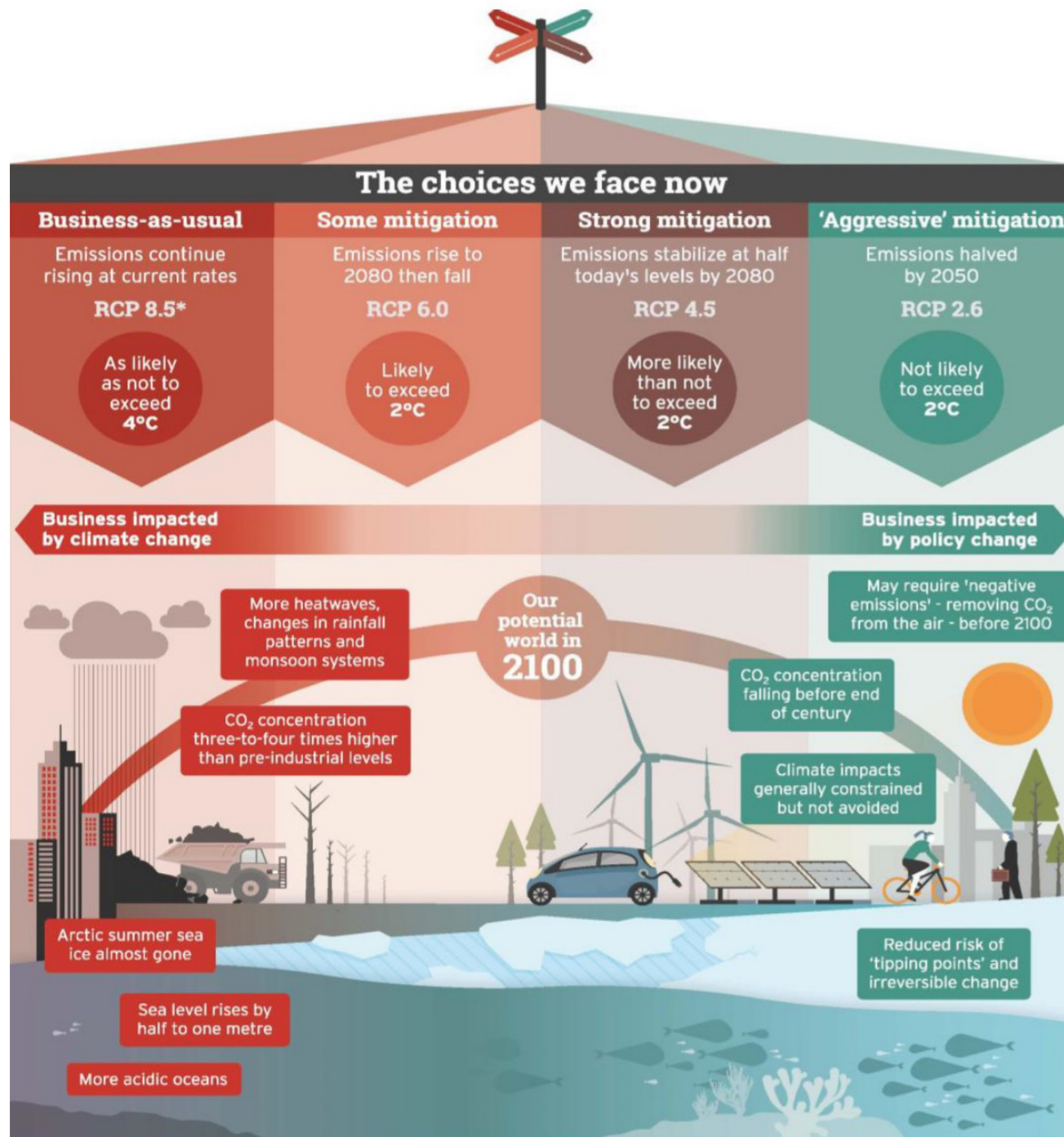
Source: Own material based on The Use of Scenario Analysis in Disclosure of Climate Related Risks and Opportunities Technical Supplement, TCFD, 2017

The need to take urgent steps to limit climate change was upheld in the Paris Agreement signed in 2015, which provided for a global action plan to put a cap on global warming to below 2°C.

Global average surface temperature change



Source: IPCC



* The four RCP (Representative Concentration Pathway) scenarios each project a certain amount of carbon to be emitted by 2100 and, as a result, lead to a different amount of human-driven climate change. Climate change will continue after 2100 and elevated temperatures will remain for many centuries after human CO₂ emissions cease.

Source: Intergovernmental Panel on Climate Change, Fifth Assessment Report (AR5), Climate Change: Action, Trends, and Implications for Business, Cambridge University Press, 2013.

2. Client at the center of attention



Responsibility is our foundation - "we honestly advise clients when it comes to the PZU Group's offers. We talk about genuine benefits, we accurately describe the risks related to our offer, we take responsibility for it and we deliver on our promises. We in the PZU Group strive to solve our clients' problems with diligence and integrity, and examine complaints on a timely basis. We also avail ourselves of mediation and other amicable forms of dispute resolution."

PZU Group's Policies

[GRI 103-2]

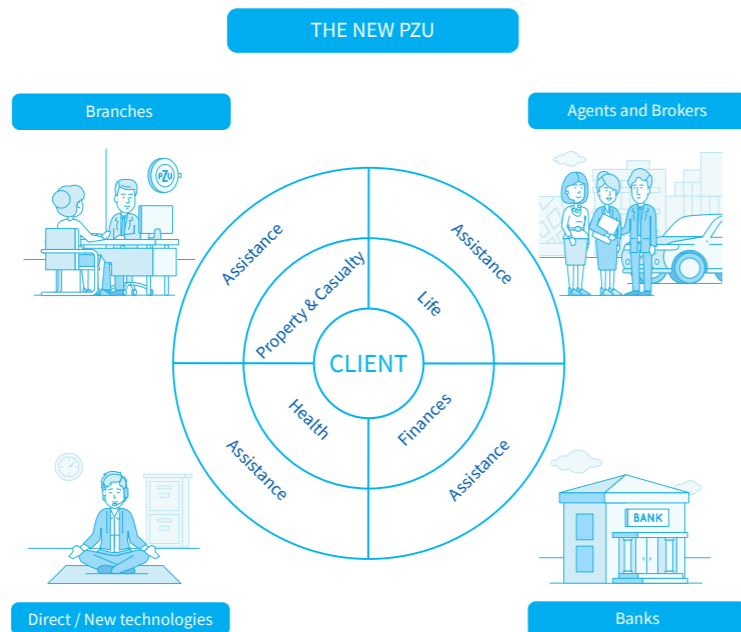


"We feel responsible for setting the direction in which our industry should develop and for ensuring the highest standards of service quality. Tied agents are our biggest asset and showcase today. We will continue to invest in their growth. The awards we receive regularly, such as the Institution of the Year in the category "Quality of service in the outlet", confirm that the path we are following is right one."

Michał Świdorski, Managing Director for Retail Sales

It is not the number of products that determines PZU's competitive edge and its unrivaled position on the Polish market, but their quality and, above all, their alignment to client needs as they evolve over their lifetimes. PZU is always present where clients are in need of financial and insurance services, from birth to education and maturity until retirement.

On 9 January 2018, the PZU Management Board and Supervisory Board adopted the strategy update up until 2020. The new model brings together all of the PZU Group's types of business and integrates them in a client-focused manner: life insurance, non-life insurance, health insurance, investments, pensions, health care, banking and assistance services. This approach drives the gradual transformation of insurers from focusing primarily on valuation and transfer of risk toward being an advisory and service company (operating on the basis of technological know-how). Achieving a high level of quality and number of client interactions calls for creating a model in which the core is client knowledge and the skill of building long-term relations. The transformation in the direction of an



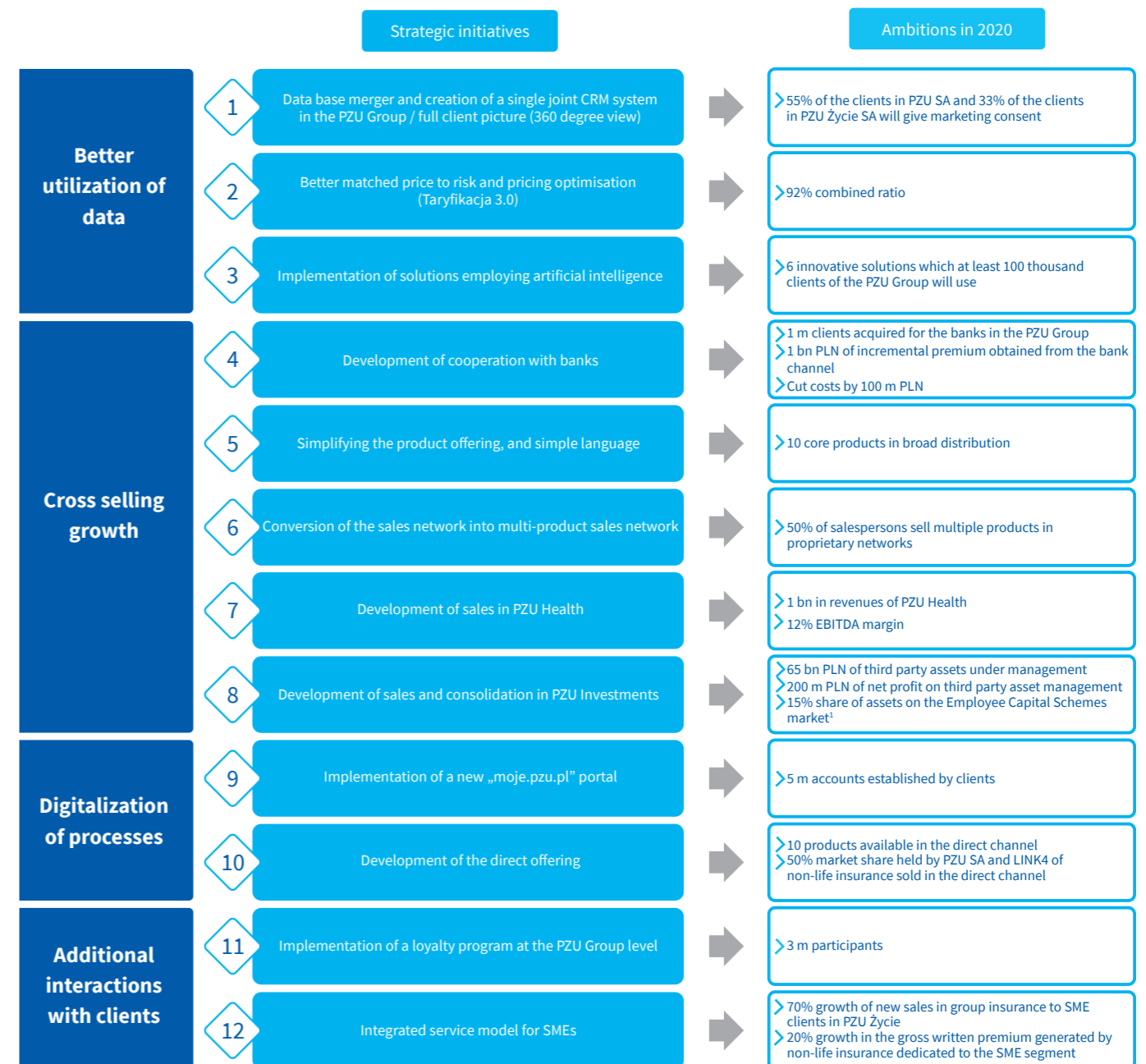
advisory and service company will make it possible to care for the clients' future and satisfy their needs comprehensively when it comes to protecting their life, health, property, savings and finances.

The strength of the #newPZU strategy lies in technological support spanning the field of innovation and encompassing nearly all the Group's operating areas. Multi-dimensional data analysis makes it possible to gain a better grasp of client

needs, offer more efficient client service and provide for easier contacts with a greater amount of partnership. The means to reach these goals involve the usage of tools based on artificial intelligence, Big Data and mobile solutions.

12 initiatives (in four areas: data analysis, cross selling, digitalization of processes and client interactions) define the path to achieving strategic objectives.

#newPZU 2020 strategic initiatives



Mindset towards client experience

A mindset focused on the client has long been a component of PZU's DNA. The Group listens to the client's voice, collects information about the client's experience and emotions, examines complaints and recommends changes that will ensure the client maximum satisfaction. All these activities help us design a positive client experience.

Governance policies and systems in the PZU Group [UoR]

PZU and PZU Życie have a client experience management policy in force, with the program devoted to that subject matter being a strategic initiative for the overall Group. The Client Relations Management Department is in charge of its execution. The priority is to develop the best client experience during every contact with the company and its products and services. This program posits systematically proceeding through the various phases of the cycle, starting with a client expectation study and defining the optimum experience, to crafting measures to influence client experience, all the way to implementing changes and constantly measuring the outcomes.



TFI PZU has a procedure in place for handling complaints submitted by its clients and clients of its mutual funds, which defines the principles and guidelines for dealing with complaints submitted by clients of the mutual fund

management company or its mutual funds in connection with TFI PZU's activities in the field of mutual fund establishment and management, in particular regarding brokerage in selling and redeeming participation units, accepting subscriptions for investment certificates, providing management services for portfolios which include one or more financial instruments and fulfilling obligations towards its clients. Moreover, a procedure for serving TFI PZU's portfolio clients has been developed. It is an internal document that governs activities related to the establishment and termination of cooperation between TFI PZU and its client related to managing portfolios of financial instruments and activities related to client service.



LINK4 has in place a LINK4 TU Complaint Procedure and Rules and regulations for accepting and examining complaints and appeals.

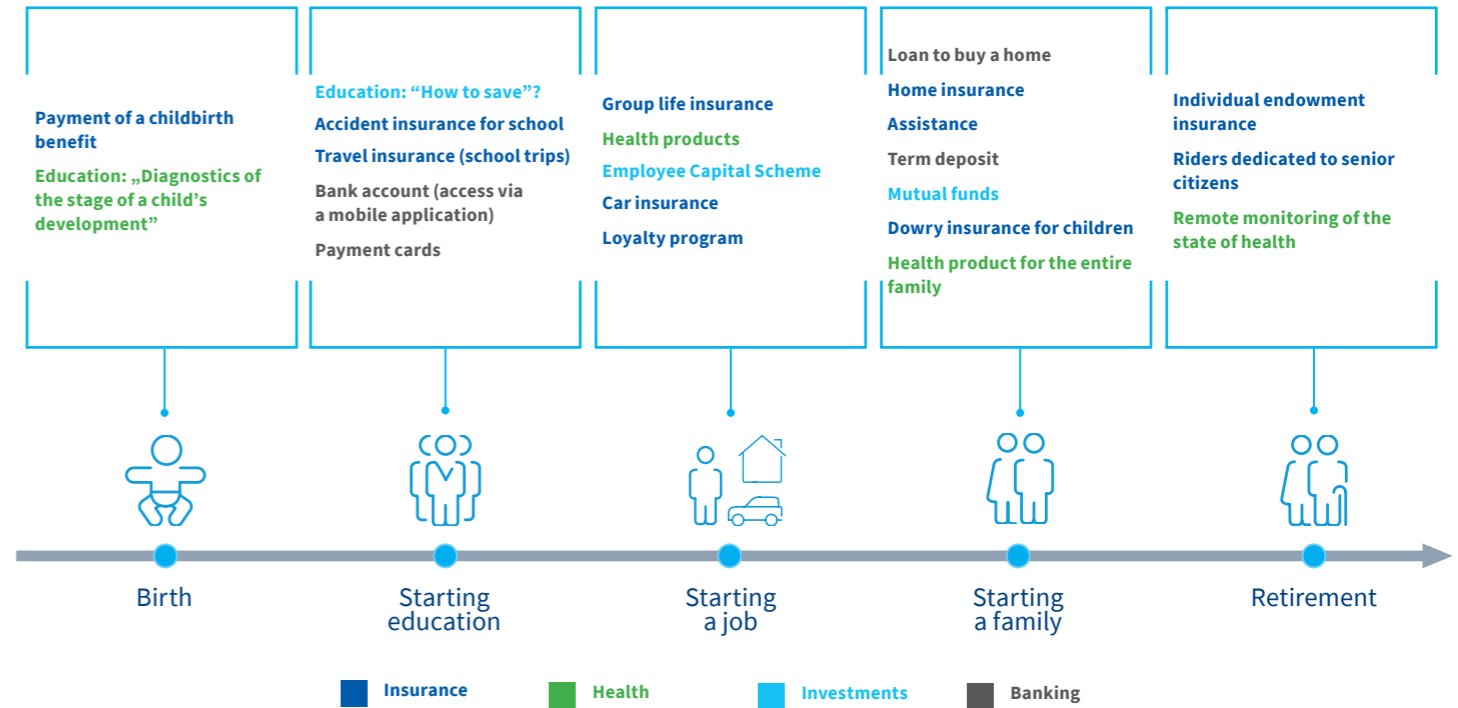
The tool used to manage the program is the policy for managing proactive client initiatives in PZU – closed improvement loop. It applies to all PZU employees who have a direct or indirect impact on client experience.

The closed improvement loop is a model adopted by the PZU Management Board that depicts how we define, implement and monitor proactive client initiatives that ensure positive client experience. The purpose of the closed improvement loop is to improve client experience and streamline existing products and processes, design client experience, ensure consistent and effective communication and create new products and services in line with client needs and expectations.

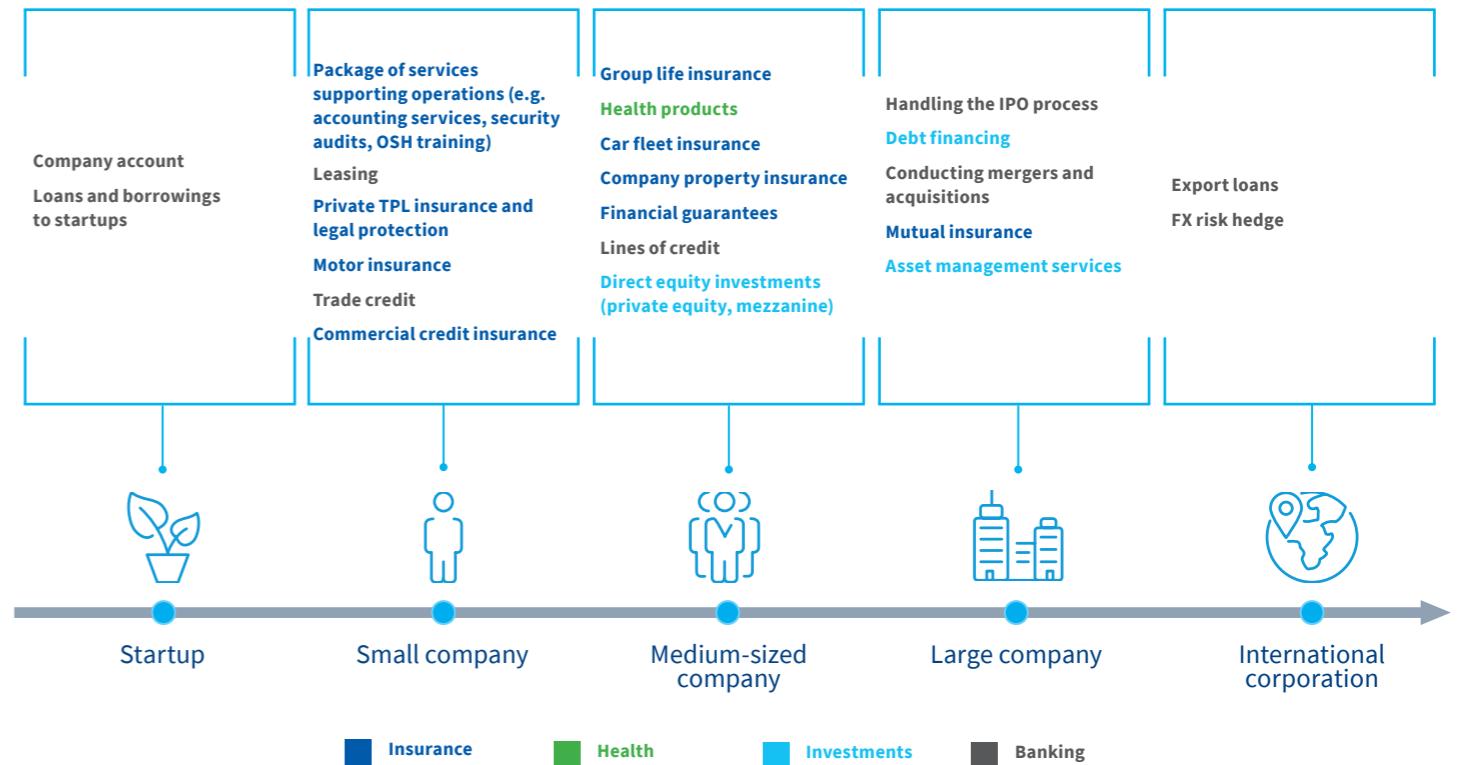
Closed Improvement Loop:



We are a long-term partner for our clients



We help companies grow by offering them a wide array of products supporting their growth



Client at the center of attention

In 2019, a unique “Focus on the Client” training was held in the form of microlearning. It included attractive video materials, podcasts, a variety of graphics, exercises and quizzes with prizes. The training was aimed at educating employees in the areas of client experience and employee experience and, additionally, at boosting a client-focused organizational culture. During the training, experts demonstrated how important client experience is and how it affects business. Every PZU employee, serving either external or internal clients, was eligible to take part in the training. After completing all modules and providing correct answers to quiz questions, the training participants also received a PZU client experience ambassador certificate.

A total of 1,300 employees enrolled in the training, which was very favorably evaluated by the participants. As many as 336 staff became CX certified ambassadors, meaning that they completed all stages of the training and solved all the required quizzes.

BEST PRACTICE

Phoenix system



The collection of data from PZU’s databases also facilitates better client service. The Phoenix Project pursued in 2018 – to develop a CRM class integrated platform – enables PZU agents and employees to gain ergonomic and effective access to all the information regarding their clients.

The development of an integrated CRM platform will contribute to the achievement of PZU’s strategic goals by 2020 (including the development of CRM tools to support all retail sales channels) and to the full use of the unique potential of PZU’s retail distribution network. In turn, the deployment of the 360 degree view will be conducive to one of the 12 key initiatives presented in the PZU Group’s updated strategy for 2017-2020, namely “Data base merger and creation of a single joint CRM system in the PZU Group/ full client picture (360 degree view)” The purpose of deployment of the 360 degree view in the Phoenix system fed with data from the Focus system is to provide PZU agents and employees with ergonomic and efficient access to full information about their clients. The 360 degree view helps build relations with clients and forms the basis for growing cross-selling in the PZU Group.

BEST PRACTICE

New product – investing in passive funds through the internet



In October 2018, the online inPZU transaction service to sell mutual fund units was launched. This service bypasses intermediaries and directly reaches retail clients with its new offer of index funds. Client

service is done solely in the online channel without having to pay a visit to a branch while the platform is available on all network-enabled devices. inPZU has enabled the Group to build the first offer of low cost index funds in Poland.

In 2019, the following features of inPZU were implemented:

- institutional client service;
- employee portal for ECS account holders;
- integration with the mojePZU service through a shared login (SSO) and displaying the balance of investment portfolios and ECS accounts on mojePZU.

Outcomes:

- building the image of TFI PZU as an innovative, modern and low-cost brand;
- reaching clients through a new sales channel (online);
- at the end of 2019, more than **6,800** investment portfolios were opened in the inPZU service;
- the service had almost **950 thousand** page views;
- TFI PZU’s clients executed over **21 thousand** purchase transactions of inPZU SFIO fund participation units.

BEST PRACTICE

Segmentation of claims

At LINK4, we endeavor to put the client in the focal point at every stage of the life of his or her products. Undeniably, innovations are very helpful in this pursuit. One of them is an advanced analytical model that sends claims down the proper handling path already at the registration stage.

The applied solution adapts the claim handling process as efficiently as possible to the extent of the claim, shortens the claim handling time and reduces the client’s involvement in the whole claim handling process.

BEST PRACTICE

mojePZU

Filing an insurance claim, booking a physician’s visit, getting a referral to a medical test or e-prescription, purchase of a home or travel insurance policy or investing their savings – PZU clients can do it all in one place. It is mojePZU.

Modern self-service offers a single location to access PZU Group’s products and services and helps in the handling of numerous matters without the need to visit a branch or call a hotline. It is accessible from any location and at any time on personal computers and through the mojePZU mobile app.

mojePZU is the most comprehensible platform available on the insurance, financial and health markets. It is continuously upgraded with new functions. Several months ago, the possibility of using the PZU Pomocni Club was added. It is a loyalty program, through which clients are able to obtain attractive discounts and rebates. The club gives them bonuses, for example for leading a healthy lifestyle and everyone who registers in the Club receives a welcome gift.



„Poles never part with their phones, and we want to be where our clients are. We are intent on seeking solutions that will make life easier for our clients.”

Konrad Grajeta, Director of the mojePZU project

BEST PRACTICE

Before-You-Call Service

The PZU Group is deeply convinced that insurers should instill a sense of security and conviction that someone will always be there for the client in times of trouble. Unfortunately, clients do not always share this sense. The PZU Group wishes to change this and be there for its clients when they need support the most, often even before they formally report their claim.

The Before-You-Call Service is the first solution of this type in Poland within the framework of which the insurer initiates contact with the client and offers the client actual assistance before the formal notification of the claim, putting both the client and the client’s needs first.

After the occurrence of an insurable event (such as a fire or gas explosion), an attempt is made to identify the client based on information obtained from publicly available sources (including the Internet, radio and emergency phone number). In cases where such identification is successful, contact with the client is established to provide actual assistance in the unfortunate situation (for instance, if the policy cover provides for a substitute apartment, it will be offered to the client during the first contact). Registration of the claim may be performed on a different day, at a time convenient for the client.

In 2019, the process only covered property-related insurable events (without motor insurance claims).

Data for 2019:

- **116** registered events;
- **14** events in which PZU clients were injured;
- **184** injured PZU clients;
- **143** persons we managed to contact;
- **182** registered assistance cases, including **5** registered claims.

Furthermore, the Before-You-Call Service won an award in the Excellent Communication with the Client category in the Golden Earphone contest.



Client at the center of attention

BEST PRACTICE

Professional service and sales handling indicator

This indicator was implemented into our studies in 2018 to simplify mystery shopping measurements carried out in PZU branches. It is based on client service standards applied throughout the sale process as well as on the GDPR guidelines and the Insurance Distribution Directive.

Prior to its rollout, the quality of client service was measured using several (up to four) indicators, which was not easy to grasp. Existing indicators were thoroughly reviewed and served as the basis for the creation of a single, much simpler indicator, which was then augmented in accordance with the GDPR guidelines and the Insurance Distribution Directive.

The indicator values are monitored on a quarterly basis. They are very high. For instance, in Q4 2019 the value was record-breaking at an impressive 97%.

Alior Bank has in place the Rules of Individual Client Service Quality Standards and Business Client Service Quality Standards.



The PZU Group has in force guidelines defining how the process of accepting, recording and examining client complaints is organized. A procedure has been rolled out in PZU Zdrowie describing the rules for the workflow, records and examination of complaints by the Client Relation Section and PZU Zdrowie branches. It also defines responsibility in this process and the method of reporting complaints.

The values of the indicator concerning timely examination of complaints in 2018-2019 were as follows:

	2018	2019
Group	96.6%	92.2%
PZU and PZU Życie	97.9%	98.0%
Bank Pekao	90.5%	77.5%
ALIOR BANK	95.7%	91.5%
ZDROWIE	97.1%	97.7%

BEST PRACTICE

System for preventing grievances

The process of preventing grievances underpins responsible sales. Based on the conclusions drawn from complaints, all employees involved in examining complaints put forward to the Client Relations Department (the owner of the complaint handling process) complaints-related initiatives, or ideas on how to streamline and eradicate the sources of these complaints and client dissatisfaction. For this purpose, an appropriate tool has been created: the Complaints-related Initiatives Database. The Client Relations Department is responsible for handling all submitted initiatives: verifying all submitted ideas, checking the reasonability of proposed changes with business owners, monitoring the progress of work and then reporting on the outcome of changes and their business impact.

In 2019, 106 complaints-related initiatives were developed (i.e. those that were reported based on requests derived from client complaints).



BEST PRACTICE

Client satisfaction survey using the NPS (Net Promoter Score) method

The level of client satisfaction is monitored by Alior Bank on a quarterly basis. These surveys concern the score on overall satisfaction with cooperation with the bank as well as on various products and distribution channels (the surveys cover branches and partner centers). The surveys plus remarks make it possible to determine the overall level of client satisfaction and their willingness to recommend the bank to other clients. This means that Alior Bank can do more comprehensive research forming the starting point to implement improvements. The NPS for 2019 was at 29 (24 a year earlier).



BEST PRACTICE

PZU clients can count on the assistance of the Client Spokesman in difficult, multi-faceted cases that require a tailored approach.



Clients directly contact the Spokesman through a web form, e-mail or by phone. It is also possible to have a visit in person in PZU's Head Office in Warsaw. Every notification is recorded in the system while the Spokesman intervenes in cases that, in his or her opinion, require a non-standard approach. More than 1.3 thousand notifications were filed with the Spokesman in 2019. The accepted standard calls for closing a case within five business days

Scope of notifications forwarded to the Client Spokesman in 2019:

motor insurance	54%
non-life insurance	9%
life insurance	37%

PZU's Client Spokesman also analyzes the cases forwarded to the Management Board.

PZU's Client Spokesman also mediates before the Financial Ombudsman and in the Polish Financial Supervision Authority.

Going forward, the activities of the Client Spokesman are intended to be continued, with greater emphasis placed on the educational function. The Ombudsman has established cooperation with the National Association of the Deaf to best align insurance products with the needs of deaf and mute clients.

Client at the center of attention

2.1 Innovations

Innovation is one of the key values for the PZU Group. The Strategy for 2017–2020 defines it as familiarity with client needs, searching for new solutions and setting trends on the financial services market. Innovation also signifies thinking outside the box, breaking molds and looking for opportunities to streamline how the company functions.

Innovation in the PZU Group is not limited to a single division, project or area. Smaller and greater changes are constantly being made to every aspect of how the firm operates, and they combine to form a picture of one of the most innovative companies in the financial industry in Europe. PZU's innovations contribute to client satisfaction, which is a top priority for the Group, and to employee comfort, and at a micro scale, to the development of the overall economy.

The innovation strategy adopted by PZU in November 2017 supports the pursuit of the overall PZU Group's mission and strategy. Three major areas are set forth thereunder in which particular effort is expended to find new solutions:

- utilizing Big Data;
- digitalization;
- new client interactions.

The innovation strategy is reflected in the projects and initiatives run by PZU. The Group fathoms that innovations call for the creation of creative space fostering the generation of ideas, prototyping original solutions and building a culture of innovativeness. The Innovation Laboratory is such a place in PZU. Its overarching task is to search for modern solutions,

check them, perform tests and support rollouts. Moreover, special processes have been forged in the entire organization to facilitate rapid testing and implementation of innovative solutions. During a given year the Innovation Laboratory team analyzes nearly 2 thousand proposals and ideas relating to innovations; from among that number, 12-15 innovations are slated for piloting.

In 2018, more than PLN 275 million was designated by the PZU Group for innovative projects¹. In 2019, financial expenditures were above PLN 271 million, with the largest share – over PLN 120 million – was spent by the PZU and PZU Życie.

¹ CAPEX and OPEX.



„In an organization as big as ours, it is essential to use resources very reasonably. Startups are formed by teams of advanced experts in selected fields that are able to operate with a high degree of agility and operational flexibility. These features of startups enable us to deploy innovative solutions faster, while they gain a large and reliable business partner.”

Marcin Kurczab, Director of Innovation in PZU and PZU Życie

Strategy of innovation



UTILIZATION OF BIG DATA

- > Sophisticated **pricing** methods
- > More effective **insurance fraud** detection
- > Support for **cross-selling** initiatives
- > Growth in the level of **client loyalty**
- > Enhanced business management and **prediction**



DIGITIZATION

- > Implementation of **new technology**
- > **Automation** of processes
- > Implementation of **self-service**
- > Development of **distribution channels**
- > Simplified **sales process**



NEW CLIENT INTERACTIONS

- > Implementation of services **aligned to client needs**
- > Reaching **new market segments**



BEST PRACTICE

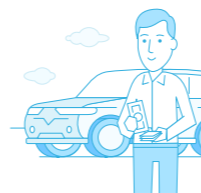
Data Lab



One example of innovations rolled out in collaboration with the PZU Innovation Laboratory is the Data Lab project. Having regard for the size of its business and its lengthy operating history,

PZU has one of the largest data files in Poland. The purpose of the Data Lab analytical environment is to experiment on big data files and quickly design and test various analytical hypotheses. The Data Lab's work is supported by some of the best companies providing Data Science services in Poland. Projects executed by the Data Lab cover all areas of the organization in order to prevent the trap of focus on a single process only. The Data Lab changes the way PZU views big data sets and shows their hidden potential.

Selected pilot projects completed in Data Lab:



“VINO” initiative – a solution for automatic verification of VIN numbers in external registers as part of the process of detecting insurance fraud when purchasing motor own damage insurance;



“Sisi” initiative – examining the potential for indicating which Contact Center consultant and when should call a PZU client in order to maximize the effectiveness of up-selling on a given low-premium insurance portfolio;



“CRM 2.0” initiative – improvement of existing predictive models used to support sales of the PZU offering. Such models enable advanced client selection which permits the targeting of only those clients who are likely to be interested in PZU's offering.

Outcome of the Data Lab project in 2019:

- improving the use of big data sets for analyzing and streamlining internal processes and enabling quick testing of analytical hypotheses;
- changing the approach to innovation within the organization;
- changing the organizational culture;
- acquiring new competences.

BEST PRACTICE

Google Assistant



The Polish version of Google Assistant, i.e. a smart voice assistant, has been in operation since the beginning of the year. Actions are the key feature of this software as they enable obtaining specific information. The PZU Group was the first insurer in Poland to design and deploy such an action. PZU's action, developed jointly with a Polish startup, will allow users to immediately obtain a tentative proposal along with the estimated price of the PZU Wojażer travel insurance. All within individually selected parameters during a chat with the virtual consultant. If the client is interested in the presented proposal, the action will automatically send a lead to the Contact Center that will get in touch with the client immediately to ask for details and finalize the purchasing process.

The development of PZU's action on Google Assistant is undoubtedly a terrific step in promoting the innovative image of our company.



The deployment of this solution demonstrates that we are in line with global technological and business trends and proves that, despite numerous challenges we had to face during the project, we have the capacity to provide our clients with new channels of interaction with PZU. Taking advantage of this opportunity, I would like to thank everyone who was involved in the project and actively provided us with the much needed support. Our project lasted 7 weeks and required the involvement and commitment of 20 PZU employees.

Michał Woźniak, project leader, Innovation Laboratory

Client at the center of attention

BEST PRACTICE



Innovations in PZU can rescue clients' life and health. At the turn of 2017 and 2018, work was begun on a breakthrough solution for the owners of passenger vehicles – PZU GO. This is

an application connected to a small device known as a beacon that is glued to the inside of the vehicle's windshield. The beacon is outfitted with a high quality accelerometer and a small battery whose lifetime in Polish weather conditions is estimated to last at least three years. The device communicates with an app and if a major accident transpires, an employee from the PZU alarm center contacts the client to check whether he or she needs support. If the employee does not receive a response, then the rescue services are summoned to proceed to that site.

In December 2018, PZU GO was made available to clients under the PZU GO program. Following the clients' favorable reception of the solution, since 2 April 2019, PZU GO has been available for purchase at PLN 49 as a PZU AUTO Assistance insurance option from selected agents and PZU branches. Moreover, clients who drive safely and wish to obtain additional benefits may join the PZU Pomocni Club.

More than 80% of clients are very satisfied or satisfied with PZU GO. Clients who use this solution are of the opinion that its most important advantages are automatic accident detection and the ability to immediately call the PZU Emergency Center using the SOS button.

The app is slated to be fitted with additional functionalities that will elevate the level of client satisfaction.

LINK4 is also rolling out a similar program based on telematic solutions. For every motor policy purchased, it offers a free NaviExpert navigation service to its clients whereby it analyzes a driver's driving style. Another year of the functioning of the telematic program called "Cash Back" made it possible to improve analytical algorithms and the mechanics used to reward drivers. LINK4 rewards people whose driving style it considers to be smooth and safe – the reward is in the form of Polish zloty accumulated on a client's account. At the end of the policy term drivers can receive a payout of this amount or apply it to lower the premium for a new policy. 45.5 thousand drivers who drove 108.5 million kilometers with the app regularly turned on took part in the



telematic promotion in 2019. At the end of December 2019, the second million of Polish zloty in bonuses generated in the LINK4 Cash Back program was exceeded – the winner obtained a refund of PLN 1,200.

BEST PRACTICE

Development of innovations through the provision of support to startup acceleration programs: MIT Enterprise Forum Poland and RBL_Start

Within the framework of its cooperation with the MIT Enterprise Forum CEE accelerator, PZU has the opportunity to run pilot rollouts of innovative solutions using project funding from external sources, specifically from the Polish Agency for Enterprise Development.

Activities related to the provision of support to startup acceleration programs generate the following benefits:

- improved innovation and openness of PZU's organizational culture;
- incentives to search for innovative solutions that address the needs and problems reported by PZU's business areas;
- support for deployment of these innovative solutions.

The support provided to both these startup acceleration programs took place in the following phases:

- participation in the promotional campaign on acceleration (with the participation of PZU's public relations channels and PZU's mentors in promotional videos);
- participation in the recruitment and selection of startups (selection of applications, participation in recruitment events, involvement in recruitment interviews);
- participation in the acceleration process (participation in mentoring and networking meetings with representatives of startups and in meetings to discuss the development of the pilot deployment concept, followed by the execution of pilot deployments and their wrap-up).

In 2019, nine pilot projects were launched, three of which were completed by the end of the year and six were still in progress (most of them launched during the fall edition of the MIT accelerator). New pilot projects are scheduled to be launched in 2020.



BEST PRACTICE

#challengePZU

Within the framework of the MIT Enterprise Forum CEE program, in collaboration with ChallengeRocket, a #challengePZU recruitment campaign was launched (www.pzu.challengerocket.com).

PZU used the globally innovative formula of an open challenge to recruit programmers (Java and SQL specialists). The methodology was based on Skill Challenges, which are thematically related to the scope of knowledge required in the respective job. Candidates, before being invited to the next recruitment stage, had to demonstrate their skills.

Artificial intelligence analyzed the answers and the candidates' code and assessed their skills, highlighting deficiencies, if any. Such actions are an element of the innovative strategy implemented in HR departments, based on constant recruitment of the best candidates and building a talent pool for the organization, that is a group of individuals with specific and highly desired skills.

The assumed objectives of the pilot project were achieved. Within a timeframe of two months, information about the campaign had almost 145 thousand views.



BEST PRACTICE



Having observed a clear trend related to changes in urban mobility, LINK4 introduced third-party liability insurance

for environmentally aware cyclists. This insurance covers, for instance, damage caused by the use of personal transportation vehicles, including electric and ordinary scooters and bicycles. It is the first offering of this type dedicated to users of personal transportation vehicles. This modern offering was backed by an online campaign highlighting the security aspects of using personal transportation vehicles.



BEST PRACTICE



In 2019, LINK4 organized the second edition of the conference dedicated to the topic of innovation, addressed to the company's employees. The company's

culture of innovation is an extremely important aspect that forges the generation of new and interesting projects and ideas. Events like the LINK4Future conference stimulate creativity among employees and allow for noticing interesting solutions from other industries and markets. Like in last year's conference, mainly external speakers were invited.



BEST PRACTICE



LINK4 has been putting emphasis on the competences of its employees for some time now. In 2019, the Analyst Academy

was established to improve the analytical skills of the persons employed on three advancement levels. During the first semester, approx. 50 participants underwent training in Excel, VBA, SQL, Power Point, etc. The Analyst Academy significantly supports the entire process of transformation of LINK4 into a data driven company. The transformation into a data driven company involves development of the technology and organization around data collection and processing, machine learning and artificial intelligence. To this effect the Data and Advanced Analytics Center was established in LINK4. Its key tasks include: data processing and preparation, development of predictive models and data reporting and visualization. The project's overriding objective is to generate value through comprehensive and advanced data analysis in the entire organization.



Robotics

Robotics is a tool that helps relieve employees of tedious and repetitive tasks that do not require any sophisticated specialist knowledge or experience. Robots enable replacement of cross-system integration and process large volumes of data in a very short time. The use of Robotic Process Automation (RPA) technology improves data quality, streamlines process efficiency control and provides an additional reporting



Client at the center of attention

conduit. The application of robotics has made it possible to carry out processes that until recently could not be executed by employees due to their high labor intensity or the need to perform complex operations in a short time.

The deployment of a robotic process takes less time than a systemic change, and the solution itself generates lower costs than would be required if additional employees were to be hired.



Until June 2019, nine processes had been robotized under the AROS project² with the support of an external supplier. Then, the project team was transformed swiftly into the Robotics Competence Center involved in other day-to-day operations and has since deployed another nine processes.

At the end of 2019, LINK4 had in place 36 business processes executed fully or largely by robots.

In November 2019, for the needs of the Non-life Claims Handling Team, data on more than 11,000 crop claims were collected.

A preliminary analysis was also conducted of the processes reported by the Inspiration Council: Client profile (preparation of a leaflet containing information on the client's history of claims in PZU), Counselor's reference sheet (preparation a one-pager with significant information about the claim brought to court).

In collaboration with the Foreign Claims Handling Project, processes have been devised to enable comprehensive handling of foreign claims in the Claims Handling System. In 2019, as many as 18 processes were deployed, including: acceleration of the dispatch of letters containing the calculation of total and partial damage to clients, which translated into faster claims handling and financial savings resulting from shorter rental periods of replacement vehicles.

In the future, robotization of additional processes is expected, e.g. to automate the handling of claims related to hospitalization, childbirths and deaths, as well as the creation of a comprehensive solution that would combine robotics with

² The AROS project has been executed since 2017. The objective of the project team was to select and implement most efficient and cost-effective RPA solutions.

machine learning, OCR, smart OCR and artificial intelligence technologies with a view to enhancing the improvement and automation of processes related to claims handling and the disbursement of benefits.

In 2019, PZU created a separate unit to handle foreign claims and assistance services – the Foreign Claims Handling and Assistance Center, which specializes in handling international motor insurance claims, correspondent claims and claims representative's claims and also handles all the claims notified under travel insurance.

Claims handling done with greater customization and more quickly



In this time of automation and digitalization of processes, clients expect to an even greater degree a customized approach. PZU has relationship managers who stay in contact with the injured parties for the duration of the claims/benefits handling process.

Depending on client expectations, the relationship manager handles claims and advises of progress in a given case. The relationship manager can also provide support to clients, act as their advisor offering specific solutions in a difficult situation, and efficiently organize and manage all the services PZU offers in the framework of handling a notification. That person's task is to walk clients through the entire process in the least cumbersome manner, including by ascertaining their preferences regarding, for instance, channels of communication or methods of rectifying the loss.

The new claims handling model under a formula based on client support provided by the relationship manager enables the injured party to avoid many formalities related to claims handling. The relationship manager's role is to prepare the best solutions for clients and provide advisory services to

BEST PRACTICE



LINK4 has in place internal procedures for detecting fraud related to personal injury and property damage claims and a strategy for combating claim-related insurance offenses.



select the most optimal choice involving, among other things, the method of calculating a claim or the selection of a workshop.

When dealing with simple claims, 86% of decisions are made at PZU on the day of notification. For more complicated claims, clients receive a decision on almost 62% of notified claims within seven days.

BEST PRACTICE

Crisis management procedure in claims handling



The procedure describes a number of mechanisms applied to catastrophic claims. These processes are focused predominantly on how to:

- effectively reach the client, provide assistance and comprehensive services in the shortest possible time following the occurrence of the damage;
- shorten the claim handling time;
- adjust the claims handling process to client expectations;
- improve the quality of service and client satisfaction.

The following steps are most frequently taken within the framework of this procedure: launch of a mobile office and four mobile mini offices, simplification of the processes of receiving reports and handling claims, relocation of resources to areas affected by the disaster and provision of items of key significance to the persons in need, such as tarpaulins, cleaning products, foils, foodstuffs and drinking water.

In 2019, the scale of catastrophic losses was small. These losses were caused predominantly by instances of local torrential rain and hail – simplified claims handling procedures were applied and mobile mini offices were sent to the areas affected by the insurable event.

BEST PRACTICE

Automatic analysis of pictures and cost estimates of damaged vehicles



Verification of the correct performance of repair operations and acceleration of claim handling on a vehicle using technological innovations was a challenge in 2019. The decision to undertake

these activities was made in consideration of the estimated improvement in the third party liability/motor own damage claims handling quality ratios and the adopted business rules regarding repair cost estimates in third party liability/motor own damage insurance. Nearly 80,000 cost estimates in third party liability/motor own damage insurance were automatically analyzed and specific third party liability/motor own damage insurance cases were selected for manual analysis of the correct application of business rules to specific claims handling cases, which translated into improvement in the quality of claims handling ratios. Artificial intelligence needs only 30 seconds to analyze technical documentation. This solution makes it possible to select 90% of the documentation that fulfills the requirements needed to preserve high quality of claims handling in PZU. The artificial intelligence will forward the remaining 10% of the documentation requiring additional expertise for analysis to be done directly by PZU employees.

Outcomes:

- 10-fold improvement in third party liability/motor own damage claims handling quality ratios;
- technical documentation analysis time reduced to 30 seconds.



BEST PRACTICE



Since 2018 PZU has had a special program to assist injured parties in accidents. This is a unique solution that sets the company apart on the Polish insurance market. The Company offers customized and comprehensive support to persons who have sustained grave injury or have lost a relative in an accident caused by someone holding motor TPL insurance in PZU.

During direct meetings employees from PZU's relationship managers team analyze the health and life status of the injured party and identify his or her needs. They also offer assistance in pulling together the documentation required to obtain benefits from PZU and state institutions, foundations and associations. If needed they organize psychological, medical or legal assistance. In 2019, PZU's relationship managers also contacted families of persons who died from cancer and offered them an ad hoc psycho-oncological consultation or therapeutic respite for children and their caregivers.

School breaks and vacation trips involving therapy and recreation for children and their caregivers (100 spots are available per annum) are organized under the program to provide assistance to injured parties in accidents.



BEST PRACTICE

Self-service



Self-service was created as an element of the digital service models adopted by PZU. It is a response to the growing needs of clients who expect not only convenient online tools to report a claim

intuitively but also to be provided quickly with the amount of compensation. The new solution has enabled a reduction in the time of acceptance and handling of claims.

Self-service is an element of the online reporting of a claim. Information about injuries sustained during the insurable event permits automatic calculation of the proposed amount of compensation. An innovative approach has been applied to collect information about injuries in the form of a model human body.



2.2 Responsible sales

We play fair - "we have the suitable qualifications and tools to discharge our obligations in respect of our clients. That enables us to give them accurate and comprehensible information regarding our offer and products. Let's do our best for this knowledge not to mislead anyone. We articulate transparent and unambiguous model contracts and advertising materials. Contacts with clients are based on trust.

Let's remember that when doing our professional duties we are always acting on behalf of the PZU Group. If a client loses trust in us, then further cooperation may be called into question. We are obligated to treat all clients equally. Service should not be denied to anyone, nor should the provision of information or explanations. We approach aftersales service with an equal amount of professionalism."



"The basis of responsible sales in the PZU Group is not only the constant improvement of our services enabling us to always be one step ahead of our competitors but, above all, our focus on listening to the needs, ambitions and dreams of our clients. Owing to the improving and expanding qualifications of our team members, we work for the benefit of our clients, guided by the principle of providing them with products they actually need the most today. Due to our information policy, insurance products no longer have to resemble black magic by being unintelligible to an ordinary person – our rules and regulations and our contracts are based on clear and simple forms prepared with a view to avoiding confusion or misleading our clients."

Paweł Menkiewicz, Managing Director for Sales

[G4-FS15] Policies for the fair design and sale of financial products and services

Every single Group product and service is meticulously checked by experts before it can be proposed to clients. Lawyers and employees of the compliance department ensure that no clause in any agreement violates client interests, and that the entirety is compliant with current case law regarding consumer rights.

Several Group companies, including all its international companies, there are procedures in force on how to disclose information to clients concerning factors that may influence their decision to enter into, or enroll in, and insurance agreement. In addition, internal regulations have been implemented in TUW PZUW, including rules pertaining to the product management system, the procedure for creating, modifying and retracting products, the procedure for monitoring products and the rules for managing defects.

After bringing a product to market, the Group employs procedures to prevent misselling, or offering such a product in a misleading manner, or offering a product that is not aligned to a client's capabilities or needs. Employees and agents are obligated to perform a client needs analysis, or hold a conversation to assess accurately the utility of the product PZU is offering to a client. All employees and agents examine client needs in four fundamental areas: safety – life, safety – non-life, investments and pensions. If the analysis shows that a product is not aligned to the needs of a given client, the client is advised of that fact and jointly with the advisor he or she may look for an alternative solution.

PZU Group's Policies [UoR]

[GRI 103-2]

Product liability in the PZU Group assumes an exceptional form: the priority in every offer and every product in the Group companies is client safety understood in a broad sense. Our corporate value embodied by "We play fair" is not an empty slogan. Rather, it is translated into the daily practice of thousands of people who work in this Group.



Client at the center of attention

Before making a decision on utilizing PZU's insurance services, clients also have at their disposal product sheets that render an objective presentation of the most important information regarding a given product. As a result, clients can make more considered decisions and purchase insurance cover that best corresponds to their requirements.

The transparency of the Group's insurance products is also ensured by the provisions of the Insurance Distribution Act of 15 December 2017 which entered into force in 2018. The Act is the effect of implementation into the Polish legal order of Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (Insurance Distribution Directive). During preparations to phase it in, the PZU Group companies refreshed the process of offering and entering into insurance contracts and the various clauses of the general terms and conditions of insurance were aligned to the regulations related to handling complaints. Guidelines and implementation materials were conveyed to the distributors of PZU's insurance products, salespersons were also trained on new duties ensuing from the IDD Directive.

BEST PRACTICE



The PZU Group wants for its clients to invest and insure themselves in a responsible manner – to make deliberate decisions with a grasp of the risk and costs related to the products they purchase. That is why the company fully meets the standards provided for in the PRIIP Regulation and conveys important information from the client's viewpoint in an understandable fashion. The Key Information Document (KID) accompanies all products for which this is required according to the regulation, chiefly insurance-based investment products and endowment insurance policies. This is a standardized information sheet giving clients the ability to compare with ease products offered by different insurance undertakings. This sheet is mandatorily forwarded to clients when presenting an offer. It can be found on the product pages of the pzu.pl portal.

[GRI 417-2; GRI 417-3]

In 2018 and 2019, PZU and PZU Życie did not observe any failure to comply with regulations or codes concerning the labeling of products and services or marketing communication.

Responsible and understandable communication

The PZU Group's Best Practices define what specific activities are in compliance with the Company's key value of "We play fair". They require that information about the offering must be conveyed in a reliable and comprehensible manner with special attention paid to ensure that understatement is not misleading. Such information must also present the actual benefits but also reliably describe any existing risks that accompany the offering.

In the PZU Group, our objective is to use a simple and unambiguous language. Since December 2012, we have been taking steps to simplify communication. In April 2018, the "Simply put, period" project was launched, which ended in March 2019. It generated the following tangible benefits:

- the Client Account service received its first certificate for using simple Polish;
- we simplified all letters used in our debt collection process – a positive outcome confirmed by AB tests with clients (better understanding) and reduced call center traffic (by approx. 10% on average);
- the zgłoszenie.pzu.pl service received its first certificate for using simple Polish;
- more than 400 employees underwent training in effective communication.

The project's successes prompted us to continue to operate in a more structured manner. On 1 April 2019, the Management Board appointed the Simple Language Team for the whole PZU Group, operating outside the structure of the Group's departments and divisions.

Activities of the Simple Language Team:

- in May 2019, a declaration in support of simple language was signed at the Ministry of Investment and Development. To date, 28 institutions have subscribed to the idea and committed to promotion of effective communication among their staff;
- in October 2019, a tool was rolled out to enable PZU employees to verify the comprehensibility of their texts, operating in the form of a website and a plugin in Outlook. It is used by approx. 3,000 employees monthly;

- implementation of a new simple policy for (four) life insurance products;
- preparation of a training course on communication standards at PZU in an attractive form of a digital handbook. During the first month after its launch alone, more than 2,000 employees took part in this training;
- adoption of the "Effective communication management policy" as an officially binding act of internal law (Resolution of the PZU and PZU Życie Management Boards).

"Effective communication management policy" is a document that defines the principles of communication with clients and within the organization along with the methods of their implementation and monitoring.

The purpose of this policy is, in particular, to ensure:

- consistency of communication between channels, processes or products;
- conscious management of interactions with clients;
- building positive client relations;
- improved client experience;
- building and maintaining language competences among employees.

[GRI 417-1] Internal requirements for product and service information and labeling

All of the PZU Group products belonging to the four major product categories (life insurance, non-life insurance, health and investment products) satisfy the statutory requirements:

- within the scope of general policy conditions: the PZU Group directly applies the Insurance and Reinsurance Activity Act. Additionally, the product development procedures refer to a clause on the mandatory preparation of general terms and conditions of insurance;
- with respect to KID (Key Information Document) the PZU Group directly applies the PRIIP regulation³ and the product development procedure;
- with respect to the Insurance Product Information Document (IPID), the PZU Group directly applies the clauses of the Insurance Distribution Act as well as the principles regarding the product management system and the product development procedure.

³ Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products.

Responsible network of salespersons

[G4-FS13], [G4-FS14]

The PZU Group has created the geographically most extensive financial services sales network in Poland. PZU has the **largest sales and service network of all Polish insurers**, consisting of **410 branches with convenient access, 10 thousand tied agents, 3,2 thousand multi-agencies and 1,1 thousand insurance brokers**. The company's branches and agents are available not only in large cities but also in smaller communities and in villages strewn across Poland.

The sales network is also supplemented by electronic distribution channels (such as LINK4) and the potential inherent in the branch networks of Bank Pekao and Alior Bank. At the end of December 2019, **Bank Pekao had 805 proprietary branches** and 1,648 ATMs, **while Alior had 820 branches**, including 197 traditional branches, 7 private banking branches, 8 regional business centers and 608 partner centers. In addition, in health the PZU Group cooperates with more than **2,200 partner centers in 620 towns and cities in Poland and is steadily rolling out its own network currently consisting of 130 medical centers**.

The widespread accessibility of the Group's products and services is also of social significance, on top of its economic significance. PZU's efforts and presence not just in the largest cities reduce the marginalization and exclusion of many groups. Thanks to PZU the residents of small urban communities and villages have facilitated access to the most modern and safe financial services. Thanks to implementing the Group's new strategy, it can provide clients, regardless of their place of residence, the optimum selection of services helping to safeguard their life, health, assets, savings and finances.

2019 was a year in which another step was taken in the program to standardize the offices of tied agents. The Agent 3.0 program was created allowing PZU to open even more professional agent offices across the nation. This program anticipates three levels featuring different forms of support provided by PZU. They are fitted as needed and possible to agents in small and large communities. Through this program PZU would like to make it easier for its partners to get started in business and give them the greatest possible support and development.

1,520 "Agent 1.0, 2.0 and 3.0" outlets were in operation across Poland at the end of 2019.

Client at the center of attention

PZU agent network structure



[see more](#)



PZU is constantly developing its universal agent network, i.e. agents who have life and non-life products in their offer (OMS, type P and My Business). The tied agent channel currently consists of 5,540 agents offering life and non-life products⁴. The purpose is to align the offering, processes and model of cooperation with tied agents even better. All these changes aim to build a combined network of salespersons who will be able to propose to their clients the broadest possible array of products offered by the PZU Group. The change which took force as of April 2019 also entails the tied agents channel operating as a combined life and non-life network. The purpose of these solutions is to align the sales structure to the PZU Group's expectations better to be able to manage more effectively the development of life insurance sales in the tied agents channel. A new position called the Agent Portfolio Development Coordinator was established in this project – this person is responsible for supporting the development of life product sales areas. Directors of external channels, who along with the Agent Portfolio Development Coordinator will jointly provide support to sales managers and tied agents, are also slated to support sales and underwriting.

⁴ Agents offering life and non-life products.

BEST PRACTICE



Tied agents received marketing support in the form of coherent, uniform and professional websites and Google business cards. The PZU Group has addressed the expectations of its agents and is supporting them in effectively advancing their image in the Internet.

The purpose of the project is also to review existing life insurance sales processes and models and customize them to the requirements of tied agents. Under this project a life insurance sales and service model will be devised by the Tied Sales Department and the Agency Sales Department (training, CC support, documentation settlement process).

All the actions pursued under the Delta Project purport to reach PZU's current clients with the PZU Group's broadest product offer.

BEST PRACTICE



In 2019, nearly 3 thousand agents took part in the training courses organized by PZU, including 1,222 people in the Academy for Adepts. Moreover, training cycles were conducted on the GDPR principles and amendments to the Insurance Distribution Directive (IDD).

In 2019, PZU also delivered 267 internet training courses (1,639 participants) related to KNF's regulations.

The agency agreement governs the fees of PZU agents. The principles are clear and transparent and ensue from the results of their work and engagement. The following make up their compensation:

- commission specified in the agency agreement depending on the agent's segment;
- bonus for performing the sales contract (quarterly);
- bonuses and awards earned in sales contests and campaigns.

BEST PRACTICE



Grievances and complaints related to the work of agents are accepted by PZU in any form. Clients decide on their own whether they want to use a traditional letter, e-mail,

form on PZU's website or by phone with an employee or directly in a company outlet. No notification is examined by the unit or person to whom it directly pertains. The Complaints Handling Section specially appointed in the corporation's structures deals with them. The employees of this section field each notification as quickly as possible. In standard cases clients wait for a response for no more than 30 days. That timeframe does not exceed 60 days in cases that are particularly complicated.

If it finds that an agent has breached his or her duties, PZU may curtail the scope of the power-of-attorney extended to enter into insurance contracts, or terminate the agreement. In the event of serious breaches the Security Department is the appropriate unit to react.

This procedure has been regulated in the "Principles for accepting, recording, examining and reporting the grievances submitted by clients".

127 grievances were submitted to PZU in 2019 against agents. 19 of them were recognized and 19 were recognized in part. These grievances pertained to improper employee conduct, giving incorrect information and the organization of an agent's work. 49 grievances were submitted to PZU Życie. 3 of them were recognized and 9 were recognized in part. These grievances pertained predominantly to failure to provide proper information on product characteristics and giving incorrect information.

Responsible marketing communication

The PZU Group advertises its products and services in a responsible manner. The Code of Ethics in Advertising is in force in the Group's companies. It unambiguously orders for every marketing message to be deprived of discriminatory content, not to be misleading and not to take advantage of clients' lack of experience or knowledge. The Group's advertisements depict authentic and documented data, are clearly labeled and cannot give the impression of being

neutral information. It is forbidden for PZU advertisements to challenge animal rights.

The Code of Ethics in Advertising regulates PZU's sponsoring issues. The Group undertakes, among other things, not to sponsor events that exert an adverse impact on the natural environment or put in jeopardy historical or artistic facilities. A presentation of sponsoring-related information cannot violate best practices or religious convictions.

The Marketing Policy of the PZU Group defines the aims, standards and principles of conducting marketing activity in the Group. This Policy is aimed primarily at supporting the achievement of the objectives defined in the Group Strategy



and ensuring coherence of marketing activities and the advertising message within the Group. On top of the documents described above, PZU and PZU Życie are guided by the "Principles for giving opinions on marketing activities and activities in internal and corporate communication".

A best practice is for the Compliance Department and the Legal Department to give an opinion on marketing activities. Experts check, among other things, whether a given message entails a risk of PZU and PZU Życie suffering a loss of their good name. The Legal Department's opinions on marketing and communication activities are based on the principles set forth in separate internal regulations regarding the organization and provision of legal assistance in PZU and PZU Życie.

The Code of Ethics in Advertising was also implemented in Bank Pekao as well as in foreign companies in Ukraine and Lithuania. At LINK4, the compliance risk management policy is described in the document entitled "Compliance Policy in LINK4" as well as in the executive procedure regarding compliance risk management and the procedure for accepting marketing materials. In the other Group companies, including Bank Pekao and Alior Bank, this area is regulated under the marketing activity policies of the various companies or the PZU Group's marketing policy as adopted.



In 2019, the Regulation on the principles for creating marketing communication was prepared in connection with the decision of the Bank Pekao Management Board to adopt the "Corporate governance rules for regulated institutions" issued by the Polish Financial Supervision Authority (KNF). This regulation



establishes, among others, basic requirements for the contents of marketing and advertising materials, taking into consideration the nature and specificity of the product in question, such as a consumer loan, a mortgage loan, a bank account (in particular a savings account, a current account or a term deposit account), an insurance product or an investment product.

Information regarding policies, events and claims paid in motor insurance is reported by the PZU Group – according to the binding law – to the Insurance Guarantee Fund (UFG). PZU’s ambition is to ensure the timeliness and completeness of the information provided. The Group is aware that it can derive the maximum business outcomes only thanks to the Insurance Guarantee Fund base, i.e. better prevent insurance fraud, as well as shorten the time to send out policies and pay claims. Caring for the high quality of the data transferred also translates into reducing expenditures on processes to adjust them, which in turn makes a positive contribution to greater process efficiency in sales and operations.

The PZU Group has undertaken the following activities to enhance the quality of the data transferred to the Insurance Guarantee Fund base:

- implementation of the EVEREST central policy system involving optimization of processes to source information online directly at the stage of an offer and enter into an insurance agreement;
- extension of regular processes to verify the quality of data in substantive units (insurance operations, claims handling) and implementation of test automation in this area.
- modernization of the Data Transfer System to the Insurance Guarantee Fund (STUFG system) in the data warehouse based on a new approach to data modeling, sharing and integrating data sources, as well as automating, optimizing and verifying data at the stage before they are forwarded to the Insurance Guarantee Fund base. The fundamental overhaul of the STUFG system aims, among other things, to shorten the time to dispatch policies in order to fulfill statutory requirements, improve data quality on account of verification in source systems and implement a system to clarify discrepancies;
- implementing regular monitoring of ratios of Insurance Guarantee Fund data quality at the level of managers, the Data Governance Committee and reporting to the PZU Supervisory Board;
- in accordance with Data Governance policies, elements of control and correction of data errors were improved in

consideration of the roles of data owners/business owners of the systems and process participants.

The efforts of PZU’s employees were appreciated for the fourth time in a row by the Insurance Guarantee Fund. The PZU Group, TUW and LINK4 are among the top players in the ninth ranking of data quality in the nationwide base of motor policies at the Insurance Guarantee Fund for 2019. PZU stayed at the top of the data quality ranking in the motor policy base with a result of 90.85% (up by 1.36% compared to the year before), TUW reached 88.24% and LINK4 attained 86.90% – versus an acceptable level of at least 80%.

2.3 Cybersecurity

We protect personal data - “everyone’s personal data, in particular the data of our clients, employees, business partners and users of our websites – are subject to strict protection. This pertains to all data facilitating the identification of a given person. The regulations of the personal data protection law apply to every work position and all information systems which employees use. Only those persons obtain access to such data if they need it on account of the work they do.”



“Data pertaining to our relations with clients, their identity and financial situation have become extremely sensitive in the modern world. The security of such data must be protected at all costs, and clients should be informed about procedures that safeguard data confidentiality at every opportunity. We exercise extreme care with regard to the flow of information through our website to ensure that confidentiality of relations with all our clients is fully guaranteed. We deploy the most stringent IT system protection standards set by Polish, European and global regulations.”

Tomasz Cichoń, Director of Security Office in PZU and PZU Życie

In 2019, we managed to prevent:

- approx. 25 thousand** potential infections
- more than 198 million** attempts of making a connection to send malicious e-mails;
- more than 882 thousand** high risk attacks;
- references to **more than 8.5 million** dangerous resources.

Additionally:

- more than 2.3 million** malicious e-mails were blocked;
- 40 thousand** analyses were carried out;
- 599** initiatives were opened;
- 183** manual safety tests were conducted;
- 300 thousand** vulnerabilities to threats were detected, including **28 thousand** critical cases.

In the future, further development of security systems is scheduled, including production deployment of the IPS, automation of SOC processes through the purchase of a Security Orchestration Automation and Response (SOAR) system, review of the market for static and dynamic code analysis tools, expansion of existing and acquired security tools (e.g. PIM, VA, EDR), as well as the conduct of new anti-phishing campaigns and other forms of education for PZU employees and agents.

PZU Group’s Policies [UoR]

[GRI 103-2]

The issue of IT security is treated by the PZU Group extremely seriously. A multiple-layer system to protect against cybersecurity threats functions across the company and is being developed. In some companies, various internal procedures are implemented additionally. For instance, at Pekao Faktoring, Medica and REVIMED, the IT process security management procedure is in place.

In 2018 a special training platform called GoPhish was launched. It explains in an easy to understand way the threats following from messages, among others, containing malicious elements and prompting people to open suspicious pages. In 2019, this training was continued.



Client at the center of attention

BEST PRACTICES

Four training campaigns were conducted in which employees who accidentally clicked the link in a specially prepared e-mail were shown a training video produced by the Security Department presenting information on how to avoid such threats in the future. Furthermore, employees had the opportunity to participate in a number of training courses, workshops and conferences and obtain new certifications (SANS GCOM, Certified Information Security Manager – CISM).

According to data collected during the campaign, it is necessary to keep the anti-phishing effort up and running. Among the persons interested in the content of the test e-mail, as many as 88% clicked on the link and 67% provided their login details.

In 2019, the following were conducted:

Training		Number of training courses	Number of participants
Information security	Stationary	106	1,805
	E-learning	1,078	1,078
Cybersecurity	Stationary	73	1,601
	E-learning	1,078	1,078
Counteracting insurance crime	Stationary	44	654
	E-learning	1,078	1,078
Anti-money laundering	E-learning	1,041	1,041

BEST PRACTICES

CyberSec – cybersecurity conferences

The purpose of these events is to build awareness of the risks and costs associated with online threats at the time of accelerating digital transformation and the technological revolution that alters the operation of all branches of the economy and areas of social life. Security incidents are a threat to client confidence. On the other hand, addressing this issue properly may give the company a competitive advantage.

PZU, as an experienced player in the financial sector, approaches innovation in a special manner, taking into consideration the issues of security and confidence.

Every year, PZU supports, in terms of organization and content, cybersecurity conferences held by the Kosciuszko Institute Association.

In 2019, the following conferences were held:

- CyberSec – Brussels Leaders’ Foresight 2019 in Brussels;
- CyberSec CEE 2019 in Katowice.

During these conferences, discussion panels were held to focus on various issues, including the protection of digital democracies, anti-drone defense, IIoT security, digital transformation of financial services, threats arising from the use of artificial intelligence, support for the creation of the European cybersecurity system, building awareness of the threats among governments, international organizations and key private sector entities, and others.

During the event in Katowice, the participants signed a declaration outlining 10 recommendations on how to secure global digital DNA. PZU representatives participated in these panel discussions.

Procedures to manage the security of information processes were implemented in PZU and Pekao Group companies as well as in several foreign companies. A package of regulations pertaining to personal data processing, including security policies containing requirements pertaining to IT processes was implemented in the PZU Zdrowie Group. In turn, PTE PZU introduced the guidelines issued by the Polish FSA concerning the management of areas involving information technology and ICT environment security in universal pension fund management companies.

[GRI 418-1]

In 2019, a total of 3,705 incidents of personal data leakage were recorded across the PZU Group, of which 1,632 in LINK4, 1,368 in PZU, 387 in PZU Życie, 95 in the Pekao Group, 71 in the Alior Group, 42 in the PZU Zdrowie Group, 70 in foreign companies and 40 in the rest companies of the Group. 678 incidents of providing data without an entity’s consent in the PZU Group companies were registered in 2018. 613 of these cases occurred in LINK4, 27 in the Alior Group, 5 in the PZU Zdrowie Group, 2 in the Pekao Group, 28 in foreign companies, 2 in PZU Życie and 1 in PZU SA. These incidents concerned the disclosure of personal data and data subject to banking or insurance secrecy to unauthorized persons. They were related to sending e-mail correspondence to an improper address to unauthorized persons and in most cases they resulted from human errors. The number of cases reported with respect to LINK4 results from the nature of this sales channel – the direct channel handles personal data provided by clients – a large percentage of incidents was related to errors in the e-mail addresses provided by clients. The increase in the number of security breaches in LINK4 compared to the previous year resulted from the greater awareness of employees and proved the effectiveness of training in personal data protection.



Three grievances were lodged by external entities in 2018 with PZU and PZU Życie. The grievances were for the provision of data without an entity’s consent and were recognized by the organization. In 2019, a total of 8 grievances were submitted to PZU by external entities, while PZU Życie received 3 grievances from external entities. All the incidents were analyzed to improve processes. According to the outcome of internal investigations conducted in PZU, 3 cases of data disclosure were confirmed where no consent of the data subject was obtained and yet the data were disclosed to a third party.

3. Environmental impact



Responsibility - “we attempt to curtail the adverse ecological repercussions of our business by implementing “green” initiatives, engaging employees in activities to protect the environment and utilizing IT tools to optimize the consumption of materials.”

3.1 Business in the face of climate change

The PZU Group is aware that insurance services, banking and investment activity are areas in which decisions of individual companies may influence client behaviors and, as a consequence, also their attitude towards the natural environment. In respect of large clients, such as industrial plants, engineering underwriting is performed to enable the insurer to calculate the premiums. A detailed outcome of the underwriting exercise along with full risk assessment and scenarios are presented to the client. The underwriting covers business risks, which are often combined with environmental risks. For this reason, the actions taken by the client to eliminate or reduce certain elements of its risks, even if induced solely by an attempt to suppress insurance costs, contribute to diminishing the risks to the environment or humans.

PZU is a signatory of the United Nations Environment Programme Finance Initiative established between the United Nations Environment Programme and the financial sector.

The PZU Group participates in the dialog on sustainable development and sustainable finance. A PZU representative chairs the Task Force on Sustainable Finance at the Polish Insurance Association. PZU also participates in the work of the Financial Market Development Council for Sustainable Finance.

Climate change risk management in the PZU Group

The PZU Group keeps monitoring the activities and initiatives undertaken by financial institutions and international organizations. Among them are the United Nations (UN), the Organization for Economic Cooperation and Development (OECD) and the European Commission.

A key initiative for European insurers is the climate agreement entered into by 195 countries in Paris in 2015. Its provisions include the disclosure and management of risks

related to climate change in the financial sector, including recommendations issued by the Task Force on Climate-Related Financial Disclosures (TCFD). In turn, a document of major significance from the perspective of efforts aimed at reducing natural disasters is the “Action Plan on the Sendai Framework for Disaster Risk Reduction 2015-2030 – A disaster risk-informed approach for all EU policies”.

Regulations requiring that climate change risk be taken into account in the business of financial institutions, including insurance companies, have also been issued by the European Commission. It is expected that the financial sector will provide increasing support to real sectors of the economy, especially power generation, transport and industry, in reducing climate change caused by greenhouse gas emissions.

In Poland, the potential impact of climate change in the coming decades will result from a combination of the following two factors:

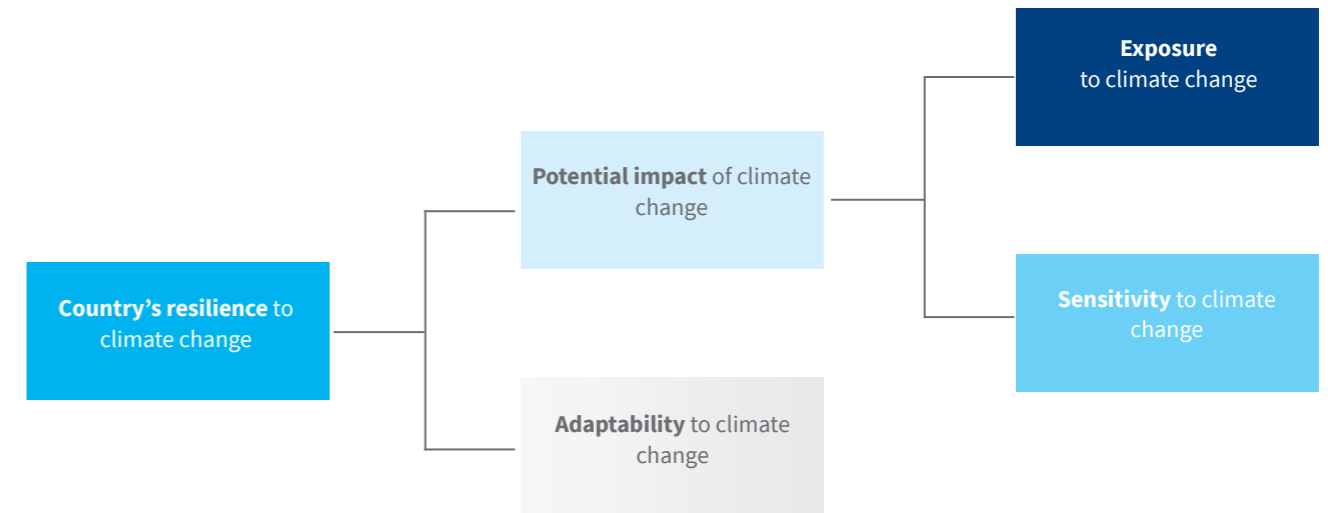
- **exposure** to climate risks of a physical nature. According to scientific research, floods and cyclones are the most serious risk factors in Poland. In recent years, the risk of heat waves has also emerged. Climate change affects the frequency and scale of potential catastrophic events that may exert a significant impact on the capital position in the insurance sector;
- **sensitivity** of the country to changes and events related to the climate and resulting from such factors as population density in high flood risk areas, transport infrastructure quality, water management and funds earmarked in the state budget for unexpected expenditures.

These two factors, combined with the **country’s adaptability**, including those of the public sector (central and local governments), companies and citizens, the health condition and the place of residence, will define the resilience of both the country and the PZU Group’s clients to climate change.

The PZU Group takes a number of initiatives to boost the **resilience** of both country and its clients to climate change.

This is done by:

- improving the recognition of exposures to climate risks of a physical nature;
- supporting the enhancement of adaptability and social awareness.



Source: World Bank, Adapting to climate change in Eastern Europe and Central Asia, Washington D.C. 2010

BEST PRACTICES

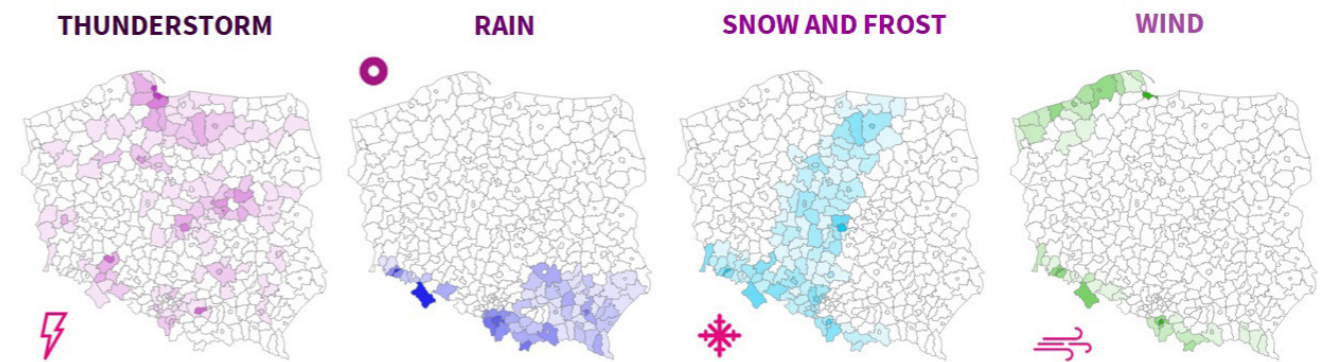


Weather alerts, i.e. text messages with information about extreme weather conditions (such as gales, tornadoes, torrential rains, storms, snow storms), which LINK4 sends to clients who have property insurance or motor insurance, are very



popular among clients. In the event of expected sudden and severe weather phenomena clients receive a text message containing a warning and a website link where they can read about how to protect themselves against the adverse consequences of various weather events. In 2019 LINK4’s clients received over 425 thousand such alerts.

Areas to which alerts were most frequently directed in 2019 broken down by weather phenomena



Environmental impact

BEST PRACTICES

Remote sensing in agricultural claims handling



Remote sensing is a type of testing performed from a certain distance (remotely) using special sensors. Remote sensing tests may be conducted from airplanes, space vehicles or the Earth's



surface. In 2019, a remote sensing method was tested for determining the date of harvest of insured crops. The test results were so promising that in 2020 PZU is scheduled to sign a contract with a new remote sensing data provider to obtain satellite images covering all of Poland. The remote sensing method was applied in the risk assessment process before executing the crop insurance agreement.

PZU manages its indirect impact on the natural environment through the insurance products it offers

Counteracting climate risks	Examples of actions taken by the PZU Group	Examples of actions taken by the PZU Group
	<ul style="list-style-type: none"> introducing new insurance products for renewable energy source (RES) installations. The PZU Group is the insurer of Poland's largest wind farms and hydroelectric power plants. The insurance covers fire, floods and other calamities as well as loss of profit during operational downtime or loss of machinery. Extension of RES capacity is also included in the insurance cover; insurance programs for municipalities that provide financial support to entities investing in RES installations. The selection of residential insurance products on offer is updated with new solutions covering alternative energy sources, such as photovoltaic modules, solar collectors and heat pumps. Not long ago, the PZU Group introduced new insurance products for Tauron's clients who own photovoltaic microinstallations. These products protect them against the destruction of their installations by such insurable events as hail, fire, snow or other random events, and guarantee the disbursement of compensation for consequential financial losses. insuring upgrades in conventional power plants (resulting in a reduction of exhaust emissions by desulfurization or denitrification installations or filter systems) and thermal waste neutralization installations. The PZU Group also insures investments aimed at improving energy efficiency in various sectors of the economy; supporting initiatives aimed at the development of electrification in the transport sector, for instance by insuring a large number of Intercity trains and all rolling stock of Koleje Mazowieckie. The PZU Group is also establishing cooperation with ElectroMobility Poland and other companies that either already install or intend to install quick chargers for electric cars. The PrzEKOzystny (Mega Beneficial) loan offered by Bank Pekao, intended for funding RES generation in the form of the borrower's use of photovoltaic panels for own needs. The loan is secured with a gratuitous BGK Biznesmax guarantee, which lets the clients obtain a preferential interest rate and, during the first three years of loan repayment, also a refund of interest up to 5% of the loan amount. The Energy Saving Loan - only available from Bank Pekao. Pekao has signed an agreement with the European Investment Bank to provide funding for the execution of projects aimed at improving energy efficiency, including modernization of thermal insulations, replacement of machinery and use of renewable energy sources, owing to which business operators in Kujawsko-Pomorskie Voivodship can obtain a low-interest loan. The bank is able to offer the low interest rate thanks to funding from the EU's Regional Operational Program. 	<ul style="list-style-type: none"> some weather scenarios form the basis for the construction of the reinsurance program and for the calculation of capital requirements. The capital requirements provide a guarantee that even in the event of catastrophic floods or cyclones the PZU Group will have the capacity to pay its liabilities to clients; a customized insurance offering for sectors of the economy exposed to the highest climate risks, such as agriculture; offering residential insurance in every location without any exclusion zones. As the market leader, the PZU Group offers insurance products with a comprehensive cover of private property without the need to pay any additional premium and without applying any limitations of liability for such risks, for instance in the grace period or deductible; tailored approach to underwriting and offering insurance for industrial buildings and infrastructure; PZU offers reinsurance of natural risks for annual periods with a non-proportional structure. Whenever a reinsurance program is renewed, the contract structure, information about the insurance portfolio and the loss history are updated. Every year, PZU models and quantifies the risks of floods and cyclones in Poland offered by reinsurance brokers; as part of its insurance products that cover business property against fire and other calamities, in the event of risk materialization the PZU Group pays compensation after the damage has occurred coupled with additional conditional financial support for activities related to damage prevention, damage reduction or participation in a rescue effort or property repair. Moreover, as part of its cover against lost profits, PZU protects businesses whose revenues decline, for instance as a result of damage to their assets caused by fire, flood, cyclone or other random events. Such insurance helps such businesses maintain their financial liquidity if unexpected events occur. In turn, commercial undertakings covered by general third party liability insurance may extend their cover with two clauses providing protection against damage to the environment. The first such clause extends the third party liability insurance cover to include losses arising in connection with the release of hazardous substances into the air, water or soil. The second clause extends the insurance cover to include liability for damage to the environment. Such clauses are offered predominantly to industrial operators (in the chemical, petrochemical and manufacturing industries), construction companies, utilities (power plants and cogeneration plants), wastewater treatment plants and waste management companies.
<h3>Reducing greenhouse gas emissions</h3>		<ul style="list-style-type: none"> advisory services for farmers on new climate-resistant varieties of crops. For three years, the PZU Group has been running an information campaign targeted at farmers to promote winter rapeseed varieties recommended for cultivation in the Polish climate, using lists that are updated and published annually by the Central Research Center for Cultivar Testing; use of risk verification tools, including remote sensing. This tool makes it possible to obtain information concerning facilities or areas from a distance, most frequently by using sensors installed on aircraft or satellites facilitating the measurement of reflected and emitted radiation. In agriculture, the vegetation coefficient is also used as a very popular and proven method; PZU Lab carries out audits and issues recommendations for various companies aimed at improving their safety in terms of assets, downtimes, human safety and the environment. The Group has also established cooperation with institutions of higher education and develops knowledge in the field of energy engineering; LINK4 and Skywarn Poland (Polish Storm Hunters) have given clients holding real estate insurance access to a weather alert system. Clients receive a text message containing a warning and a website link where they can read about how to protect themselves against the adverse consequences of various weather events. The reception of this service has been positive with fewer than 1% of clients discontinuing it has inclined the firm to make a similar service available in 2019 to motor insurance clients. It can be expected that weather warnings will exert a measurable contribution to enhancing road safety and reducing the number of accidents.
<h3>Adaptation: better understanding of risk factors</h3>	<ul style="list-style-type: none"> catastrophic risk management with a particular focus on the risk of floods associated with terrain characteristics and the number of surface watercourses. Within the framework of this system, the PZU Group runs periodic analyses of its exposure to natural disasters; the insurance portfolio is broken down into zones according to specific degrees of exposure to the risk of floods (river floodplains and areas behind flood embankments) and cyclones. Each such zone covered by the analysis is assigned a value of potential losses corresponding to the assumed probability levels. Also generated are scenarios in which the scale of natural disasters observed in the recent history of Poland is greatly exceeded; annual introduction of changes in the frequency and scale of catastrophic events and their occurrence in the design of the reinsurance protection program. 	



Environmental impact

The PZU Group's insurance business is aimed at offering insurance products tailored to the needs of both individual and corporate clients in various sectors of the economy. The Group's highest priority is to properly respond to the current needs of the Polish market and economy in accordance with national and EU regulations (including those safeguarding the principles of fair competition and permitting cooperation only with those business clients whose activity, according to PZU's knowledge, complies with the applicable laws). The complexity of needs and, consequently, of the offering has led PZU do provide insurance cover also to entities operating in the mining and power sectors. Besides traditional operations based on coal, clients from this group also develop their activities in the area of renewable energy sources. The PZU Group plans further development of policy and practices in the area of indirect environmental impact, abiding by sectoral trends and the specificity of Polish economy.

BEST PRACTICES

Environmental guarantee

The PZU environmental guarantee offers support to businesses, both natural and legal persons. The guarantee is a commitment to pay a specified compensation if the company to which the guarantee has been granted fails to remove adverse environmental effects of its business operations. The beneficiary of this guarantee is the environmental protection authority issuing the relevant administrative instrument giving a permit to use natural resources, e.g. the marshal, provincial governor (voivod) or county governor (starost).

The guarantee offers a form of protection to companies whose activities may have an adverse impact on the environment, e.g.:

- chemical plants;
- companies dealing in trans-border movement of waste;
- municipal services plants.

BEST PRACTICES

"PZU – Thinking about safety!" Thinking about the natural environment!



PZU, as the largest insurance company in Poland, has initiated a new solution that is bound to improve road safety and exert a favorable impact on the natural environment. Old, worn-out or damaged car parts which should no longer be installed in vehicles pose a genuine threat to the environment if disposed of improperly. To prevent this, with the help of its partners, PZU collects damage remains resulting from motor accidents suffered by the Group's clients. Thereby, PZU contributes to the proper disposal of approximately 4 million parts annually. This action is aimed at reducing greenhouse gas emissions resulting from overproduction and preventing damage remains that pose a threat to human health or the environment from being recycled and installed in other vehicles as second-hand replacement parts.



TFI PZU applies the best corporate governance practices resulting in responsible investment decisions.

Every investment decision made by TFI PZU is preceded by a process based on an analysis of companies perceived as potential investment targets. In addition to an evaluation of the financial standing of companies and prospects for an increase in their value, every decision is also based on an assessment of investment risk, including in terms of corporate governance principles applied by such companies as part of the socially responsible investing process. This approach enables TFI PZU to develop an in-depth and detailed understanding of the target company's situation, which translates into fully awareness-based and responsible investment decisions.

In their work, members of the TFI PZU team:

- are guided by stringent ethical standards when making investment decisions;
- stimulate the use of corporate governance principles, in particular those that advance transparency, equal treatment of shareholders, independent oversight and

the responsibility of shareholders and members of management and supervisory bodies in target companies;

- expect companies whose shares are included or considered for inclusion in their mutual fund portfolios or investment portfolios to apply corporate governance principles broadly accepted on the market, especially those contained in good practices of WSE-listed companies, which seek to strengthen the transparency of listed companies, increase the quality of their communication with investors and enhance the protection of shareholder rights, also in matters not governed by the law.

TFI PZU, bearing in mind the interests of participants in the mutual funds managed by it and clients to whom it provides portfolio management services, is guided by its "Strategy for exercising voting rights". The basic obligation of the Management Company arising from this strategy is to monitor significant events occurring in the companies mentioned in the strategy, ensuring that the voting rights are exercised in accordance with the investment objectives and investment policy of the respective fund and preventing conflicts of interest that may arise from the exercise and administration of voting rights. The Management Company actively participates in the corporate governance development process in its portfolio companies by participating in their shareholder meetings and pursuing the goal of protection and creation of investment value for fund participants and its clients. Bearing in mind the remaining provisions of the strategy, TFI PZU attempts to adhere to the rule of participation in all shareholder meetings of companies in which it has, on behalf of its funds or clients, the right to exercise more than 5% of the total number of votes.

TFI PZU has adopted a set of principles that guide its choices when voting at shareholder meetings of companies included in its mutual fund portfolios or investment portfolios. These principles include ESG issues (environmental, corporate social responsibility and corporate governance) in the decision-making process. For instance, they provide for active voting on matters related to social and environmental issues as well as corporate governance issues, among others. Additionally, they include provisions encouraging stringent corporate governance standards, in particular those that advance transparency, equal treatment of shareholders, independent oversight and the responsibility of shareholders and members of corporate authorities.

Since 2006, an additional document has been in force in TFI PZU, entitled "Code of Good Practices of Institutional Investors", prepared and approved by the Chamber of Fund and Asset Management (IZFiA). For TFI PZU, the Code provides a great deal of support in defining the rules, moral and ethical standards and due diligence levels in the company's relationships with other institutional investors, clients and issuers of financial instruments. The adoption of the Code by TFI PZU is also a manifestation of the application of good investment practices by the company.

On 22 December 2014, the Management Board of TFI PZU adopted a resolution to adopt the "Corporate governance rules for regulated institutions" issued by the Polish Financial Supervision Authority (KNF) in which the Management Board declared its readiness and will to abide by these rules to an objectively broadest possible extent, taking into account the principle of proportionality resulting from the scale, nature of business and specific characteristics of TFI PZU. The rules are a collection of standards that define the internal and external relations of regulated institutions, including their relations with shareholders and customers, their organization, the functioning of internal oversight and key internal systems and functions as well as the governing bodies and the rules for their cooperation. According to the contents of this document, TFI PZU provides on its website information on the application or non-application of specific principles addressed to the company's Management Board and Supervisory Board.

TFI PZU employs managers holding the CFA designation who are bound by a code of ethics and standards of professional conduct. In their professional contacts with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets, members of the CFA Institute act with integrity, competence, diligence, respect and in an ethical manner, promote the integrity and viability of the global capital markets for the ultimate benefit of society.

TFI PZU also employs investment advisers who are guided in their work by the standards laid down in the Professional Ethics Principles for Brokers and Advisers. Ordinary members of the Association of Brokers and Advisers undertake to act in accordance with the law and the principles of fair trading, heed the interests of their clients, act honestly and behave in a dignified, trustworthy, ethical and professional manner in



their professional dealings, especially with clients, employers, colleagues and other brokers and advisers.

TFI PZU will strengthen the management of an indirect environmental impact.

By the end of May 2020, TFI PZU is expected to align its operations with the requirements of the Act of 16 October 2019 amending the Act on Public Offerings and the Conditions for Offering Financial Instruments in an Organized Trading System and on Public Companies and certain other acts. To this end, any fund management company that invests assets in shares of companies admitted to trading on a regulated market is required to develop and publish an engagement policy to describe how the engagement of the shareholders of such companies is taken into account by such companies in their investment strategies. The policy will define the methods of monitoring companies, in particular in terms of strategy, performance, financial and non-financial risks, capital structure, social and environmental impact and corporate governance (ESG aspects).

3.2 Direct environmental impact



“Caring for a green economy is not solely the duty of manufacturers and large-scale industry. Our company’s policy is founded on the assumption that all types of business are conducted at the expense of the natural environment. Reducing the undesirable environmental impact of insurance activity is a matter of the same priority for us as improving our offering to clients. We are elated that our staff members have developmental opportunities in the Group where we involve them in environmental protection activities. Our company employs modern technologies for responsible and economical consumption of all resources and raw materials required in our work. In a company as large as PZU, water, electricity and paper can be consumed reasonably with favorable environmental effects and contribute to eco-choices in the place of work.”

Agnieszka Koryś-Matusiak, Management Board Environmental Protection Plenipotentiary in the PZU Group

Direct environmental footprint of the PZU Group:

- water consumption
- energy consumption
- paper consumption
- waste generation
- direct air pollution emissions



The plan is to reduce the consumption of heat in PZU and PZU Życie by 2% by 2020.

PZU Group’s Policy [UoR]

[GRI 103-2]

The PZU Group’s responsible approach to business means translating it into a more ecological approach, i.e. one that reduces the adverse impact on nature to the maximum degree. Environmental protection has been elevated to a strategic ranking. The pertinent clauses have been inserted into the PZU Group’s corporate social responsibility strategy for 2018–2020 and the updated PZU Group’s strategy for 2017–2020 entitled “The New PZU – More Than Insurance”.

Implementing suitable procedures and governance systems will allow the PZU Group to meet all the ecological legal and formal requirements. In its activities, however, the Group goes beyond the mandatory regulations. The specially appointed Management Board Environmental Protection Plenipotentiary looks after consistency in environmental protection management in the PZU Group.

The PZU Group’s standard “Green PZU” was enacted in November 2018 as a follow-up to the Group’s strategic decisions. Even though there were no formal environmental protection policies in place in the other Group companies at the end of 2018, they did in the course of their activities pay attention to minimizing their adverse impact on nature.

Nearly all of the companies in the health area have implemented in their selected medical centers and been certified under the ISO 9001:2015 quality management system. In addition, Polmedic and Artimed, a PZU Zdrowie branch, have implemented and been certified under the PN-ISO/IEC 27001:2014 management system. Polmedic has also been certified under the 14001:2015 environmental management system and the OHSAS 18001:2007 occupational health and safety management system. PZU and PZU Życie introduced internal regulations related to real estate management.

[GRI 307-1]



PZU and PZU Życie were fully compliant both in 2018 and 2019¹ with the prevailing environmental protection regulations. The same is true in the health area (especially when it comes to managing hazardous medical waste) as in the Pekao Group, Alior Bank Group, international companies and most of the Polish companies.

¹ No penalties were imposed on them for failure to comply with environmental protection regulations.

Environmental impact

BEST PRACTICES

Minimizing the adverse environmental impact is one of the areas of the Pekao Group's binding Code of Conduct and Alior Bank's Code of Ethics. In these documents the entities declare they will protect natural resources and prevent pollution. Employees will find information in these documents intended to encourage them to care for the natural environment.

- preferring environmental and social aspects when choosing space for rent;
- running educational campaigns among employees in terms of pro-environmental behaviors.

As a result of the Real Estate Department's pro-environmental activities, the volume of municipal waste collected separately improved by 10% and the consumption of utilities decreased. More than 70 persons were involved in the conduct of educational campaigns.

BEST PRACTICES

The persons responsible for real estate administration and management in PZU and PZU Życie do their utmost to demarcate the directions for activities to exert the smallest possible adverse impact on

nature. In their day-to-day work the employees of the Real Estate Department and of the Administration Department undertake comprehensive activities to curtail the quantum of pollution and reduce the consumption of natural resources in companies. Achieving the stated objectives is possible owing to the support of employees in their daily eco-choices in the place of work.

In its day-to-day operations, the Real Estate Department undertakes a number of initiatives intended to ensure conscious management of its environmental impact, aiming to reduce the volume of pollutants released into the environment and lessen the consumption of natural resources. In 2019, activities were continued with a view to curtailing the consumption of utilities, conducting rational waste management, installing air conditioning devices with an ecological refrigerants, preferring environmental and social aspects when choosing space for rent, running educational campaigns among employees in terms of pro-environmental behaviors.

In pursuit of the objectives of the "Green PZU" standard developed in 2018, the Real Estate Department at PZU and PZU Życie carries on with initiatives aimed at reducing adverse environmental impact, such as:

- curtailing the consumption of utilities;
- conducting rational waste management;
- installing air conditioning with an ecological refrigerants;

Installation of air conditioning devices using a new, environmentally friendly refrigerant R32

In 2018, the Real Estate Department began the purchase and installation of the first split air conditioners with the power input of up to 5 kW with the refrigerant R32 – predominantly in technical rooms such as server rooms where continuous operation of cooling equipment is required. The installation was performed to satisfy the current needs related to replacement of damaged devices with new ones and delivery to newly created rooms. By the end of 2018, 36 split air conditioners were installed. In 2019, 32 air conditioners with the refrigerant R32 were installed. In 2020, old air conditioners are scheduled to be replaced with new ones fitted with the refrigerant R32 in other PZU and PZU Życie facilities. The refrigerant R32 has a lower (675) GWP (greenhouse effect potential) compared to the most commonly used R410A (GWP of 2088). Thanks to the new technology, the volume of the refrigerants in the devices may be reduced significantly (by approx. 30%), thereby curtailing the potential emission of greenhouse gases into the atmosphere.

[GRI 302-4] In 2019, PZU saved 20,745 GJ of heat energy² due to thermal modernization of buildings, replacement of worn-out heating boilers and reduced demand for thermal power. Moreover, 3,557 GJ³ of electricity was saved thanks to the installation of power compensating devices, reduction of contracted power in abandoned buildings, verification

² data on the consumption of municipal heat, natural gas and heating oil
³ the base for calculating the quantum of saved energy was consumption in 2018

of adjustment of temperature settings in server rooms, installation of LED lighting and replacement of external signage lighting with LEDs. In turn, PZU Życie saved 7,860 GJ of heat energy⁴.

[GRI 302-1]

PZU Group's total consumption of energy from non-renewable sources⁵

PZU GROUP	2018	2019
Natural gas [GJ]	194,494	179,858
Heating oil [GJ] ⁶	24,621	18,475
Total consumption [GJ]	219,115	198,334

[GRI 302-1]

Electricity, heating, cooling, and steam purchased for consumption

PZU GROUP	2018	2019
Electricity [GJ]	460,031	443,233
Heat [GJ]	263,736	231,048
Total consumption [GJ]	723,767	674,281

Total consumption of energy from non-renewable sources separately for PZU and PZU Życie

	PZU		PZU Życie	
	2018	2019	2018	2019
Natural gas [GJ] ⁷	24,362	20,992	10,601	9,052
Heating oil [GJ] ⁸	5,800	4,452	869	632
Total consumption [GJ]	30,162	25,444	11,470	9,684

Electricity, heating, cooling, and steam purchased for consumption separately for PZU and PZU Życie

	PZU		PZU Życie	
	2018	2019	2018	2019
Electricity [GJ]	60,757	57,201	16,341	16,287
Heat [GJ]	75,750	59,724	32,782	26,708
Total consumption [GJ]	136,509	116,925	49,123	42,995

⁴ data on the consumption of municipal heat, natural gas and heating oil

⁵ The data for the Alior Bank Group are presented solely for Alior Bank on account of the limited accessibility of these data in the other Group companies and at the same time they are of minor significance. For the Pekao Group, the data are for selected companies only due to the availability of data.

⁶ Heating oil correction factor: 36.636 GJ/m³. Conversion factor [t/m³]: 0.86

⁷ A ratio of 11 was used to calculate 1 kWh of energy generated from 1 m³ of natural gas.

⁸ Heating oil correction factor: 36.636 GJ/m³. Conversion factor [t/m³]: 0.86

Total consumption of energy from non-renewable sources and purchased energy

PZU GROUP	2018	2019
Total energy consumption (GJ)	942,883	872,614

Total consumption of energy from non-renewable sources and purchased energy separately for PZU and PZU Życie

	PZU		PZU Życie	
	2018	2019	2018	2019
Total energy consumption (GJ)	166,671	142,368	60,594	52,679

With a view to providing information to the fullest possible extent on our impact on the environment and climate and responding to the growing requirements and expectations of our stakeholders, investors and analysts in this respect, the PZU Group for the first time publishes information on direct and indirect greenhouse gas emissions, broken down into scopes 1, 2 and 3.

Scope 1 (direct greenhouse gas emissions) means direct emissions caused by the combustion of fuels in stationary or mobile sources owned or supervised by the company, emissions resulting from technological processes and escaping refrigerants.

[GRI 305-1] Total direct GHG emissions (Scope 1)

Greenhouse gas emissions in scope 1

Mg CO2e	2018				2019			
	PZU Group	PZU	PZU Życie	Other companies	PZU Group	PZU	PZU Życie	Other companies
Scope 1	31,400	9,229	2,322	19,849	30,506	8,093	2,927	19,486
Refrigerants	1,945	1,919	26	-	1,242	827	414	-
Fuel combustion	29,455	7,310	2,295	19,849	29,264	7,266	2,512	19,486

Scope 2 (electricity indirect GHG emissions) is defined as indirect GHG emissions arising from the consumption of imported (purchased or supplied from outside) electricity, heat, process steam and cooling, which in practice are generated at the place of production of these utilities).

Scope 3 (other indirect GHG emissions) means other indirect emissions arising across the value chain, for instance during the production of raw materials or semi-finished products, waste management, transportation of raw materials and products, business trips or use of products by end users.

Total direct scope 1 emissions in the PZU Group reached 30.5 thousand tons of CO2e compared to 31.4 thousand tons of CO2e in 2018. The decrease resulted primarily from lower emissions caused by refrigerants leaks in PZU and PZU Życie. In 2018 and 2019, PZU and PZU Życie began installing air conditioning devices containing new environmentally friendly refrigerant R32 which has a third of the GWP (greenhouse effect potential) compared to standard refrigerants. In 2020, old air

conditioners are scheduled to be replaced with new ones fitted with the refrigerant R32 in other PZU and PZU Życie facilities. The consumption of natural gas and heating oil by the PZU Group decreased as a result of a mild winter. The consumption of diesel fuel also decreased, while gasoline consumption increased.

[GRI 305-2] Electricity indirect GHG emissions (Scope 2)

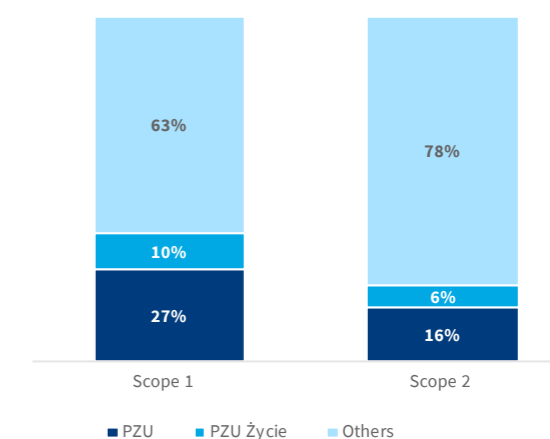
Greenhouse gas emissions in scope 2

Mg CO2e	2018				2019			
	PZU Group	PZU	PZU Życie	Other companies	PZU Group	PZU	PZU Życie	Other companies
Scope 2	122,107	21,098	7,108	93,901	113,935	18,408	6,363	89,164
Heat	29,681	8,755	3,789	17,138	25,751	6,902	3,087	15,762
Electricity location - based	92,426	12,343	3,320	76,763	88,184	11,506	3,276	73,402

Energy indirect scope 2 emissions reached 113.9 thousand tons of CO2e in 2019 compared to 122.1 thousand tons of CO2e in 2018. The decrease was mainly due to lower heat consumption in the PZU Group, partly due to a milder winter. In 2020, a further decrease in the carbon footprint is scheduled, also in scope 2. PZU and PZU Życie intend to purchase electricity generated from renewable energy sources in 2020. They will receive a certificate from the electricity supplier confirming that the purchased electricity has been generated from renewable sources.

The PZU and PZU Życie constitute 37% of the total greenhouse gas emissions of the PZU Group in the scope of 1 and 22% in the scope of 2. The difference is mainly due to the different characteristics of the industries in which the PZU Group operates and the various efficiency and value of consumption of individual raw materials (especially natural gas) and energy (in particular electricity).

Share of PZU and PZU Życie in creating PZU Group's greenhouse gas emissions



[GRI 305-3] Other indirect GHG emissions (Scope 3)

Greenhouse gas emissions in scope 3

Mg CO2e	2018				2019			
	PZU Group	PZU	PZU Życie	Other companies	PZU Group	PZU	PZU Życie	Other companies
Scope 3	24,936	4,373	1,293	19,270	23,008	4,073	1,313	17,622
Fuel- and energy-related emissions not included in scope 1 or scope 2	22,944	3,977	1,130	17,836	21,043	3,685	1,147	16,211
Purchased goods and services (paper, tap water, wastewater treatment)	1,736	202	99	1,434	1,711	191	109	1,411
Waste generated in operations	2	1	1	-	2	1	1	-
Business travels (plane, train, taxi)	255	192	63	-	252	195	56	-

Other indirect GHG emissions (scope 3) emissions in categories 1, 3, 5 and 6 (listed in the table above) by the PZU Group reached 23 thousand tons of CO2e compared to 24.9 thousand tons in 2018 (-7.7% y/y). The decrease occurred predominantly in emissions related to energy and fuels in the value chain and was chiefly due to a decrease in electricity consumption. In the future, the scope of reporting is expected to cover more categories provided for in the standard and more PZU Group companies.

GHG emissions per consolidated assets and the number of employees are presented below.

[GRI 305-4] GHG emissions intensity

PZU GROUP	2018	2019
Number of employees	41,742	41,042
Consolidated assets	328,554	343,340
Emissions (scope 1, 2) per employee (Mg CO2e / employee)	3.7	3.5
Emissions (scope 1, 2) per 1 million of consolidated assets (Mg CO2e / 1 million of consolidated assets)	0.47	0.42

Due to the fact that scope 3 was calculated mainly for PZU and PZU Życie, they were not presented in the form of emission intensity per consolidated assets and employees of the Group.

All calculations were made in accordance with the international GHG Protocol Corporate Accounting and Reporting Standard. 2018 was selected as the base year against which the PZU Group will compare its annual emissions in subsequent years.

For the calculation of GHG emissions for fuels, electricity (consumed in Poland) and heat (consumed in Poland), emission indicators or data from the National Center for Emissions Management were used. The emission factors for electricity consumed in foreign companies were obtained from data published by the International Energy Agency, while those for heat energy were obtained from the DEFRA (the UK Government's Department of the Environment, Food and Rural Affairs) database. For scope 2 emissions calculated according to the location-based method, average emission factors for the respective countries were used. The emission factors for energy in the scope of WTT (well to tank) (scope 3) business trips, purchased raw materials and services, waste management and GWP for refrigerants were obtained from the DEFRA database. No biogenic greenhouse gas emissions were identified.

The greenhouse gas described in the emission factors for fuels, electricity and heat in Poland is CO2. The other factors included CO2, CH4 and N2O emissions as well as refrigerants. The GHG emissions released by each company was consolidated at the PZU Group level according to the operational control approach.



Key activities of the PZU Group companies reducing the impact on the natural environment:

BEST PRACTICE

[GRI 302-4] Electrical energy saving (PZU and PZU Życie)



- the installation of special equipment, power compensating devices, makes it possible in some properties to reduce the consumption of reactive power by roughly 90%. In 2019, a total of eight power com-pensating devices were installed;
- decrease in the contracted electrical power in buildings that have been totally or partially abandoned. This will reduce the energy con-sumption necessary to generate electricity by generators (power plants). In 2018, the contracted power was reduced in 21 properties. As a result of an analysis carried out in 2019, the contracted power in nine (vacant) properties was reduced;
- verification of temperature settings and programming air conditioning units installed in server rooms;
- installation of LED lighting. In 2019, LED lighting was replaced in a total of 12 branches: back office areas in 9 branches, front office ar-eas in 2 branches and restrooms in 1 branch;
- pilot installation of photovoltaic cells on the roofs of office buildings belonging to PZU and PZU Życie. By the end of 2018, photovoltaic panels were installed on four properties which became connected to the energy system in December 2019. The use of electricity generat-ed from the sun reduces the emission of exhaust gases into the at-mosphere, thereby improving environmental impact. In 2019, photo-voltaic panels were installed on eight more properties – their connec-tion to the electricity distribution grid is in progress;
- “Green energy” for 2020 – purchase of RES electricity guarantees that 100% of purchased electricity will be generated from renewable sources. PZU and PZU Życie, as consumers, will receive a certificate from the electricity supplier confirming that the purchased electricity has been generated from renewable sources.

Environmental impact

BEST PRACTICE

Heat savings (PZU and PZU Życie)



- thermal modernization of buildings: insulating walls and roofs, replacement of window joinery and central heating installation. In 2019, 13 properties were thermally modernized. The work will be continued in 2020;
- the replacement of depleted heating boilers with modern and highly efficient devices with an option to adjust their operation to atmospheric conditions (weather controllers). Modern boilers produce heat while at the same time they save thermal and electrical energy and reduce the emissions of gases into the atmosphere. In 2019, new boilers were installed in 14 buildings. The process will be continued in 2020.



BEST PRACTICE

Properties “Turning Green”

In order to achieve a significant reduction in the consumption of water, faucet aerators are being installed in restrooms and employee amenity areas. Faucet aerators (tips attached to the end of a faucet) visually increase the stream of water by mixing it with air, which process results in a reduced consumption of water. In 2018, faucets in the head office buildings and in office buildings with more than 10 users were fitted with faucet aerators. In total, over 1,000 such devices were installed. In 2019, additional 1,296 faucet aerators were installed. The installation of aerators will also be continued in 2020. In 2019, water consumption in PZU and PZU Życie decreased by a total of 1,033 m3.



BEST PRACTICE



Reduced consumption of plastics

The Group companies are gradually moving away from the consumption of potable water supplied to PZU branches in 1 gallon plastic bottles towards dispensers connected to the municipal water supply system. An agreement was signed for the lease of 460 water dispensers connected to the municipal network. Both in office spaces and in client service outlets, these dispensers were welcome by employees. In 2020, a tender will be held for the lease of more (approx. 740) dispensers connected to the municipal network (in PZU and PZU Życie).

The contract for the other dispensers currently maintained by EDEN (1 gallon plastic bottles) will expire in June 2021. After the exchange process is completed in 2022, there will be no more 1 gallon plastic bottles in PZU.

Furthermore, since 1 October 2019, during meetings held in the Konstruktorska Business Center and the Tower, water for meetings served by an external catering company has come

in reusable glass decanters, and in the PZU Tower paper cups were introduced in place of plastic cups in common areas.

Planned reduction in the number of water dispensers and gallon bottles

Year (end)	Number of distributors using 1 gallon plastic bottles	Number of plastic bottles	Reduction
2018	1,145	4,665	-
2019	916	3,732	20%
2020	733	2,986	20%
2021	40	163	94%

The PZU Group undertakes numerous initiatives aimed at reducing the consumption of raw materials in the company's current operations. The consumption of raw materials, both for the entire Group and separately for PZU and PZU Życie is presented in the table next.

[GRI 301-1]⁹

Materials used by weight or volume

PZU GROUP	2018	2019
Paper [t]	1,648	1,609
Gasoline [t]	3,802	4,237
Diesel fuel [t]	1,578	1,539

[GRI 303-1]

PZU Group's total consumption of water

PZU GROUP	2018	2019
Water [m3]	404,488	411,978

[GRI 301-1]

Materials used by weight or volume separately for PZU and PZU Życie

	PZU		PZU Życie	
	2018	2019	2018	2019
Paper [t]	182	171	95	105
Gasoline [t]	1,775	1,872	516	639
Diesel fuel [t]	19	7	17	0

[GRI 303-1]

Total consumption of water separately for PZU and PZU Życie

	PZU		PZU Życie	
	2018	2019	2018	2019
Water [m3]	55,527	52,522	22,488	24,459

BEST PRACTICE



In the Sales Support Department of PZU's Ukrainian company, electronic document circulation has been implemented with the use of electronic digital signatures for service provision reports issued by insurance intermediaries. Because the process of handling service provision reports has not yet been fully covered by



the electronic document circulation system, the final results will be presented in 2020.

In turn, in PZU Ukraine's Insurance Products Department introduced the DMS e-policy at DTP on 1 July 2019. This has eliminated the need to print insurance agreements (in duplicate) and reduces the costs of logistics and storage of paper documents.

⁹ The data for the Alior Bank Group was presented only for Alior Bank due to their limited availability in other group companies and their low significance.



BEST PRACTICE

Reduced consumption of paper



- in 2019, paper consumption in PZU and PZU Życie was reduced by 900 kg. In November 2019, a cooperation agreement was signed with three suppliers holding a FSC or PEFC certificate. As a result, only certified paper will be used for the printing of insurance forms. All high-volume printed forms are made on certified paper. In PZU, from November to the end of 2019, 38% of printed forms made on certified paper were delivered. In PZU Życie, 81% of printed forms made on such paper were delivered in the same period;
- no need to print train tickets – availability of QR codes on tickets purchased through a business travel agency.



Year	Paper in tons	Reduction ¹⁰
2017	290.11	-
2018	276.75	4.6%
2019	275.85	0.3%

Purchases of train tickets	Total quantity	Savings potential
2019	11,429	more than 11 thousand sheets annually

BEST PRACTICE

Environmentally friendly initiatives in 2019



Water Day: 22 March

“We cannot afford to waste water” was the year’s Water Day slogan.

In 2019, the Administration Department was the main initiator, organizer and sponsor of awards for the Water Day, celebrated on 22 March. From March 18, an informational and educational campaign for employees was run on PZU24. Catchy slogans and information on the new form of water distribution were prepared. Interesting facts related to environmental protection were presented throughout the week and a quiz and environmental workshops for employees were organized during which food packaging methods alternative to aluminum foil and plastic foil were demonstrated, such as packaging based on recycled materials, allowing the user to save resources, including water, and removing the need for disposable packaging materials.

Earth Hour: 30 March

At 8:30 p.m., all lights were switched off for 60 minutes in selected buildings of the PZU Group (Tower, Opole – Ozimska, Gdańsk – Targ Drzewny, Łódź – Zamenhofa, Dąbrowa Górnicza – Królowej Jadwigi).

Earth Day – 22 April

- “Let us clean up the Zemborzycki Lagoon in Lublin” – a volunteering campaign executed by employees of the Real Estate Department from Lublin, 6th and 21st High School students and preschoolers with the support of the PZU Foundation. Under the campaign, the lagoon was cleaned up, signs encouraging visitors to protect the environment were prepared and classes on environmental protection were given in schools;
- “Cleaning the Culture Park in Powsin” – a volunteering campaign executed by employees of the Real Estate Department from Warsaw with the support of the PZU Foundation. 50 employees collected garbage in the Powsin park;
- April 24 – a green newsletter with a quiz was created. The prize consisted of a book by Katarzyna Wągrowka entitled “Zero waste life”, water filter bottles and bags – sponsored by the Real Estate Department.

BEST PRACTICE

Bottom-up environmental initiatives of PZU employees as part of PZU’s employee volunteerism program



- “Let us clean the rivers of Lublin” – a campaign organized by employees of the Real Estate Department from Lublin and volunteers.
- “Renewing the greenery areas around Preschool No. 4 in Pabianice” – an initiative of employees of the Real Estate Department from Łódź carried out with the support of the PZU Foundation.
- “Help for flood victims in Wierchowiska” – a campaign to collect donations for flood victims, provision of support in dredging ditches.
- “Let us clean up the Bieszczady Mountains” – employees of the Real Estate Department together with their families collected garbage left on mountain trails in the Sine Wiry Nature Reserve and in Połonina Wetlińska of the Bieszczady National Park.
- Campaign in a shelter for homeless animals in Lublin – the campaign was launched in a school and preschool where children learned interesting facts about animals during classes. The children made scratchers and houses for cats, using recycled materials. The campaign was accompanied by a collection of gifts for the shelter. The animals received blankets, mattresses, towels, bedding,

hygiene products and cleaning supplies. The shelter also received wet and dry feed as well as special food for reptiles. Necessary equipment was purchased using funds obtained from a PZU Foundation grant.

- “Green Alley” - staff of the Employee Operations Center in Piła executed a volunteerism project called “Green Alley”. The objective of the project was to plant trees in the Zdrojowa Góra Forest District and clean up the forest. 50 persons participated in the project. In order not to pollute the environment and promote a healthy lifestyle, the participants chose bicycles as their means of transport to cover the 24 km route. Along the bike lane, they planted 51 young linden trees. In the forests adjacent to the bike lane, they collected around 40 bags of garbage!
- As part of the “Zero waste in wellingtons, or when more means less” project, PZU volunteers from Mysłowice created a cheerful vegetable asylum in the middle of the city, on the grounds of Primary School No. 3. They also conducted classes on healthy eating, multiple usage of things and a sparing and attentive approach to life. They passed on the idea of zero waste to both younger and older participants. Booklets were created about responsibility for oneself and others. Workshops in the schoolyard were also held during which the participants planted greenery, followed by a celebration presenting a summary of all project activities.

BEST PRACTICE

Environmental education of employees through campaigns promoting environmentally friendly behaviors



In 2019, the following educational campaigns were continued:

- activities encouraging employees to save paper by reducing the number of printouts, including by marking multi-purpose devices with environmental stickers;
- collection of unused but operational office equipment:
 - photo cameras and camcorders,
 - projectors,
 - voice recorders,
 - IP phones,
 - mobile phones;
- promotion of economical eco-driving;
- promoting education related to World Earth Day and World Water Day.

BEST PRACTICE

Reduced use of printers



As a result of analyses and arrangements with users, the number of printers/multi-purpose devices in PZU entities was reduced by 150. Accordingly, the number of printers in use declined from 4,750 at the end of 2018 to approximately 4,600 at the end of 2019 (in PZU and PZU Życie).

All new printing devices are equipped with an automatic two-sided printing (duplex) module – wherever the specific nature of work permits two-sided printing, it is set as the default printing option.

¹⁰ The ordered quantity of paper depends on the volume of sales of PZU products. 80% of paper is used by sales units. The introduction of new products for sale, such as Employee Capital Schemes (ECSs), generates additional demand for paper by PZU Życie



Environmental impact

BEST PRACTICE

Foreign companies



The PZU Group is concerned about the natural environment not only in Poland. An environmentally friendly approach to doing business has been adopted by all foreign members of the

Group.

In Lithuania, Lietuvos Draudimas has in place a formalized environmental policy. Information on environmental protection matters is published in its annual reports and CSR reports. All buildings of the Lithuanian company are monitored for the consumption of utilities, waste sorting has been introduced and in order to gradually reduce CO2 emissions, the car fleet is supplemented with hybrid cars. Environmental educational campaigns are also conducted.

PZU's Lithuanian company Lietuva Gyvybes Draudimas has identified directions and initiatives addressing environmental challenges in its CSR strategy, approved in 2019. The company monitors its consumption of utilities – in 2019, its consumption of water declined (by 5%) as did the consumption of electricity and heating (by 20%). The company strives to reduce pollution caused by its car fleet. A hybrid vehicle has been purchased. The purchase of another one is planned in 2020. The educational campaign on waste sorting is continued.

The Latvian company Balta has installed economical lighting and sunblinds. The company intends to reduce its consumption of utilities, water and electricity and is also involved in the recycling of old electronics and paper sorting. The management board is working on the adoption of an environmental policy.

The Estonian branch of Lietuvos Draudimas reduced its water and electricity consumption by 1%. Moreover, the lighting system in the head office building in Tallinn has been changed to LED lighting.



4. Employee matters

PZU Group's policies [UoR]

[GRI 103-2]

PZU's ambition, as defined in the "New PZU" strategy for 2017-2020 is to be the Employer of first choice in the financial industry. The Group wants to hire the best and most engaged staff on the market and attain a high level of retention of the most talented people in the organization. For this to be plausible, strategic actions targeting employees are being phased in or planned:

- new quality of corporate culture;
- promotion of entrepreneurship, innovation and team work;
- set of actions to retain key employees;
- improved response time to reported intentions to quit;
- transparent development path.

Sustainable Development Goals (SDGs)



Objective 8. We promulgate stable, sustainable and inclusive economic growth through full and productive employment and dignified work for all.



"The PZU Group is one of the largest financial institutions in Central and Eastern Europe. This means that the Group's employees can participate in extraordinary projects and collaborate with the best experts in their fields. Working in PZU it is possible to grow in a host of highly-diverse areas, including among others: IT, new technologies, investments, project management, sales, client service, controlling, marketing and communication. In 2019 we conducted a campaign in which we asked our employees "whether their jobs have meaning?". PZU employees, ranging from experts to management board members responded to this question. It turned out that helping others proved to be the shared sense of work, regardless of the function held in the company. Our efforts are supposed to help build a feeling of safety in our clients and support those who need our assistance. For that reason I am all the happier that PZU employees perceive sense and value in what they are doing."

Anna Wardecka, Director of HR Department,
PZU / PZU Życie

4.1 Human capital management

We are responsible - "we strive to manage employee knowledge carefully and responsibly. We build an effective legal and business structure in the PZU Group aligned to its business profile, thereby enabling us to do business effectively."



The fundamental document regulating the issue of managing employee matters is the "Human capital management policy in the PZU Group" adopted in 2018. Its objective is, in particular, to lend support to the execution of the PZU Group strategy by doing the following:

- safeguarding business needs in human capital management;
- ensuring coherent and integrated rules for human capital management;
- conducting coherent actions in human capital management.

[GRI 102-8] Information on employees and other workers

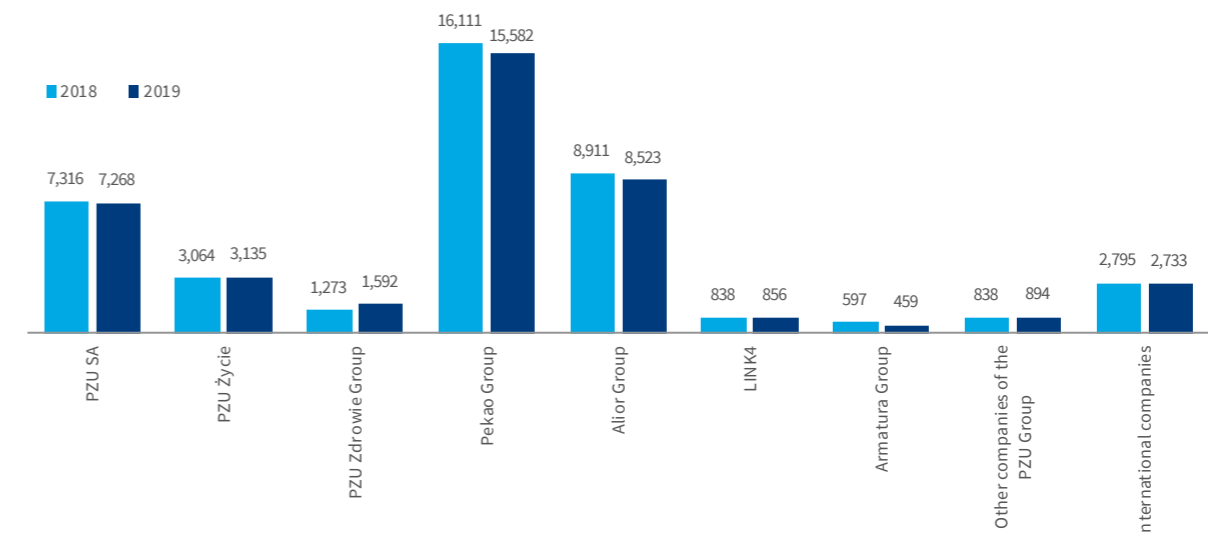
At the end of 2019, the PZU Group had 41,042 employees (converted into FTEs); 25% of them were employed in PZU and PZU Życie, 4% in the health area, 21% in the Alior Bank Group, 38% in the Pekao Group and 7% in foreign companies.

In addition, topics related to managing employee issues have been captured in PZU's best practices that define:

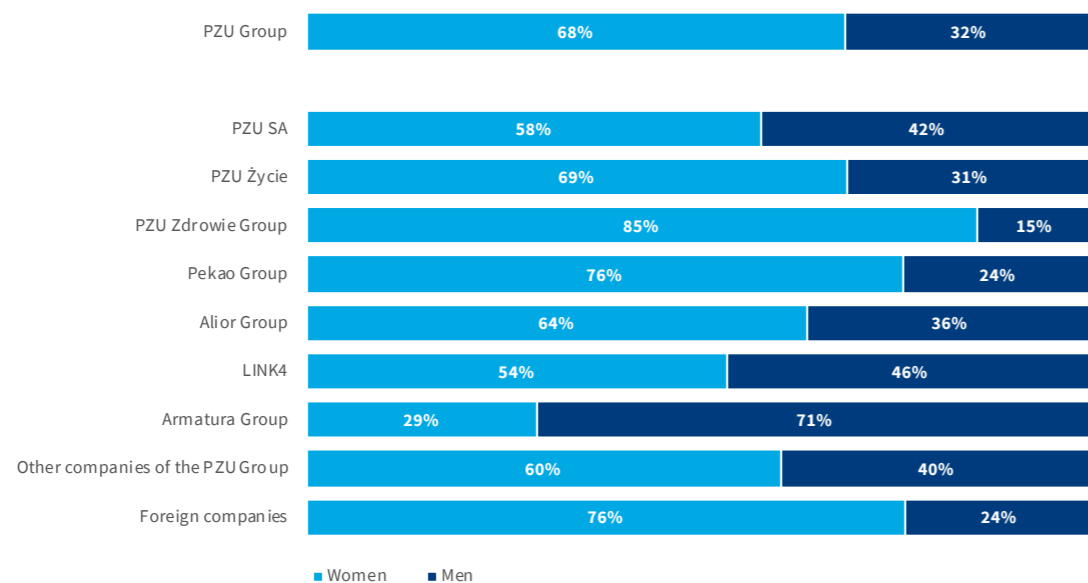
- common values and rules for ethical management;
- working conditions (among others remuneration policy, benefits unrelated to pay);
- competence development;
- occupational safety and health.



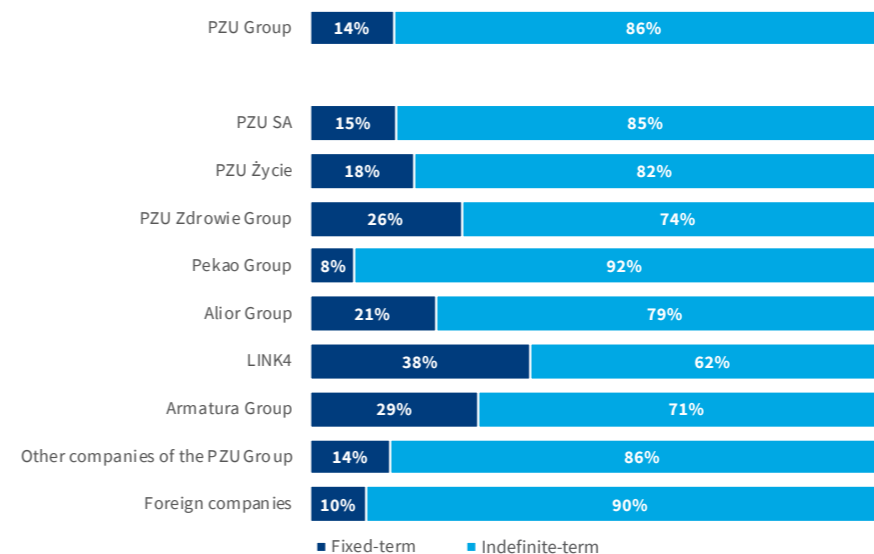
Total number of employees by gender (converted into FTEs)



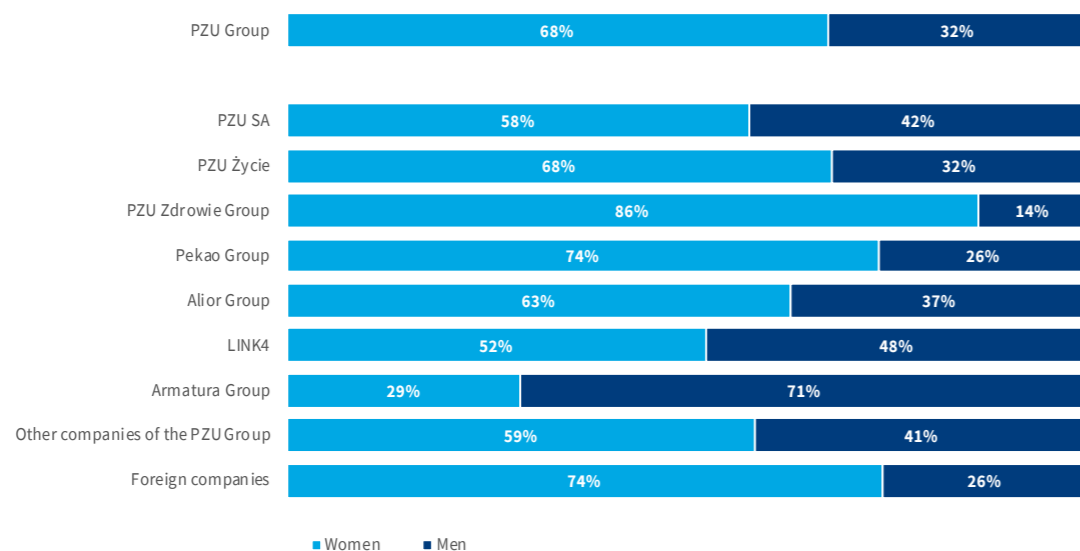
PZU Group employees by gender (converted into FTEs) in 2018



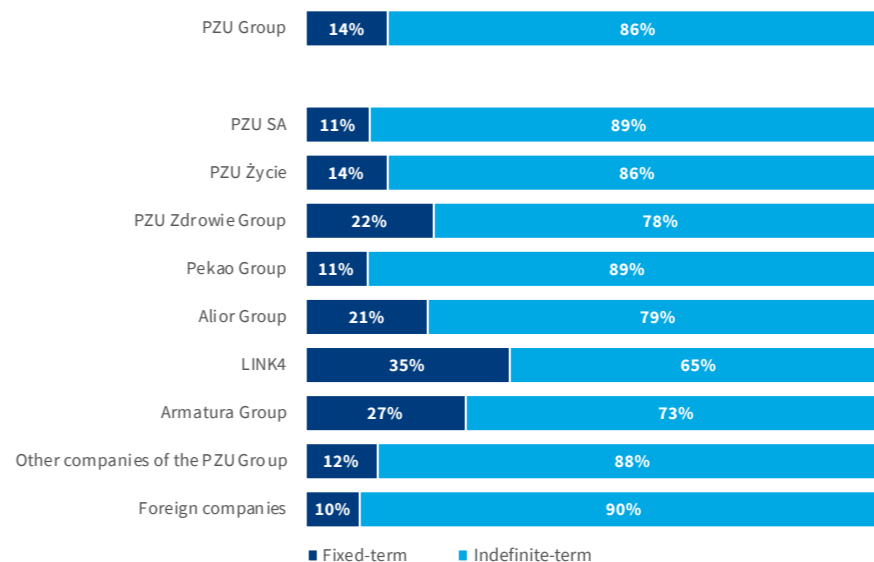
PZU Group employees by type of contract (converted into FTEs) in 2018



PZU Group employees by gender (converted into FTEs) in 2019



PZU Group employees by type of contract (converted into FTEs) in 2019

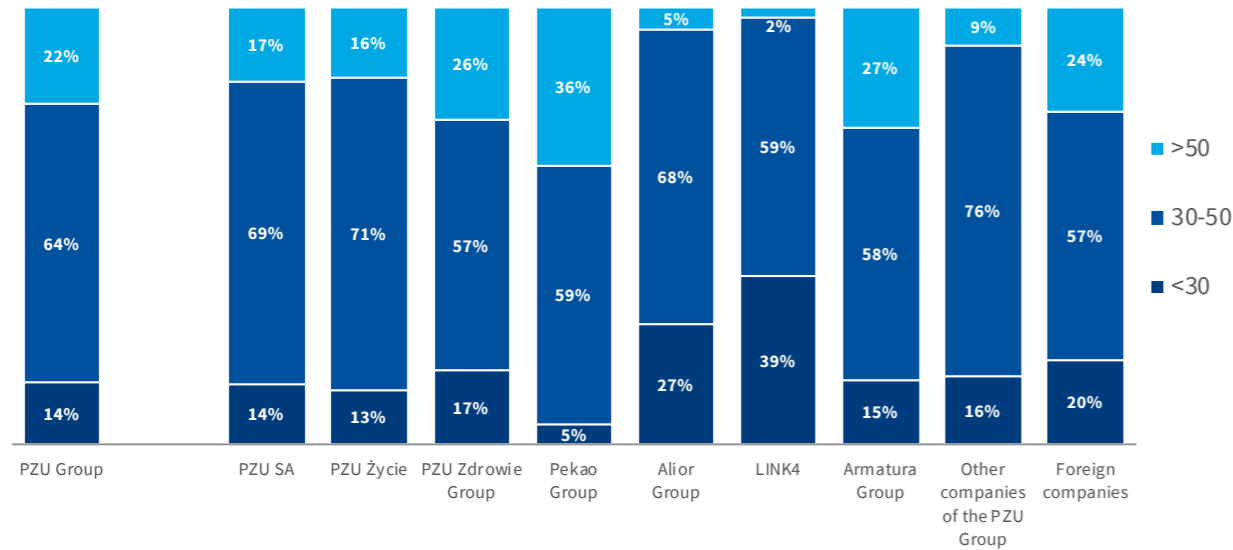


Women account for the larger part of employees across the overall PZU Group (68%).

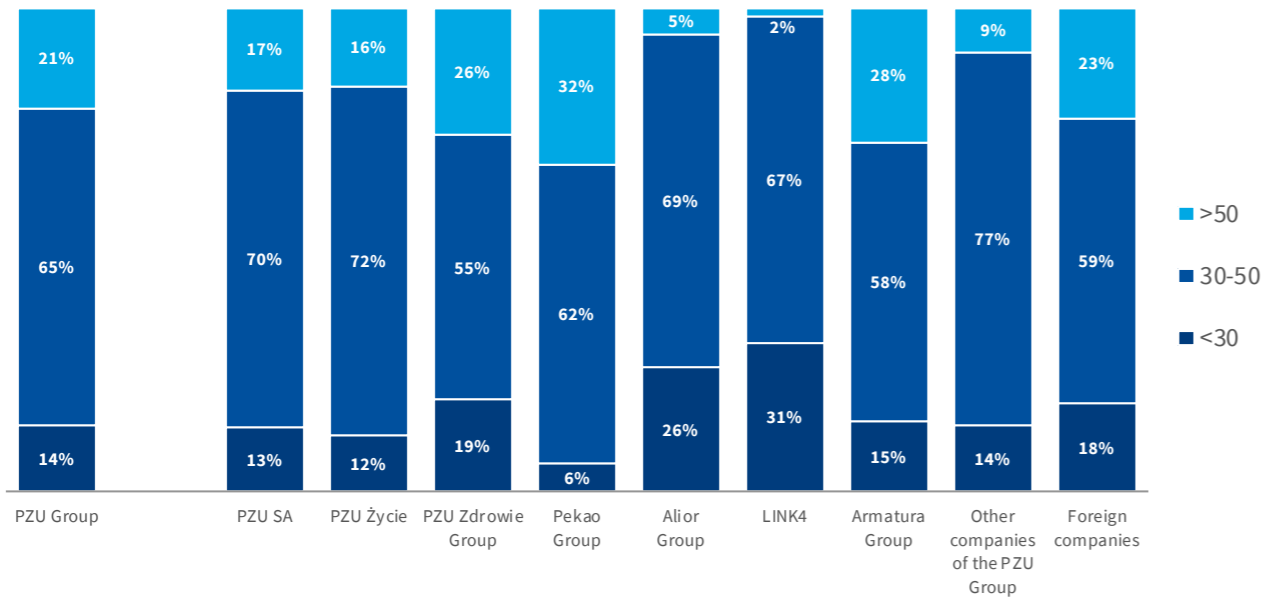
Women account for the highest percentage PZU Zdrowie and its subsidiaries, they represent 86% of the persons employed. This percentage is 74% in the Pekao Group. Women account for the majority also in our foreign companies (74%).

In the PZU Group, 86% of employees work under indefinite-term employment contracts. The highest percentage of staff (converted into FTEs) who work under employment contracts for an indefinite term is in the Pekao Group (89%) and the lowest is in LINK4 (65%).

Total number of employees by age group (converted into FTEs) in 2018

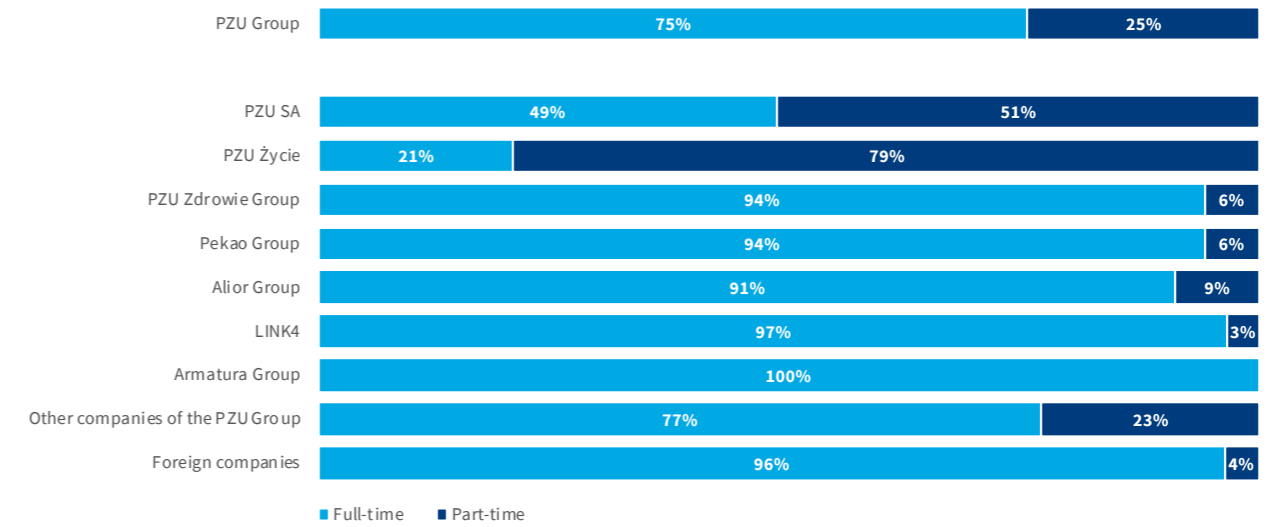


Total number of employees by age group (converted into FTEs) in 2019

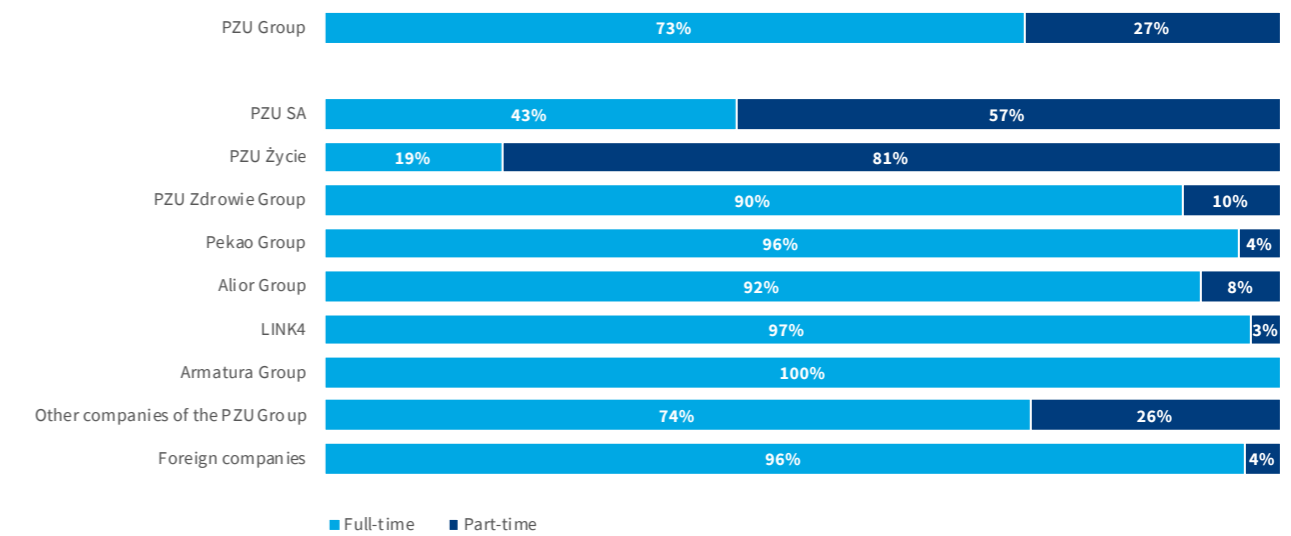


Among the three employee age groups identified above, the most numerous is the group aged 30-50: it accounted for 65% of employees in 2019 and 64% in 2018. LINK4 has the largest share of employees under 30 (31% in 2019). Conversely, the Pekao Group has the largest percentage of employees over 50 (32% in 2019). The age structure of employees did not change significantly compared to 2018

Employees by form of employment: full-time vs. part-time (converted into persons) in 2018

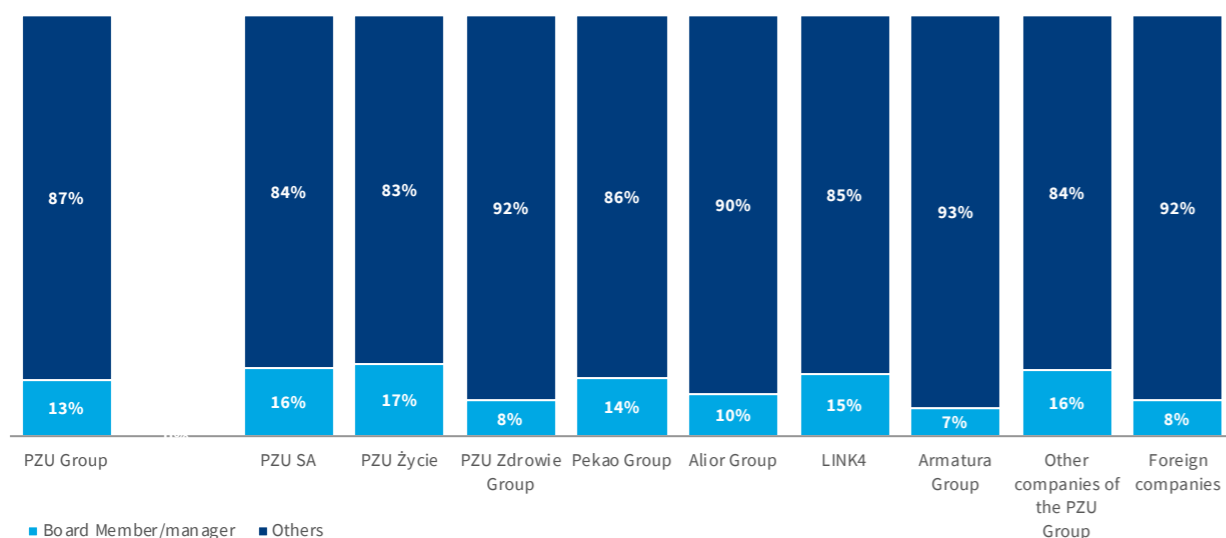


Employees by form of employment: full-time vs. part-time (converted into persons) in 2019

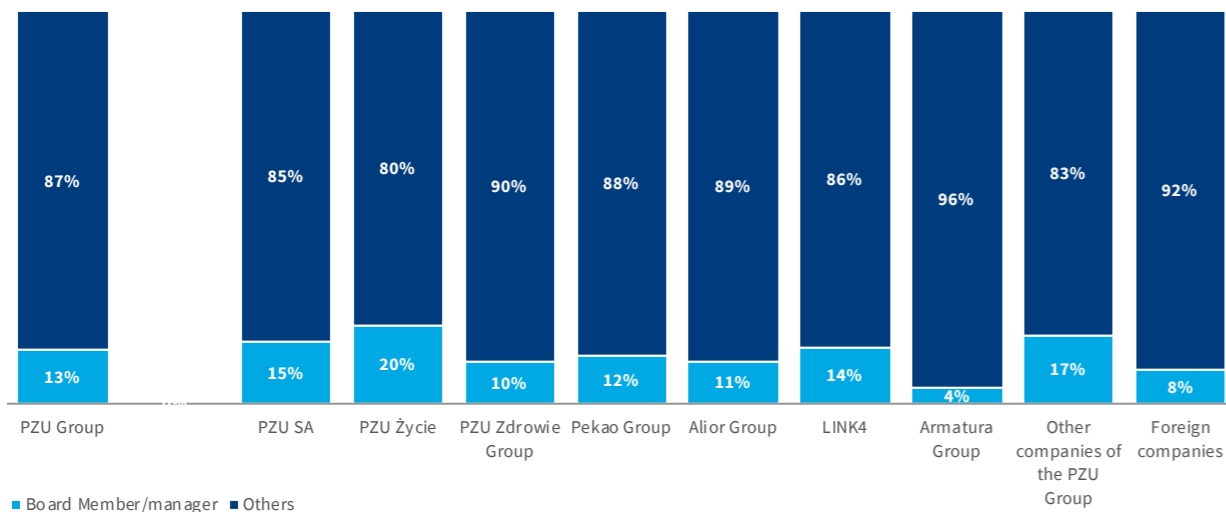


Most people at the PZU Group are full-time employed (73%). The largest percentage of people are employed on such terms in the Armatura Group (100%), and the least - in PZU Życie (19%).

PZU Group Employees by employment structure (converted into persons) in 2018



PZU Group Employees by employment structure (converted into persons) in 2019



In 2019, the PZU Group employed 149 persons as management board members, 6,133 persons in management positions and 40,699 persons in other positions.

The employment structure did not change significantly in 2019 in the PZU Group. Persons employed in management positions accounted for 13% of the total, just as one year earlier. In the

PZU Group, PZU Życie has the largest percentage of persons in management positions. Conversely, in the Armatura Group this percentage is the smallest. In LINK4, persons in managerial positions account for 14% of employees, in the Pekao Group they account for 12%, in the Alior Bank Group they account for 11% and in foreign companies they account for 8% of all employees, converted into FTEs.

[GRI 401-1]

New employee hires by gender (converted into FTEs)

PZU and PZU Życie

Total number of employees by:	2018			2019		
	Number of employees	Number of new employee hires	Percentage of new employee hires	Number of employees	Number of new employee hires	Percentage of new employee hires
Women	6,341	943	14.9%	6,326	651	10.3%
Men	4,039	697	17.3%	4,073	454	11.1%
Total	10,380	1,640	15.8%	10,399	1,105	10.6%

New employee hires by age group (converted into FTEs)

PZU and PZU Życie

Total number of employees by age:	2018			2019		
	Number of employees	Number of new employee hires	Percentage of new employee hires	Number of employees	Number of new employee hires	Percentage of new employee hires
<30	1,407	770	54.7%	1,344	449	33.4%
30-50	7,239	819	11.3%	7,312	621	8.5%
>50	1,734	51	2.9%	1,743	35	2.0%
Total	10,380	1,640	15.8%	10,399	1,105	10.6%

Total number and rate of employee turnover by gender (converted into FTEs)

PZU and PZU Życie

Total number of employees by:	2018			2019		
	Number of employees	Turnover numbers	Turnover rates	Number of employees	Turnover numbers	Turnover rates
Women	6,341	646	10.2%	6,326	575	9.1%
Men	4,039	413	10.2%	4,073	359	8.8%
Total	10,380	1,059	10.2%	10,399	934	9.0%

Total number and rate of employee turnover by age group (converted into FTEs)

PZU and PZU Życie

Total number of employees by age:	2018			2019		
	Number of employees	Turnover numbers	Turnover rates	Number of employees	Turnover numbers	Turnover rates
<30	1,407	267	19.0%	1,344	212	15.8%
30-50	7,239	618	8.5%	7,312	542	7.4%
>50	1,734	174	10.0%	1,743	180	10.3%
Total	10,380	1,059	10.2%	10,399	934	9.0%

Total turnover (number of voluntary terminations and dismissals) converted into FTEs in the PZU Group:

- in 2018: 6,367
- in 2019: 6,453

Turnover ratio among all PZU Group employees hired under employment contracts:

- in 2018: 15.6%
- in 2019: 15.7%

4.2 Working conditions

Everyone has equal opportunity - "our relations are predicated on this principle. Employees have equal opportunity and chances in all the processes in the PZU Group, from recruitment to performance assessment, promotion, professional development to participation in training. Gender, age, degree of ability, nationality, faith, political convictions, trade union membership, ethnic background, sexual orientation and nature of employment are of no consequence."



"We compete for talents in Poland and beyond. We are present in 8 countries and have more than 200 legal entities that need people. We employ over 40,000 persons in Poland and Europe. We strive to build a modern organization treating the employee as the most important element of what we do."

Marcin Eckert, Member of the PZU Management Board

terms, access to training and development-minded activities, opportunities to be promoted) to the termination of employment.

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

The employees of PZU and PZU Życie may count on



remuneration adequate to the level of responsibility and a unique package of benefits. They include, among others:

- Employee Pension Plan – every month the employer makes a contribution forming 7% of salary to the employee's individual account provided that he or she has enrolled in the EPP, i.e. the maximum permitted by the law;
- generous medical care package - extensive list of specialist physicians and medical centers;
- pharmacy card - gives the right to purchase prescription medicines from an extensive list with an 80% discount;
- benefits from the Company Social Benefit Fund that exceed the standard, including:
 - loans for housing purposes,
 - "cafeteria" system giving employees access to a recreational base in Poland and abroad, a broad cultural offer (all the cinema networks and studio cinemas, theaters, philharmonic theaters, museums, concerts), recreation and sports offer (two sports subscription cards, individual tickets to sports facilities and clubs);
- discount on products offered by the PZU Group;
- relocation benefit in case of a change of the place of work within the PZU Group at the employer's initiative;
- management package for middle / senior management;
- support for extracurricular activities, including the option of practicing sports in specialist sections of the PZU Sport Team, option to use the employee gym in Warsaw and Szczecin and employee volunteerism.

PZU Group's policies [UoR]

[GRI 103-2]

PZU Group companies offer a friendly environment and work atmosphere and development opportunities. Employees' work life balance is held in high regard. The company not only meets its liabilities to employees on a timely basis but also applies clear principles in the operation of our organization. Safe forms of employment are used and employees make a contribution to streamlining the operation of the company.

The PZU Group 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

The company is in continuous dialogue with the trade unions. PZU and PZU Życie hold regular meetings with all social partners. On average, such meetings take place every other week and last at least two days. The schedule of such meetings along with the agenda is delivered to trade union representatives before each quarter. Social dialog – run by a section specially appointed for this purpose in the HR Department – is inscribed into the company’s organizational culture and forms one of the tools for strategic management.

In several companies of the Group, for instance LINK4, TFI PZU, TUW PZUW, Pekao Faktoring and Pekao Investment Banking, the internal rules and regulations of the Company Social Benefit Fund are in place.

Employee Capital Schemes (ECS) have been implemented in companies where there was previously no Employee Pension Plans (EPP) to provide additional retirement security. Those employees join these ECS will receive their pension from three sources when they retire. The first pension will be paid by the Social Insurance Institution (ZUS), the second pension will be paid by the open-end pension fund (according to the provisions of the Act Amending Certain Acts in Connection with the Transfer of Funds from Open-end Pension Funds to Individual Retirement Accounts, assuming the liquidation of open-end pension funds on 26 November 2020¹, this role will be picked up by individual retirement accounts) and the third pension will be paid by the Employee Capital Schemes.

¹ On 13 February 2020, the Act was adopted by the lower house of the Polish parliament (Sejm). Then, on 18 February 2020, the Act was forwarded to the President and Speaker of the Senate

BEST PRACTICE



PZU Group companies have in force rules and regulations pertaining to bonuses and bonuses and commissions. The high quality of the work done by PZU Group employees is therefore additionally rewarded.

The basis for determining an employee’s base salary is the value of the job position in question, the competences held by an employee and his or her job assessment.



The remuneration policy was adopted in PZU and PZU Życie in 2016. Above all, the purpose of this document is to ensure that our employee compensation systems are in line with the company’s risk profile, that

we achieve our intended business result and that we attain our business objectives within the framework of the risk limits prescribed by the Management Boards. It is also important to motivate employees to enhance their work efficiency constantly and ramp up their commitment while simultaneously linking their pay to the performance of the companies, cells or organizational units in which they are employed.

PZU and PZU Życie employees are covered by collective agreements, including the Company Pension Agreements. Pekao Group companies have pay-related policies related to their size and distinct business, the remuneration rules are laid down, among others, in the collective bargaining agreements. Each one of the companies in the Alior Bank Group has implemented a remuneration policy. The same applies to the PZU Zdrowie Group. In Armatura Kraków, general employee remuneration principles have been implemented.

BEST PRACTICE



PZU Cash

CASH is a new, innovative financial employee benefit platform, prepared by PZU in cooperation with Alior Bank and Bancovo. The platform has been available to over 10 thousand PZU Group employees since October 2019. In the next months, the plan is to make the platform available to further organizations who want to offer to their employees the exceptional benefit in the form of easily available low-interest loans. Each employer who joins the platform will have the possibility of offering the new type of benefit to their employees. Every employee who is bound to his/her employer through an employment contract will have the option of applying for a unique loan.

The main advantages of CASH include:

- attractively priced offer delivered by a reliable partner – Alior Bank;
- the loan can be used for any purpose – from renovation of an apartment, through holiday, school materials to purchase of a car or satisfying any current need;
- the process is fully online – from completion of the application to the signing of the agreement by entering in the online Cash platform the code received by a text message, which is convenient for the user;
- installments are repaid directly from the salary, relieving the employee from the need to remember about them.

The CASH platform is likely to become a new line of business for PZU and a unique win-win solution for employers and borrowers.

BEST PRACTICE



Building commitment – workshops with employees



In February 2019, PZU announced the results of an employee commitment study, which was conducted in 2018 and covered 73% of employees. The turnout in the next employee commitment study, conducted in December 2019, reached a record level of as much as 84%. This is a unique turnout on the Polish market and among large employers.

The outcome of the study also demonstrated a favorable trend in building commitment among PZU Group employees. The engagement index in 2019 was 51%, it was above the average for Poland, increased 11 percentage points year over year and was much closer to the strategic ambition level defined for 2020 (55%).

The large turnout will help provide a more reliable diagnosis of how employees perceive the organization, which will enable the development and implementation of effective measures aimed at building employee commitment.

9,129 PZU employees took part in the survey in 2019. According to most respondents, cooperation within the

organization deserves the highest marks. As many as 81% of respondents stated that their colleagues share their knowledge and experience, and 77% claimed that they were able to collaborate within their team to achieve common goals. Also, 71% of respondents perceive PZU as a socially and environmentally responsible company.

During meetings held after the survey, employees also often talked about minor changes in the organization of work and communication – and these changes are made on an ongoing basis. The following initiatives may serve as an example of this:

- #terazTY development bomb – an initiative created in the area of sales; during “bomb” workshops, employees exchanged their knowledge and practice, were trained in products, processes and managerial and coaching skills. They also learned about design thinking technique and how to take care of mental hygiene – parts of the workshops were run by employees from outside the sales department, which contributed to cooperation between areas;
- volunteerism as a way of integration – employees of one of the departments independently planned and ran a campaign which resulted in creating a comfortable place for children from a selected school to spend their time after classes in a creative environment filled with educational aids.



BEST PRACTICE

PZU. A job with a purpose.



This practice refers to what is an increasingly discussed topic: the need to search for a meaning at work. We decided to address this need in the PZU Group fall campaign addressed to professionals.

As part of the preparations, we intended to create image videos in which PZU employees would tell us about what is important to them in their daily work. For this purpose:

- we invited all PZU employees to apply to sign up for participation in the video;
- we received more than 130 applications from which, based on the answers, we selected nearly 50 individuals;
- we invited the selected persons to shoot a video and a photo session in a professional film studio;
- 3 videos were created:
 - dedicated to employees of the PZU Group Divisions/Branches,
 - dedicated to IT staff,
 - general, addressed to all professionals;
- the videos were uploaded to the dedicated campaign website: <https://www.pzu.pl/takapracamasens>
- the website was the focal point of the online campaign in which we used, among others, Facebook, Programmatic, Instagram, AdWords, pracuj.pl and OLX.

Key figures:

- the campaign lasted from 18 November to 20 December 2019;
- we had over 34 thousand views of the dedicated website and almost 30 thousand unique users;
- the initiative prompting employee commitment to activities in the area of the employer's brand also received some favorable feedback from the employees. The individuals who participated in the shooting of the video and the photo session became internal brand ambassadors. Also, a series of interviews with campaign heroes who represent PZU on posters appeared on pzu24.

BEST PRACTICE

LINK with us – the practice of building candidate experience



This practice is a response to the need to turn LINK4 into an employer of choice, outstanding in terms of its approach to candidates. LINK4 was prompted to implement this practice by the desire to reduce voluntary employee turnover and the market situation which puts candidates in the center of employers' attention.

The following activities were carried out as part of this activity:

- employee wanted – employees jointly developed the profile of a candidate best aligned with the company's organizational culture;
- ads: an audition was carried out. Employees who wished to become the face of LINK4 were selected for the photo session. The content of ads was also modified in accordance with the rules of simple language;
- recruitment meeting: the selection is made by the superior. Then the selected persons are invited to meetings;
- satisfaction survey: we send out a satisfaction survey within three to five days after announcing the decision. The candidate assesses the whole recruitment process, the recruiter and the company's offer. The candidate also has the opportunity to share his/her own comments underneath open-ended questions. The results are analyzed and reported. Currently, the NPS on the recruitment process is 90.9%;
- welcome on board: new employees start their adventure with LINK4 from Welcome Day, are greeted by the CEO and their superiors;
- satisfaction survey: conducted three months after the employment start date to verify the level of satisfaction with the employee onboarding process on an ongoing basis.

Key figures:

- employee referrals up by approx. 60%;
- inflow of spontaneous applications up by 17%;
- the level of satisfaction with the conduct of the recruitment process increased from less than 80% (in Q4 2017) to 90.9% (at the end of 2019).

BEST PRACTICE

Alior Bank employee satisfaction study using the NPS method



This study is carried out regularly. It permits the company to monitor the level of satisfaction/loyalty of bank employees over time and observe the impact of pending activities on their perception.

Alior Bank is aware that without committed and satisfied employees there will be no satisfied clients, which is why the bank studies the level of internal cooperation between its teams with a view to improving and perfecting it constantly. During these internal studies, every employee has the opportunity to share his or her opinion about cooperation with other units and point out their strengths and weaknesses. The outcomes of the study are regularly communicated to the surveyed units in the form of presentations and serve as a valuable source of knowledge for their directors about the strengths and weaknesses of their department/team, contributing to the development of initiatives aimed at improving internal cooperation. The effectiveness of these actions is evidenced by the fact that the vast majority of the surveyed business units improve the results obtained in subsequent editions of the study.

YOUR REWARD



GREAT PLACE TO WORK

For the second time, LINK4 was among the recipients

of the Great Place to Work title. This title is awarded to companies that successfully build and develop exceptional relationships with their employees. They are based on trust, understood as reliability of managerial staff and respect and fairness shown to employees. The study scrutinizes HR practices and the level of commitment and cooperation within teams.

BEST PRACTICE

Inspiration Council



The Inspiration Council is an initiative established in the Claims and Benefits Handling and Remote Channels Division at the end of 2018. The Council members include invited employees with outstanding knowledge, competences, creativity and engagement – experts, leaders and masters of PSK (Claims Communication Platform). The Inspiration Council is a place where employees put forward solutions facilitating their daily work. The ideas are analyzed by and the best of them are implemented with the support of head office departments.

Council members were divided into four areas. Each of them consists of six groups of 15-20 people each, roughly 400 in total. The groups drew issues and had to develop solutions. They worked on the solutions for about 2 months. After that, a national meeting was held with three participants from each group attending. The participants of the meeting presented their solutions and selected the most interesting ones. The best solutions were further analyzed and implemented.

A total of 300 team meetings and 4 national conventions were held in 2019. During that period they worked on 24 areas, pitching more than 500 ideas and implementing 40 of them. Others are still under analysis or were rejected for various reasons.

The Inspiration Council offers its participants an opportunity to become involved in the creation of solutions that will determine the future processes and make daily work more efficient. It also allows the employees to develop and learn more about their organization.

The ideas proposed as part of the Inspiration Council included, among others: MegaWEB (joint knowledge database for the whole division), client search using phone numbers, or redirection of some of the telephone notifications to the web platform.

The employees reported that they appreciated the opportunity to grow and influence the changes and the engagement in the improvement of PZU.



Occupational safety and health issues

PZU Group's policies [UoR]

[GRI 103-2]

Formally, occupational safety and health (OSH) management is regulated by a number of internal documents and instructions. PZU, PZU Życie and other PZU Group companies discharge their legal duties related to occupational safety and health (among others, conducting an assessment of occupational risk on work stations, accident analysis, employee training).



The occupational safety and health policy has been in force in PZU and PZU Życie since 2015.

This policy obligates the PZU Group's OSH team to do the following, among others:

- prevent accidents and occupational diseases,
- strive to improve occupational safety and health constantly and conduct periodic inspections,
- deliver OSH training, including on how to give first aid.

To streamline activities related to occupational safety and health, the PZU Group companies have commissions that operate with the following task:

- conduct a review of working conditions;
- conduct a periodical assessment of the state of occupational safety and health;
- give an opinion on the means undertaken by the employer to prevent accidents at work and occupational diseases;
- articulate conclusions on improving working conditions and cooperating with the employer to discharge its duties relating to occupational safety and health.

The units or departments created for this purpose and operating according to the internal regulations of companies and customized to the type of business conducted are responsible for occupational safety and health in the other PZU Group companies.



The vast majority of the OSH regulations in the branches (medical centers) of PZU Zdrowie and its direct and indirect subsidiaries are of a local nature and are related to the distinctive nature of their operations and the market on

which they function (e.g. the expectations of the local branch of the National Health Fund). Polmedic has rolled out the OSH Management System according to OHSAS 18001:2007. All medical centers have adopted procedures for the conduct of medical workers in the case of needle stick injuries and protection against infections.



Internal rules and regulations concerning employee issues are convergent with the regulations in force in PZU and PZU Życie in the investments area, while observing the differences ensuing from the distinctive nature of each company's business.

[GRI 403-2] In total the PZU Group recorded 161 work accidents in 2019 (13 more than in 2018), with the largest number in the Pekao Group (69), PZU (41), Alior Bank Group (28) and in PZU Życie (9).

In 2019 the Group PZU companies recorded 161 accidents at work, including one fatal accident at PZU.

Number of work-related accidents, by gender

	PZU				PZU Życie			
	2018		2019		2018		2019	
	Women	Men	Women	Men	Women	Men	Women	Men
Total number of work accidents (incidents)	20	20	22	19	4	0	6	3
of which fatal accidents	0	0	0	1	0	0	0	0
Total number of persons injured in accidents	40		41		4		9	

Accident incidence rate (IR) by gender²

PZU				PZU Życie			
2018		2019		2018		2019	
Women	Men	Women	Men	Women	Men	Women	Men
3.6	5.3	3.9	4.9	1.0	0	1.4	1.3

Accident severity rate by gender³

PZU				PZU Życie			
2018		2019		2018		2019	
Women	Men	Women	Men	Women	Men	Women	Men
31.2	41.9	50.5	34.0	21.0	0	40.5	0.7

Absentee rate

PZU				PZU Życie			
2018		2019		2018		2019	
Kobiety	Mężczyźni	Kobiety	Mężczyźni	Kobiety	Mężczyźni	Kobiety	Mężczyźni
11.2	22.0	19.8	16.6	2.1	0	5.7	0.1

Every newly-hired PZU employee goes through advanced training courses related to occupational safety. 425 periodic training courses were delivered in 2018, attended by 3,469 employees of PZU and PZU Życie. In 2019, 291 periodic training courses were delivered attended by 1,362 PZU and PZU Życie employees. The purpose of the workshops was to update knowledge and skills on how to work safely.

attended 124 such training courses. Participants checked their knowledge on training manikins. The rules for using an AED defibrillator were also presented.

In addition, 4,185 individuals took part in 141 training courses on pre-medical first aid in 2018. In 2019, 3,020 individuals

² Ratio calculated per 1,000 employees using the equation: total number of persons injured in accidents / headcount * 1,000.

³ Rate calculated using the equation: number of days of inability to work because of an accident / number of accidents.



4.3 Employee development



Our knowledge and ideas - “we protect all our resources, including information constituting the PZU Group’s intellectual property. Databases, registers and archives are managed in accordance with the law and the PZU Group’s internal regulations. Intellectual resources form an exceptional value in the company. They set us apart on the market, they feed into our unrivaled product offer and they form the basis for the PZU Group’s market successes. That is why we afford special protection to them. We are conscious that their partial or total loss could lead to clients losing trust in the PZU Group, or to a breach of reputation.”



“The knowledge and competence of our employees, together with the trust of our customers, are the most important capital the PZU Group has.

For a company with such a long history, the cumulative knowledge and experience of its employees are not only a reason to be proud, but also something that merits special protection. We broadly support the cultivation of new competences in our employees, not just to stay abreast of the rapidly changing market but also to be the leader of these changes. We promote the sharing of experience and best practices with all market entities, which in more than one case translates into collaboration to perfect standards. We do our utmost to protect what should remain the source of our competitive edge and quality, but we also readily share what should be the common good among all professional insurers and their stakeholders.”

Tomasz Kulik, Management Board member of PZU and PZU Życie

PZU Group’s policies [UoR]

[GRI 103-2]

Most of the PZU Group companies have implemented special procedures and principles related to planning and organization of training and all development activities for employees.

The PZU Group strives to be an employer that gives its employees above-average and flexible development opportunities at an individual and team level and at the level of the whole organization. In planning its development activities it frames them in the context of its strategic business objectives and attaches great importance to selecting optimum forms of development. They contribute to work productivity and employee engagement in the long-run.

The approach to comprehensive development developed in the PZU Group is based on organizing general corporate activities designated for various employee groups and individually addressed activities. Training courses and workshops are frequently supplemented with activities which

Forms of development support available in PZU:

general corporate	dedicated	on-line	individual
<ul style="list-style-type: none"> #TyTworzyszPZU program [#YouCreatePZU] New Manager MasterClass Click for development 	<ul style="list-style-type: none"> Workshops and skills training sessions Talent development programs (e.g. the program for sales employees called #TerazTy [#NowYou]) Facilitation of team work (including graphic facilitation and gamification solutions) #TyTworzyszPrzyszłość conference [#YouCreateTheFuture] 	<ul style="list-style-type: none"> E-learning courses Educational animations and interactive pdf files / infographics Webinars Video materials with internal experts 	<ul style="list-style-type: none"> Support during on-boarding, mentoring Coaching Educational subsidies (post-graduate courses) Consultations with an expert/trainer Participation in open training courses / workshops and conferences

employees do on their own before a training course (form of preparation) and after its completion (mastering knowledge, exercising skills). Enriching traditional training schools with modern solutions such as e-learning, webinars and virtual reality means that the educational offer is ever more attractive, and more widely accessible to employees.

PZU’s priority is to take care of effective knowledge management in the organization - maintain, share and utilize it across areas. That is why more and more frequently managers and specialists are engaged in internal development activities as authors of training programs, educational materials and as internal trainers.

BEST PRACTICE



The Bank Pekao Group does not have a common policy for all its companies; however, employee training and development procedures and training instructions have been rolled out. Regulations are being implemented and pursued according to the legal regulations, including ones referring to the capital market.



The Alior Bank Group has not implemented a joint policy. Employee training programs, in addition to training policies, are delivered

on soft skills as well as hard and technical skills in various companies.



Training plans are run for a given financial year in PZU Zdrowie while giving consideration to internal and external training. Detailed procedures, depending on the company, are specified in various documents, i.a. in the Collective Bargaining Agreement or Human Resource Management Procedure.

Additionally, rules for the organization and financing of training and development activities for employees are in force in all the companies.

[GRI 404-1]

Average hours of training per year per employee by gender⁴

	PZU and PZU Życie			
	2018		2019	
	Women	Men	Women	Men
Total number of training hours	149,909	99,939	195,434	132,425
Number of employees	6,056	3,959	6,094	4,023
Average number of training hours	24.8	25.2	32.1	32.9

⁴ Estimated data on account of the lack of statistics in this area. Data presented as FTEs.



Average number of training hours per employee by structure of employment

PZU and PZU Życie

Structure of employment	2018			2019		
	Total number of employees	Total number of training hours	Average number of training hours	Total number of employees	Total number of training hours	Average number of training hours
Management staff	1,670	23,374	14.0	1,573	76,823	48.8
Other employees	8,345	226,475	27.1	8,544	251,037	29.4

Average number of training days per employee hired under an employment contract in the PZU Group was 2.9 in 2019 (0.21 days more than in 2018). In the Pekao Group it was 2.75 (vs. 2.77 days in 2018) and in the Alior Bank Group 2.63 (up by 0.44 days vs. 2018). In PZU and PZU Życie, the average number of training days increased significantly in 2019 when compared to the previous year, among others due to the increased number of groups in the New Manager training and launch of MasterClass, a new development program for managers. In 2019, PZU carried out many training courses in the e-learning format and also in the form of conferences on modern technologies and future-proof competences.

[GRI 404-3]



All employees in PZU and PZU Życie to whom bonus systems apply undergo regular job quality assessments (annually and quarterly).

In 2019, similarly as in 2018, 100% employees were subject to regular job quality and professional development assessments.

Regular assessment of the level of attaining objectives and the quality of work makes it possible to verify professional development needs and the action plans focused on developing specialist knowledge to help employees achieve their business objectives and interpersonal and managerial competences – indispensable to engage in effect cooperation.

Structure of employment

Percentage of all employees subject to assessment in PZU and PZU Życie, by gender

Structure of employment	Women	Men
	Representatives of the Management Board	100%
Management staff	100%	100%
Other employees	100%	100%

[GRI 404-2]

A development program called New Manager has been prepared with people in mind who are taking up managerial positions in the PZU Group for the very first time. Its goal is to acquaint the people with the expectations placed on managers in PZU in terms of their management style and competences (in this manner the Group shapes the desired leadership model). During workshops managers are trained on key managerial competences, inter alia, on providing constructive feedback, holding talks with reports, task management and planning a team's work. The traditional formula for training is embellished with webinars, teleclasses in micro groups and online tasks.

In 2019, 117 individuals took part of the New Manager training, compared to 68 people in 2018 (up 72% from 2018).

PZU management may also take advantage of an individual form of support in development, namely a coaching program. External coaches and PZU employees with the appropriate training and experience administer this program.

Coaching is dedicated above all to managers during a time of change, when it is necessary to develop work productivity or devise new solutions. The decision to select this form of development is examined in every case in PZU with the interested person, his or her boss and the HR Business Partner. The interest in coaching is growing from year to year, while new groups of employees, also ones who are not managers voice their demand for this form of development.

The #YouCreatePZU program inspired by the Management 3.0 idea rounds out the training activities regularly conducted in PZU. It is run in the form of regular one-day-long workshops. The topic of the workshops refers to the competences whose development underpins strategy execution and advances innovation, entrepreneurship and team work.

This program aims to augment employee engagement by supporting employees in personal development. It acts as an invitation to co-create the organization by showing that every employee can exert an influence on his or her place of work and may cultivate his or her strengths while simultaneously attaining the organization's business objectives. The fact that the workshops are run by internal experts and trainers merits attention. This expands the opportunities to develop the program in such a manner that it will contribute to forging a lasting community of employees and a platform for sharing knowledge and best practices. The program is dedicated to all employees from all areas and from all locations in Poland, thereby contributing to developing cooperation across business areas. The #YouCreatePZU workshops made it possible, among other things, to build a contact network and share experience in employee groups from different organizational units.

BEST PRACTICE

Master Class management workshop cycle



Master Class is a cycle of practical workshops for senior managers supporting the achievement of strategic objectives, mainly in the people management area. The

workshops also facilitate implementation and execution of internal management processes (review of effectiveness and potential) and offer a chance to learn and discuss the newest trends in building engagement, planning development, managing efficiency in teams.

The goal of the workshop is to create a platform for sharing knowledge and experience based on actual issues and business challenges. Master Class also has a social dimension – building a network of contacts and business relations within the organization and “destroying the silos” – establishing cooperation between the individual areas.

In October 2019 the annual meeting of directors was held, during which, for the first time, a special assignment was done. Approximately 300 participants applied the design thinking method in order to develop solutions within 10 strategic initiatives. The work was conducted in mixed teams, which allowed managers from different areas of the company to exchange observations and knowledge.

In the period from 7 November to 1 December 2019, 12 workshops related to current management challenges were organized. They were also conducted in mixed teams to facilitate the sharing of best practices by managers from different areas, with different experiences and tenures. Workshop topics were related to the implementation of a new tool used to review efficiency and potential of managers.

The sessions were divided into the following four topics:

- “Building development plans – tested and practical tools”;
- “Difficult talks with employees – how be a guide in the times of change”;
- “Power of feedback – from feedback to feedforward”;
- “Growth mindset – how to free your potential and your team's potential and increase your chances for success”.

Each day was devoted to a single topic.

89 persons took part in the workshops. The substantive level, form, preparation of trainers and topic were highly rated by the participants (4.6/5 on average).



Employee matters

BEST PRACTICE

Crazy for growth – engaged in helping



This is a program, to which 110 employees were invited from all of Alior Bank's sales regions. Those individuals took part in an educational workshop devoted to sustainable development goals and then they prepared and executed their own local social projects. It was the employees who decided on the choice of the beneficiary, to the benefit of which the activity was to be performed, the social partner selected for cooperation, the purpose and the execution method.

15 projects were created and executed under this program. Their goals included: preventing social exclusion of children and youth from care and educational centers, the disabled, the elderly, people in difficult life circumstances as well as many project related to activities promoting sports activities and healthy lifestyle and projects promoting the natural environment and animals. The participants also had to promote social engagement among other employees in the region and their relatives. This way nearly 200 employees became engaged in the activities.



- “Click for development” conference featuring four lectures on the topics referring to the current trends in learning:
- “Technologies that changed the way we learn” – lecture by an external expert,
- “The future of learning, or how to grow using digital technology” – lecture by an external expert,
- “Free Harvard education – facts and myths about online learning courses” – lecture by an external expert,
- “PZU Movie – secrets of insurance in a modern form” – lecture by an internal expert;
- workshops showing the possibilities how the newest form of employee education, such as video, virtual reality and webinars, may be applied:
- “Create a professional video recording using your smartphone” – workshop conducted by external experts,
- “Immersive learning – come join us in virtual reality” – workshop conducted by internal experts,
- “Become a webinar master – or how to prepare and run a professional webinar” – workshop conducted by external experts,
- “The power of video” – this program was promoted by four short films, in which PZU employees demonstrate how they learn different skills by using online resources,
- “Mythbusters” – a series of podcasts featuring in-house experts, whose main theme was to bust the most popular myths about personal development, the future of employment and the functioning of the human brain,
- “Your brand in the media” – a webinar on social media etiquette conducted by an in-house expert who answered questions on how to use social media, what to do and what to avoid,
- “English online” – a year-long pilot of the online English language learning platform – employees participated in a draw of 150 one-year licenses to access an online English course.

In the years to come, cyclical activities are planned under the “Click for development” project, in the form of annual online development days, which will take the form of conferences combined with workshops and regular campaigns promoting online development.

BEST PRACTICE

“Click for development”

“Click for development” is a cycle of company-wide development activities/ events, which are aimed at building responsibility among employees for their own development, by using modern technologies. This program educates employees on the available online forms development, such as: e-learning platforms, education portals, podcasts, webinars and tools that make it easier to learn and share knowledge remotely. The initiative pointed the employees towards the opportunities and sources and also inspired them to take action.

In 2019, “Click for development” consisted of a cycle of events carried out from 8 to 19 July. The key events included:



BEST PRACTICE

#TyTworzyszPrzyszłość conference [#YouCreateTheFuture]



On 29 October 2019, an internal conference under the name of #TyTworzyszPrzyszłość (#YouCreateTheFuture) was held at the National Stadium. It was attended by PZU employees. The representatives of various business areas and different organizational levels met in one room. This enabled an interdisciplinary discussion on trends, challenges, directions of activity as well as exchange of experience and future projects. Nearly 300 employees discussed the utilization of new technologies, their impact on the future of mankind and the competences that are worth developing due to the changes that are currently transpiring. The participants had the opportunity to attend four lectures delivered by internal and external experts, a discussion panel and one of six workshops.



Five keynote speeches covered the following topics

- “Technology and business – global trends”
- “Innovation in PZU – how we implement new technologies”
- “On (im)possible friendships – man vs. technology” (discussion panel)
- “Leader of the future – new dimension of leadership”
- “Employee of the future”



Six workshops were organized

- Brave Leadership – face a failure”
- “Appreciation – strength of the modern leader”
- “And they lived long and creatively – creative idea generation techniques”
- – “Design your future – how to develop competence of the future”,
- “Total immersion – come with us to the virtual reality world”
- “Innovation Laboratory – come build scenarios for the future”

Internal experts also took part in the conference as lecturers. The discussion focused on innovation and internal project pursued within the PZU Group.

#TyTworzyszPrzyszłość is another activity aimed at preparing employees to the challenges that the dynamically changing world will pose for the insurance industry. It inspired employees to look at the business model, product offering, cooperation methods or communication in a novel and open way.

Four lectures and six workshops were organized in one day. During the conference, the attendees also had the opportunity to learn about the innovative projects executed internally.

4.4 Knowledge sharing

The knowledge and experience of the PZU Group's employees represent the company's enormous capital. As we understand how important this is for the society and the economy, PZU rolled out new knowledge sharing standards. Participating in various types of events, conferences and symposiums and activities to benefit business development, science, new technology and financial education makes it possible to convey some of the expert knowledge to employees and the company while showing our care for the common good.

[GRI G4-FS16]

One example of such an approach is the issue of properly estimating risk. This is a key skill in many positions, not only ones that are directly related to the insurance industry. Many preeminent experts related to this area work in PZU.



In 2019, PZU prepared several learning workshops. One of them pertained to the scope of fire protection and the training was conducted in the Dolna Odra Power Plant. The attendees of the workshops were presented modern fire protection solutions and learned about improvement of safety and mitigation of fire risks.

PZU LAB organized the Mining and Energy Generating Plants Safety Forum. The purpose of this event was to promote knowledge and exchange information on the broadly defined safety in the power and mining industry.

On the other hand, for clients in the timber industry, a training was organized for insurance underwriters in the SME division. During the training, PZU LAB engineers, who are experts and experienced risk assessment practitioners, discussed the key aspects of underwriting in the timber industry. The theoretical part took place on 21 November 2019.

Programs for students

Internships and apprenticeships are also a method of sharing knowledge. They allow students to gain professional experience and get to know the organizational culture of a large organization.

BEST PRACTICE



Business Open Door Days is a workshop event for students from across Poland. It offers students an opportunity to face the real business issues and become familiar with the

unique daily challenges in the area of their choice. They are also able to put the knowledge gained during their studies to a test. Through the workshops, we are demonstrating the organizational culture and work at PZU and encourage them to participate in other events designated for students.

Nine workshop days were organized between 2 and 13 December 2019. Each day was devoted in its entirety to a different topic (investment funds, innovation, actuarial pricing, robotics, negotiations, IT, cybersecurity, e-commerce, financial analysis). The workshops were conducted by PZU employees who are experts in respective fields, using practical business examples. They were preceded by a theoretical part. The workshop was held in PZU's Head Office in Warsaw (PZU Tower).

1,001 applications from across Poland were acquired during the recruitment campaign. A total of 209 participants were invited to the nine-day workshop, whose operation required engagement of 35 PZU employees.

The substantive level, form, preparation of trainers and topics all received high marks from the participants, as compared by the evaluation surveys, in which 92.5% of the respondents would recommend the Business Open Door Days to their acquaintances.

During this practice, one day was devoted to workshops dedicated to the IT area only. Nearly 30 students had the chance to see the broad range of opportunities that are offered by PZU Group in terms of the development paths in IT (5 paths: PM IT, Agile, DevOps Pętla, DevOps Automation, GAP), while the event itself directed the students' attention to the technologies used in everyday work and encouraged them to apply for internships and traineeships in the future.

BEST PRACTICE

Paid summer internship program



The main goal of the summer internship program at PZU is to ensure the inflow of young talents to the organization and build the image of the company as an attractive employer. The

program allows the students to gain professional experience and learn the organizational culture.

In 2019, the summer internship program took place in the summer vacation period, from July to the end of September. In the spring (March and April) a recruitment campaign was conducted offline (e.g. stands in universities) and online (in particular in the social media).

Internships are offered by various business areas of the company in different locations, e.g. in Warsaw, Krakow, Poznań and Wrocław. The program begins with an on-boarding training. The cooperation also includes training and integration meetings.

On average, 102 people responded to each internship offer (with 50 published internship offers). According to the results of the evaluation survey, 100% of the interns would recommend the program to others.

In 2020, 32 interns are to be employed for 3-month summer internships and 38 trainees for 6-month traineeship programs.

BEST PRACTICE

PZU Ambassadors Program

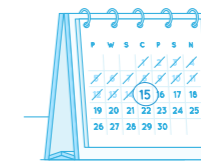


PZU Ambassadors are a group of pro-active students, who have distinguished themselves in a significant manner. They represent the PZU Group in their universities and act as

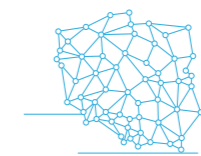
liaisons between PZU and the academic community. They help engage the best students in their universities in the projects. During special organizational meetings at the PZU head office, the ambassadors get to know its organizational culture and participate in training courses e.g. focusing on teamwork skills.

In the academic year 2019/2020, a total of 18 PZU ambassadors have been active in the largest academic centers in Poland.

The ambassadors helped implement the "PZU Group Opportunity Zone" project. It was a cycle of promotional stands, where students were able to learn more about career growth opportunities in PZU.



17 meetings organized in universities in Poland



10 cities visited



1,001 applications for Business Open Door Days were obtained

Additionally, the ambassadors support the PZU Group's activities on an ongoing basis by gathering recommendations regarding interesting local events, represent the PZU Group in student associations/science clubs. In the spring of 2020, they will be involved in job fairs, organization of promotional stands in universities and in cooperation with university career offices.



5. PZU Group's social commitment



Sponsoring and prevention - "prevention and sponsoring activities may take place solely in accordance with the binding regulations of law and the principles laid down in the PZU Group's internal regulations. For many years now we have been administering our own prevention programs and we support projects that propagate safe behavior on the road and water and in the mountains. The high-profile PZU Foundation also acts charitably to benefit private persons and non-profit organizations. We also cooperate with organizations that help local communities."

"The main mission of the PZU Group is to ensure protection and safety. Therefore, promoting responsible and safe behavior on the road, on the sports field, in and around water and in the mountains is one of our fundamental tasks. We invest a lot of effort to prevent accidents and insurable events. The PZU Foundation acts charitably to benefit private persons and non-profit organizations, which support us in this area and contribute to the proliferation of safety standards. Local communities are one of our allies in this task and we eagerly support their projects promoting safety and precautions. At PZU we believe that through our social efforts we can change the reality of millions of Poles for the better. As the largest financial group in the region we appreciate that we have an enormous capacity to do this effectively and on a large scale. In this respect we endeavor to set market standards because holding the leadership position in the insurance and finance industry is tantamount not just to having privileges but also duties."



Joanna Gorczyca, Director of Prevention and CSR

reduce their repercussions and support those activities that advance health prevention.



Bank Pekao's charity work is largely carried out by the Doctor Marian Kanton Bank Pekao Foundation, which was established in 1997. The Foundation's objectives stipulated in its articles of association include providing support

in education and rearing of children and youth, scientific and research projects and educational projects of scientific institutions and schools, popularization of the knowledge of banking, helping sick and disabled persons, protecting the environment and popularizing culture.

LEGAL BASIS FOR PREVENTION

The prevention fund of PZU, PZU Życie and TUW duly operates on the basis of the Insurance and Reinsurance Activity Act of 11 September 2015.



Prevention activities

In its strategy for 2017-2020 the PZU Group stated that it intends to designate more than PLN 50 million per annum for social activities (PZU and PZU Życie). In 2019, the combined value of funds designated for social purposes was more than PLN 96 million (PLN 74 million in 2018). In 2019, PZU and PZU Życie spent PLN 62 million on prevention and sponsoring activities (PLN 65.7 million in 2018). In 2018, the PZU Group employees offered 15,842 hours of volunteer work (of which PZU and PZU Życie 11,674 hours) and this number rose to 44,558 hours in 2019 (of which PZU and PZU Życie 17,873).



Why does the Foundation get involved? According to its motto, its activities should be "close to people and their needs."

The PZU Foundation operates on the basis of the regulations of the Act of 6 April 1984 on Foundations (Journal of Laws of 1991, Number 46, Item 203 as amended) and of the clauses of the Foundation's Articles of Association.



Issues related to CSR in the PZU Group are governed by the "PZU Group's corporate social responsibility strategy for 2018-2020". This document details the strategic pillars for PZU's social engagement: safety, health, culture and expertise.

„PZU Group's corporate social responsibility strategy for 2018-2020" has been adopted by PZU, PZU Życie, Tower Investments,

PZU CO, PZU LAB, PZU Pomoc and four international companies. Work is in progress in PTE PZU to implement the strategy. The strategy has not yet been rolled out in the other companies.

BEST PRACTICE

Lietuvos Draudimas has implemented the charitable and sponsoring policy, under which the main areas of sponsoring include:

- safety on the road,
- communities and relations with them,
- youth and social integration and financial education,
- history (promotion of modern heritage).



There is no single policy on charitable and sponsoring activity in force at the corporate group level.

The Alior Bank Group and PZU Zdrowie and its subsidiaries have not implemented any policy. The companies duly run their social activities based on the Code of Ethics and the PZU Group's Best Practices.

Several companies in the Pekao Group (Pekao Faktoring, CDM Pekao, Pekao IM/Pekao TFI and Pekao Property) have implemented donation and CSR policies; for example Pekao Faktoring has in place an internal Social and Sponsoring Policy.

LINK4 has adopted a Policy for cooperation with local communities and for charitable activities.

Detailed policies concerning charitable activities have been introduced in foreign companies (AAS Balta, Lietuvos Draudimas and PZU Branch in Estonia).

[GRI 102-12]

How do we operate?

- Prevention campaigns
- Sponsoring and social activities pursued at the corporate level by PZU and its various entities in Poland and abroad
- PZU Foundation, aid programs pursued in cooperation with non-governmental organizations
- Independent voluntary actions undertaken by employees

In what sort of projects do we get involved? Where do we strive to exert a positive impact?

- Safety
- Health
- Patron of Polish culture
- Expertise
- Education

Sustainable Development Goals (SDGs)



Objective 3. We help ensure all Poles a healthy life at all ages.

5.1 Safety



Safe work environment - "we provide our employees, associates, subcontractors and suppliers with suitable and safe working conditions. Everywhere where we do business we abide by the law, requirements concerning the natural environment, health and safety. We care about work safety and we eradicate any and all situations and circumstances that may pose a threat. We adhere to the rules of safety in the work environment."

For years the PZU Group has been focusing on prevention, or actions aimed at preventing accidents or mitigating their results – it points to proper behavior, it supports preventive campaigns and it demonstrates its care for rescue services.

Safety on the road is a special area of activity. The company has consistently supported education and training for road participants and administers social campaigns to augment the safety on Polish roads. The company also transcends industry standards in handling the consequences of accidents and provides among other things unrivaled support for injured parties.

BEST PRACTICE

Rehabilitation stays for children with post-accident trauma



Since 2013 PZU has been running a comprehensive psychological support system for parties injured as a result of accidents whose perpetrator was a holder of a TPL policy with PZU. To mitigate the consequences of accidents the company underwrites the costs of stays for children with post-accident trauma and their guardians at rehabilitation stays during the winter break and summer vacation. This is a form of residential psychological therapy conducted in the therapeutic centers of the Teddy Bears Rescue Children's Lives Association in Dźwierzyna and the Siemacha Association in Odparyszów. Annually, PZU lends a helping hand to roughly 120 persons.

This practice will continue and the level of aid granted should be maintained in 2020 and in subsequent years. We also plan to expand the program to include psychooncological support for children who lost relatives to oncological diseases.

BEST PRACTICE

"Are you driving? Put the phone down" campaign



According to the estimates, one in every four accidents on Polish roads may be caused by the use of a mobile phone¹. Both drivers as well as pedestrians on a crosswalk increasingly focus on a phone screen instead of paying attention to their surroundings. PZU launched a multi-channel social campaign entitled "Driving? Put down the phone", which was aimed at making the people in traffic aware of the dangers resulting from distraction coming from using a mobile phone.

The company Kantar has been asked to carry out a quantitative survey on a representative group of Polish drivers. The results are unsettling. As many as 35% of drivers claim they have a divisive mind and can safely use their mobile phone while driving. PZU has decided to conduct an experiment on a track.

The comparison of data from several series has produced frightening results. As many of 75% of all accidents during the experiment happened when holding a phone! Drivers made 17% more errors when talking on the phone than when they were not distracted. Even more alarming results were achieved during the rides when the drivers were supposed to respond to text messages. During the latter rides, drivers made as many as 47% errors more than during the similar rides without any distractions. The experiment clearly showed that using a phone while driving is really dangerous.

¹Motor Transport Institute, 2019

BEST PRACTICE

Survey of the image of the PZU brand and competitive brands in the area of "Provides education on safety" and study of efficiency of PZU's sponsorship activities.



The main goal of the study was to determine how the PZU's sponsorship actions and activities translate to the assessment of PZU's image and consideration of the brand/increase in purchasing intentions.

Areas considered in the study:

- recognition of sponsorship and prevention activities conducted by PZU;
- assessment of the PZU brand image;
- identification of events that PZU should support in its sponsorship activity;
- assessment of the extent, to which prevention activity conducted by PZU have real impact on the improvement of safety.

The survey was carried out from 29 October to 8 November 2018.

Key conclusions:

- nearly 30% of Poles are aware of PZU's social involvement and nearly half of them believe that PZU's engagement in social campaigns is sufficient;
- the awareness of PZU's social involvement translates to a greater willingness to consider the brand, in both life and non-life insurance;
- The PZU's sponsorship activity builds a positive image of the brand as responsible and socially engaged. A significant majority of clients do not feel that PZU is mismanaging its money and spends it inefficiently;
- 57% had come across a social campaign by PZU. The campaigns with highest recognition rates included "Safe holidays", "Be safe", "Are you driving? Put the phone down" and activities in support of emergency services;
- PZU should engage in the purchase of medical equipment for people who suffered in accidents, promote safety on the road and support emergency services.

BEST PRACTICE

The PZU Foundation has been running a proprietary project called the Academy of Safety targeting primary school pupils since 2017.



PZU Foundation's Academy of Safety:

- safety on the road,
- first aid,
- threats related to stimulants, including, among others, designer drugs,
- proper conduct in the face of a threat,
- safety in the web,
- defense against a violation of their own rights.

The Academy of Safety is a day-long event including fun and multimedia workshops run in selected schools across Poland. The police and medical services provide assistance in running the project.

In 2019, the PZU Foundation's Academy of Safety visited 30 schools in Poland and the activities were attended by 19 thousand children. 90.6 thousand safety-related gadgets were handed out.

BEST PRACTICE



Just a few seconds is enough to turn a life upside down. Each of the twelve stories shown in successive episodes of the series entitled "The seconds that changed lives" is a moving account of the struggle fought by people trying to get back to normal life after accidents. As the largest insurer in Poland, PZU feels responsible for the lives and health of millions of Poles. The series is to promote safe and responsible behavior on the road. In each episode, the viewers watch the stories of characters whose lives have changed radically, but because of their personality and determination they still inspire others to take action. The third season of the series was broadcast in 2019.



BEST PRACTICE



Safe holidays with PZU

PZU conducts this prevention campaign whose aim is to disseminate knowledge among children and adults about how to protect themselves

against the most frequent accidents that occur during summer recreation.

The goal of this project is to prevent and reduce the effects of accidents by disseminating knowledge among children and adults on how to protect oneself against the most frequent accidents and their consequences and to reach the largest possible audience with the message that "PZU cares for your safety". In the campaign, information is conveyed on how to behave close to water, in the mountains, on the road and when life and health are in danger and how to prepare to travel safely and how to safeguard homes. "Safe holidays with PZU" is a 360 degree project. In addition to the Sunny Station town with PZU zones on Baltic beaches and weekly reports on the campaign on Polsat TV, many other forms and channels were used to deliver messages on safety to the potential audience, for example through:

- press materials,
- video on the Internet;
- online articles written by experts;
- involvement of influencers;
- social media (contest and campaign reports);
- internal communication in PZU.

The "Safe holidays with PZU" project and the Polsat's Sunny Station was conducted in six Baltic towns and in the Mazury lake district. Overall, the Sunny Station was visited by 46.6 thousand people. Tourists were invited to visit PZU zones, where they learned about the principles of safe conduct during holidays and on the road and were encouraged to spend their leisure time actively and take care of their health.

In the Safety Zone, Niestraszki (Fear-Nots) taught children through games how to behave safely close to water, how to use roads safely, how to eat well and how beneficial and interesting sport is.

In the PZU Zdrowie Zone, specialists gave diet and skin health advice. They offered the visitors a chance to test the composition of their bodies and receive individual advice on proper nutrition. Many visitors were able to check any concerning skin changes and find out how to care for them to enjoy good health as long as it is possible.

In the Sports Zone, tourists were encouraged to take up physical activity and sports through fun on trampolines, dancing and stretching. Every beachgoer was also able to use the Relax and Massage Zone. The main stage of the Sunny Zone saw 42 mini-performances featuring Niestraszki on the topic of safety, combined with contests for children.

Every Sunday on 7.30 pm, Polsat TV presented a 22-minute episode of the "Sunny Station" series, in which, among others, PZU experts talked to Polsat viewers and warned them against different threats that frequently affect us. They emphasized how important it was to take note of the individuals who are unsafe close to water, swimming while under the influence of alcohol, and primarily children playing without adult guardians.

The children, who participated in the "Safe holidays with PZU" workshops (about 7 thousand) became more sensitive to dangerous situations.

They also learnt about healthy eating and the nutritional pyramid, which translated directly into greater awareness of problems with unhealthy eating.

1,925 people were examined and 3,547 medical services were provided in the form of examination and medical advice. 55 people were referred for further diagnosis and a more precise testing and possibly removal of concerning moles, and 237 people were diagnosed as obese. They received professional knowledge about the first steps to fight obesity. 300 people took advantage of a relaxing massage.



For many years PZU has been collaborating with selected rescue services. Mountain rescuers are among the ones who can count on receiving assistance. PZU also got involved in avalanche training organized by the Polish Free-skiing Association and TOPR. The participants learn how to engage in proper planning on mountain trips, how to avoid the avalanche hazard and how to behave after an avalanche. Mock rescue operations are also organized with the use of detectors; they also learn how to find people buried in an avalanche and how to administer first aid to avalanche victims.

BEST PRACTICE

PZU has been supporting the Voluntary Mountain Rescue Service (GOPR) since 2005.

This contributes to enhancing the level of safety in the Polish mountains. Various activities have been run over the last 14 years. Among others, equipment was purchased to administer rescue campaigns (e.g. 12 quads in 2018 and at the outset of 2019), training courses were financed for rescuers, educational efforts were taken jointly with GOPR (e.g. Safe Winter with GOPR) and an e-learning platform on safety was implemented. In 2019, funds from PZU were used to purchase equipment for GOPR rescuers: 204 sets of technical clothing. PZU also supported the modernization of the central station of the GOPR Jurajska Group in Podlesice.

- **214,514 hours** worked by volunteer rescuers
- longest rescue operations:
 - **23 hours** of continuous work - a search operation in the area of Babia Góra (GOPR Beskidzka Group)
 - **21 hours** of continuous work - a search operation (GOPR Krynicka Group)
 - **16 hours** of continuous work - an accident in the Jaskinia Wszystkich Świętych cave (GOPR Jurajska Group)
- **81 female volunteer rescuers (including candidates)** work at GOPR
- GOPR operates in an area covering over **20,000 km²**, protecting **7,200 km** of hiking trails in mountain ranges from the Karkonosze Mountains to the Bieszczady Mountains
- GOPR receive **approx. 400 requests** for rescue annually through the Ratunek [Rescue] app

BEST PRACTICE

Social involvement of foreign companies



LITHUANIA:

• „me first Aid” initiative was organized in 2018 for the first time. This program is addressed to the general audience, because its main objective is to

- build awareness of first aid;
- **Blood donation initiative** –many employees of the Lithuanian company Lietuvos Draudimas regularly donate blood on their own, so it was decided to make it easier for them and their colleagues. They can donate blood at work without having to plan a trip to a blood donation center. 152 employees donated blood in 2019.

UKRAINE:

- PZU Ukraine Life provides financial support to socially important projects, such as the Polish-Ukrainian Child Protection Day or the "Under the High Castle" Polish Cinema Days Festival. It also co-hosts a national road safety contest.

ESTONIA:

- In the fall of 2019, the Estonian branch of Lietuvos Draudimas organized a campaign promoting the wearing of helmets when riding e.g. scooters. The users of e-scooters often prefer not to wear helmets, even though the speed is comparable to the speed of bicycles and scooters are more susceptible to hazards related to uneven surfaces. The #kiiverkaitseb (or "helmet protects") street campaign was launched in order to increase the awareness of users of popular scooters.

LATVIA:

- **Blood donation days** – similarly as in Lithuania, the Balta company has organized blood donation days. Three such events, with the total participation of 130 employees, took place in 2019.



5.2 Health

The promotion of health and active lifestyles is a special area of PZU's social commitment. The Company is committed to providing support to both employees and the society as a whole. For a number of years, PZU has been a partner of half-marathons and marathons. Support is also provided to health care-related organizations: hospitals, clinics, hospices and foundations.

BEST PRACTICE

#10YearsLonger

Our daily habits and lifestyle have an enormous effect on how long we are likely to live and enjoy good health. Both physicians and scientists emphasize that by changing our lifestyle we can gift ourselves up to 10 additional years of life. By making a certain number of steps per day, ensuring adequate amount of sleep, taking care of our physical form and correct eating, we can have a real impact in our lives and the PZU Group as the national insurer wants to sponsor, promote and encourage good habits. The company's new strategy will not only answer the questions about business goals but also reflect the deeper meaning and values underlying our business.

The planned projects are to be based mainly on prevention activities. The main goal of the program is to encourage clients to change their habits. This is why PZU promotes preventive medical testing, involvement in sports and undertakes various educational activities to teach Poles what to do to enjoy better health and long life.



For several years now, PZU Zdrowie has been cooperating with the Polish Coalition of Oncological Patients. The activities include cancer prevention education, assistance to cancer patients and their families and promotion of a healthy lifestyle.

More and more global companies are recognizing the need to take care of the health of their employees and create a friendly

working environment for them. Awareness of this fact becomes common also among Polish employers. Organization of medical events in the company is an important element of the commitment to employees. Studies show that investments in the promotion of health at work bring several times the return in reduced absence costs.

BEST PRACTICE

Support for running events

PZU has been successfully supporting mass running events since 2013. PZU's presence in Poland's largest and most prestigious events of this type ensures their high quality in terms of organization and a high attendance level.

In 2019, PZU continued its support for running events, which included the 41st PZU Warsaw Marathon; the 18th PZU Cracovia Marathon; the 11th PZU Karkonosze Marathon, the 14th PZU Warsaw Half-Marathon; the 6th PZU Cracovia Royal Half-Marathon; the 13th PZU Three Mounds' Run, Wolf's Trail – Cursed Soldiers Memorial Run. Overall, more than 100 thousand people took part in the runs ranging from children's races to the ultramarathon. The PZU's cooperation with the organizers of runs allows them to expand the formula of the events by adding more activities, such as children's races, short-distance runs and make the event more attractive for viewers. The support also allows the organizers to implement yearly programs encouraging the runners to train regularly and promoting active involvement in sports among amateurs. As part of other activities, PZU supports activities promoting health, among others preventive medical testing, diet advice or physiotherapeutic advice. Representatives of the PZU Sport Team running sections also participate in the running events in large numbers. PZU receives data from organizers regarding the numbers of direct and indirect participants in running events and has been able to notice an increase in activity and interest.



In order to meet the need for health care for employees, PZU uses funds from the prevention fund to finance the "Health Zones" prevention program in work establishments. It involves the organization of health zones in work

establishment, which take the form of events lasting from one day to several days, which are to increase awareness of employees regarding their health condition, encourage them to exercise regularly and promote a healthy and active lifestyle. The choice of a zone type is consulted with the employer and adapted to match the needs of the employees. The company provides the necessary medical equipment, logistic and medical support of PZU Zdrowie's professional staff. This allows employees to take care of their health without having to leave work, make appointments and coordinate visits. The organization of health zones offers the opportunity to prevent and detect diseases in early stages. Based on the analysis of the nature of work, age and gender of employees, specific action programs are recommended to strengthen the health-promoting conduct of employees. The examinations and consultations offered are short, painless and have a positive effect on the efficiency and quality of employees' work. In 2019, 74 health zones were opened, in which a total of 27,593 medical examinations and consultations were provided and 6,757 people were examined. The zones available in 2019 included "health under control", "spine under control", "heart under control", "cancer prevention", "diet under control" and "lungs under control". The zones offered consultations with internists, cardiologists, dermatologists, pulmonologists, orthopedists, dieticians and other specialists. The services included blood pressure measurements, ECG, blood glucose, skin lesions, cholesterol, ultrasound (nipple, abdomen, prostate, thyroid), application of kinesiology tape, spirometric tests, dietary advice, group exercises and educational workshops.

The program is planned to be continued in 2020.

BEST PRACTICE

Telemedicine Room



PZU Zdrowie launched a telemedicine office – a compact medical center, which constitutes an innovative alternative to company clinics. The office is equipped with numerous devices, which can be used by a patient himself to make tests: a digital stethoscope, ECG, pulse oximeter, thermometer, blood pressure monitor and a camera for the throat, ear and skin imaging. Then, during a video consultation, the patient discusses its results with a physician and receives the necessary recommendations and where necessary the physician issues an e-referral for further diagnostic tests or an e-prescription. The whole office takes just 4 sqm. A visit in the office offers the comfort of receiving immediate advice and referral to an appropriate treatment path. The whole consultation and examination process takes about 10 minutes and even the busiest employees are able to take care of their health through this solution. A telemedicine kiosk was also put up in the PZU headquarters at ul. Jana Pawła II 24 in Warsaw, where it is currently tested by PZU's own employees. The employees had the chance to book a visit through the mojePZU portal and through a call center. So far, 156 consultations have been provided. According to plans, the number of medical centers where such offices will be available will increase.

BEST PRACTICE

In 2019, in conjunction with Women's Day and Mother's Day the PZU Foundation organized mobile physician offices in which the women working for PZU, during work hours, were able to get selected ultrasound examinations – breast, thyroid or abdominal cavity – free of charge, and get a medical consultation. The examinations were conducted in Łódź, Lublin and Piła.

Number of examinations performed:

- Women's Day: Lublin – 70 women; Łódź – 70 women
- Mother's Day: Piła – 70 women
- **TOTAL: 210 women**



BEST PRACTICE

Virtual Clinic



At the end of 2019, PZU Zdrowie implemented a project named Virtual Clinic. The goal is to facilitate contact with a physician without leaving home to patients who are unable to visit a clinic for any reason. As a result of the Virtual Clinic, patients are able to ask a physician for an advice remotely, discuss their test results, get a referral for testing or a prescription for medications. Physicians of different specializations are available around the clock and from any location in the world. They can be contacted by phone, chat or videochat. The Virtual Clinic has been created for those with chronic illnesses who renew their prescriptions regularly. After a doctor consultation, the patients may remotely collect e-prescriptions for the medications they take permanently and order them with delivery to a pharmacy of their choice.

The Virtual Clinic is available to all patients, including those without medical subscriptions and the waiting time for an advice is about 15 minutes. This is the first service of this type in Poland.

The launch of the project was preceded by promotional activities, in order to build awareness among clients, since this is a novelty on the market. The first effects are 20 telemedicine visits sold in 2019. As a result of the promotion of this tool, sales of stationary visits also increased.



BEST PRACTICE

Prediction model for the flu epidemic



A prognostic model for flu cases has been developed based on the following requirements:

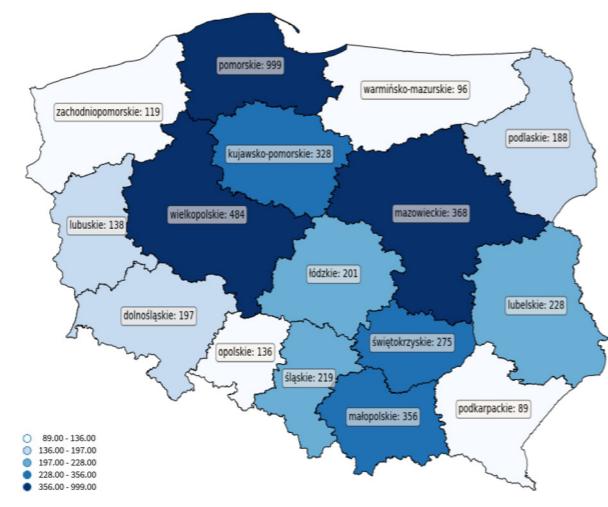
- the predictive capacity of the model is monthly;
- the model is refreshed weekly;
- the model returns predictions at the voivodship level (16 models);
- the problem has been defined in business terms as a class of a regression model (with specific time series).

Average effectiveness of the models aggregated at the level of Poland concerning the direction of predictions: **79%**.

The development of an effective prediction model for a flu epidemic may contribute to measurable benefits, such as:

- planning vaccinations and checking the availability of vaccines with appropriate lead time;
- support for planning processes in the Contact Center (providing the opportunity to react earlier in terms of planning the number of consultants needed to handle incoming calls during the illness season, redirection of traffic to telemedicine);
- possibility of adding flu alerts in a given voivodship to the mojePZU application/PZU website (option to be considered in the future);
- introduction of a work schedule in medical centers in conditions of increased demand for medical services and application of a sanitary regime.

Forecast for the period of December 8-15, 2019
(by voivodships)



BEST PRACTICE

Band of life



This is a solution that helps monitor life parameters of patients of a hospital emergency ward. After putting it on a patient's wrist, the band analyzes the result of the saturation level and pulse and temperature every 10 seconds. The initial measurement autocalibrates the system and sets the norm for the person wearing the band. Bilateral calibration of the device involves collecting measurements over a specified period and calculating the average. In a situation where the averaged measurement for the wearer of the band goes beyond the standards (threshold levels), an alarm sounds and medical personnel is called to assist the person immediately. In addition to its role in prevention, the band also offers the feeling of psychological comfort.

A pilot prevention program supporting the medical personnel was carried out by PZU in the Hospital Emergency Ward of the John Paul II Mazowieckie Voivodship Hospital in Siedlce. The emergency ward was equipped with 50 bands, a computer set and the necessary hardware. The medical staff was trained in its use. A band put on a patient's wrist measures the pulse, temperature, pressure, saturation and alarms when a fall is detected. The band does not replace medical personnel; patients are monitored as usual by qualified Emergency Ward medical staff. Through the monitoring system, the band communicates with the medical personnel if irregularities arise in the parameters being measured, which additionally increase the safety of patients during their stay at the Emergency Wars.

PZU has consistently supported sports activities among its employees. Every employee can practice his or her favorite

sports in the specialist sections of the PZU Sport Team, and in Warsaw and Szczecin they can also use a company gym.

Athletic activity highlights:

<p>330 members in the Running Section</p> <p>192 people in the Runners League (56 women and 136 men)</p> <p>46 people at runners' camp</p>	<p>252 running events</p> <p>17,847 kilometers run</p> <p>1,089 person-starts</p>
<p>7,422 person-hours of training with instructors</p> <p>78 members in 2019</p> <p>3 gold, 2 silver, 2 bronze medals during the Winter Capital Market Game</p>	<p>381 members in the skiing section</p> <p>4 training camps in Poland and abroad -</p> <p>191 participants</p>
<p>356 members in the sailing section</p> <p>270 people participated in its events</p> <p>18 members obtained a sailing license</p>	<p>1,483 nautical miles covered during the season</p> <p>229 hours the longest trip</p> <p>1 drowned flag</p>

Sports sections at PZU



5.3 Cultural patronage

The PZU Group's concern for cultural goods builds social identity, respect for tradition, a sense of belonging to the community and its history. For years, the company has supported major cultural institutions and events, collaborating with them to promote culture and national heritage. This included mainly patronage over the most prominent cultural institutions in Poland.

- PZU is a patron of the National Museum in Warsaw. It is one of the most important museums in Poland. It has one of the largest collections in Europe, consisting of collections of ancient art, Polish and European painting from different periods, as well as numismatic collections and monuments of artistic craftsmanship. As part of its preventive activities, in 2019 PZU supported multidimensional protection of the facility, for example helping in the installation of a new burglar alarm system and shutdown control systems for air handling units;
- PZU supports the National Museum in Krakow and all of its facilities. As a long-term patron of the National Museum in Kraków, it helps achieve objectives related to exhibition, educational and publishing projects and to ensuring the security of our buildings, to the national heritage collections presented in them and to the staff and visitors of the Museum.
- PZU is also the patron of the Royal Łazienki Museum. The Company actively participates in the development of programs it is a patron of. Thanks to PZU, the Museum continues to raise the level of technical security of its collection and the visiting guests. As part of the Safe Royal Łazienki Garden 2019 program, PZU made it possible to, among others, equip the Museum's guard services with environmentally-friendly vehicles (Renault Twizy) to ensure safety of more than 3 million visitors that come to the garden every year. PZU also helped ensure safety of the facilities and visitors during 3 temporary exhibition, for which PZU acted as the patron;
- PZU is also a patron of the Warsaw Uprising anniversary ceremony and since 2015 it has also been the Patron of the Warsaw Uprising Museum. As part of the museum's safety improvement program, financed from the prevention fund, all central equipment in the security building was replaced, including: cameras and monitors, electronic locks, lifts and cranes for the disabled. The purpose of these activities was to ensure safety of the collection of icons, by providing

appropriate equipment to the workshop and warehouse to store and display iconographic collections and maintain the required temperature and humidity parameters;

- Since 2015, PZU has been the Patron of the Grand Theatre – National Opera, also as part of its prevention activities. Thanks to PZU, the building has been equipped with the cutting-edge anti-theft system. PZU has also assumed the patronage of the TWON Opera Academy. It is a program supporting the career development of young talented opera artists.

RECOGNITION AWARDS

In 2019, the Minister of Culture and National Heritage presented the annual awards for the Patrons of Culture. PZU was recognized for its propagation and protection of culture and national heritage.

"Supporting culture is beautiful art and the annual award of the Minister of Culture and National Heritage and the title of Patron of Culture for PZU are proof that we are true artists in supporting cultural institutions and events. We perceive the role of a patron of culture as something more than just help in financing cultural events. We also ensure safety and security of people, works of art and buildings; this is why we co-finance the purchase of modern fire and burglary prevention systems."



Dorota Maciejka, Management Board member of PZU Życie

5.4 Improvement of living conditions in local communities

Pomoc To Moc [Helping is Power]

PZU as a socially responsible company is aware that the best way to respond to the needs of local communities is to give the initiative back to them. By addressing the Helping is Power prevention campaign directly to them, it encouraged communities to define the needs existing in their surroundings. It also provided them with a tool to take action for the common good.

The "Helping is Power" campaign was launched in March 2018 and was continued in 2019. PZU gave local communities the initiative to influence improvements in safety and health in the local community. Inhabitants cooperated with non-governmental organizations increased their engagement in order to identify the needs existing in their communities and had the opportunity to act for the common good in line with the slogan of the "Healthy and safe family" campaign.

In 2019, the Helping is Power campaign had more than 4 million beneficiaries and local communities received co-financing of more than PLN 3.7 million, to be used for local activities aimed at improving safety and promoting a healthy lifestyle.

The additional direction of this prevention campaign was that support was organized for voluntary fire brigade units. As a result, the units had the chance to apply for funds to purchase specialized rescue equipment.

The total co-financing amount provided to the firemen was over PLN 5 million. The aid was awarded to 306 Voluntary Fire Brigade units, which were equipped with specialist equipment, including:

- technical rescue equipment: hydraulic units, shears, arm spreaders, column spreaders, scissor-spreaders, hydraulic sets for breaking down doors and/or for cutting pedals;
- first aid equipment: PSP R1 medical sets, orthopedic boards, AED defibrillators;
- equipment for fighting the effects of weather anomalies: petrol chainsaws, rescue saws, petrol cutters, pumps and motorized pumps, power generators, lighting masts.

BEST PRACTICE



PZU Foundation's grant contests

Grant contests are programs addressed to non-government organizations, whose activity is consistent with the areas of activity of the PZU Foundation and the scope defined in the regulations of the individual contests. Non-governmental organizations as defined in the Act of 24 April 2003 on Public Benefit and Voluntary Activity, i.e. foundations, associations, student sports clubs implementing projects in rural areas and small towns, which have the best knowledge of local problems. Such knowledge of critical needs of small communities is a guarantee that the planned activities will be implemented correctly.

PZU Foundation has been running nationwide subsidy contests continuously for 15 years, in which it assists non-governmental organizations in implementing projects for the benefit of local communities in small towns and villages. The "After School with the PZU Foundation" contest supports organizations that develop interesting and creative additional activities for children and youth. The "Young Able Disabled with the PZU Foundation" contest supports activities that increase self-sufficiency and activity of disabled persons, while the "PZU Foundation with Culture" contest expands access to high culture.

In 2019, grants were awarded to carry out 69 projects that benefited 6,070 people.

BEST PRACTICE



Aid to people

The PZU Foundation awards subsidies to people in a difficult life situation. It supports them mainly by financing treatment, rehabilitation, purchase of medication and rehabilitation equipment. In 2019 subsidies were awarded to 385 individual.



BEST PRACTICE

Cooperation with the National Children's Fund - scholarships for gifted children

The aim of the Foundation is to promote education of children and youth, support talents and equalize opportunities for people who, for various reasons, suffer from impediments, as well as to increase access to cultural and social goods, that is to further the broadly defined development of civic society. The PZU Foundation supports several areas, including education, in particular the initiatives that level the playing field and create conditions for better intellectual, professional and cultural development of children and youth.

The PZU Foundation has been the partner of the National Children's Fund since 2012. Under the "Gifted Persons Aid Program", it finances annual scholarships for students from primary, junior high and high schools from across Poland – young scientists, musicians, artists and dancers. The goal of the program is to provide comprehensive and substantive support of the participants, by organizing camps, workshops, seminars, research internships, concerts and exhibitions. The projects are implemented in cooperation with leading academic centers.

In the 2018/2019 school year 533 students were qualified for the program.

Volunteerism

The employee volunteerism program has been in operation in PZU since 2012 and it is enjoying ever greater interest among employees. The PZU Foundation coordinates the nationwide and regional volunteerism programs while the domestic Employee Volunteerism Coordinator collaborates on an ongoing basis with PZU's Regional Volunteerism Leaders.

In November 2019, a training course for PZU Regional Volunteerism Leaders was held in Chorzów. The focus was on overcoming fear through activities to the benefit of the ill, in particular children. It was a time to get to know each other, for leaders to integrate and to acquire new knowledge and new skills.

During the training, leaders took part in the volunteerism campaign organized in cooperation with the Iskierka Foundation. Christmas trees were built in three locations at the same time – at the John Paul II Upper Silesian Child Health Center, Prof. Stanisław Szyszko Independent Public Clinical Hospital No. 1 and in the office of the Iskierka Foundation. Volunteers helped the sick children in drawing, painting, cutting, forming colorful ornaments, which they later hanged on a green Christmas tree that they painted green together.

BEST PRACTICE

Ideathon – CAN DO!

This is the first event in Poland organized by nine companies associated in the Human Explorers initiative – social Ideathon. Its goal was to work out new solutions for improving the employment situation of people with disabilities. The social partner of the event was the Integration Foundation. Alior Bank, along with other companies, wanted to show the world a new form of social engagement – competence-based, creative support of a social partner in its social activities.

KEY FIGURES:

- 25 hours of work;
- more than 100 participants;
- 9 different companies;
- 12 creative solutions to improve professional situation of people with disabilities.

Every year the PZU Foundation organizes two editions of the contest entitled "Volunteerism means the joy of action" in which grants are awarded to employees in amounts up to PLN 5 thousand to put their ideas into action. Every employee who would like to get involved in helping others and exert an impact on his or her surroundings can submit an application. The detailed contest rules are laid down in the Rules and Regulations that are in force in PZU and PZU Życie.

The PZU Group's Employee Volunteerism Rules and Regulations are in force in PZU and PZU Życie.

QUOTATIONS

"It was very interesting and surprising. I still got strong reflections until today. I was able to face something that I had never seen and I had never even thought of approaching a subject like that. So I tore down the wall that I built through my own internal fear. For me, that was the training of my life. I already know that I made memories that will stay with me forever. For me, the most important thing was that I encountered something that I had never experienced, something that I feared and I had never thought about during my worst moments."



Agata Pytlas, Regional Volunteer Leader Opole, Operation Center Opole, PZU



"When I come back from our meetings, I am filled with amazing, positive energy! I read a quote somewhere that fits our situation and the people that we helped over the weekend: "Because life is not about weathering a storm. It is about learning how to dance in the rain"."

Mateusz Piekarski, Regional Volunteer Leader Lublin, Real Estate Department, PZU and PZU Życie

"I highly value the training courses offered by the PZU Foundation. I expanded my knowledge, but I'm still going through the next stages of my feelings. Experience, joy, reflection, emotion, distance to many things – those are the feelings that I had for this year's campaign. The subject was difficult but the area is definitely worth learning about. In the hospital, in the cancer ward, I got to meet wonderful kids who, though weakened by the disease, are amazingly joyful and feisty, like all children. Talking to other leaders always inspires me as a volunteer, a professional and as a human. I am really glad that I was able to meet such amazing people on my path: RLW, people from Iskierka, the kids and their very brave parents."



Renata Zbrojewska, Regional Volunteer Leader Opole, Operation Center Opole, PZU

BEST PRACTICE

The PZU Academy of Volunteerism Leaders is a group of employees running information and promotional activities linked to employee volunteerism at a regional level. It currently includes 47 PZU Regional Volunteer Leaders who regularly engage in social activities. The PZU Foundation organizes special trainings for leaders, improving their competence and ability to communicate about volunteerism activities, encourage commitment and motivate employees.

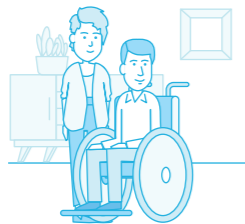
VOLUNTEERISM – KEY FIGURES for PZU and PZU Życie

	2018	2019
Regional volunteerism leaders	40	47
PZU volunteers	630	1,170
Volunteers unrelated to the company invited to volunteer by employees	753	997
Number of hours spent doing volunteer work by PZU employees	11,674	17,873
Number of hours spent doing volunteer work by people unrelated to the company	11,105	18,619
Number of PZU employees' proprietary volunteerism projects	77	109
Number of volunteerism campaigns organized by the PZU Foundation	4	8
Number of beneficiaries	12,945	175,823

Selected examples of employees' volunteerism activities in 2019*:

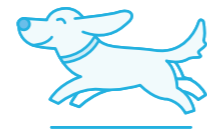
- PZU volunteers from Dąbrowa Górnicza teamed with professional divers to organize practical workshops on safety on frozen bodies of water. They taught how to actively and safely spend time playing winter sports

- "Without Barriers" was a project of PZU volunteers from Elbląg, addressed to all those who have place in their hearts for empathy, integration and fun together. In June 2019 they organized an innovative integration event in Piastowo near Milejewo. There was a beach volleyball, table tennis and horseshoe throwing contests. The competition was attended by people with different disabilities, people on wheelchairs as well as healthy individuals. Within the project's framework they additionally organized the 2nd Squash Integration Tournament. The aim of the tournament was to verify the skills acquired so far. It was a reward for the past results in the area of life and sports skills and, what is the most important, social integration, breaking of barriers and stereotypes. Competition in such conditions creates an opportunity for rehabilitation through sports



- Alior Bank was also the initiator of the "Give a gift" campaign – a holiday initiative where employees responded to the needs and dreams expressed in letters written by the charges of the Bank's social partners. More than 1,300 people were involved in the campaign. The gifts were presented to over 360 people from 19 different organizations named by the employees

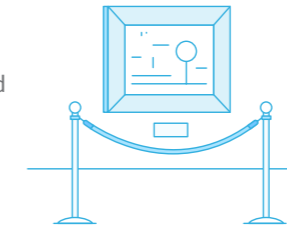
- Under the project entitled "Passable shelter – from friends from the PZU Foundation" a road was built in a homeless animals shelter in Korabiewice. Volunteers built a portion of a communication route: they purchased gravel and rubble and then prepared the substructure. They also helped with the work in the barn and in the stable. Everyone took part in the workshops with a shelter employee and dogs to learn the language of animals and become more sensitive to their needs. At the end, in line with the zero waste philosophy, they made toys that were subsequently sold during the open day in the shelter



- "Package for an animal" is a project implemented by Alior Bank in Warsaw, Krakow and Gdańsk. During tailoring workshops, volunteers made 110 beds and five scratchers for homeless animals. 41 people took part in three workshops that lasted 7 hours. Additionally, as part of a collection organized for homeless pets, 600 kg of food and snacks were collected, 200 blankets and towels and numerous toys, leashes and collars.

- Everybody knows that activity is healthy, especially outdoors. No-one needs convincing that healthy family is a happy family. That was the starting point for PZU volunteers from Milicz, who executed the project entitled "Active, safe, creative holidays with PZU". They organized various activities, among others a kayaking trip, family sports competitions, crafts workshops. There was something for everybody. They also delivered a talk on safety close to water

- PZU volunteers also organized an inter-generational painting workshop on the Opole market. The "Paint the world for me" project was implemented together with the Senior's Center and schools and kindergartens in Opole. All the works created during the happening were exhibited in various institutions in Opole: in the City Hall, Senior's Center, care facilities, PZU branch and the main railway station



- Teenage footballers from the "Celsius" Skarżysko-Kamienna Student Sports Club broke away from electronic reality for four days, by participating in the "Świętokrzyskie by Bicycle with No Phone" rally organized by PZU volunteers. The young people also learned the principles of road safety, first aid and bicycle construction

- Kindergarten in Lubaczów received a new motor and speech development room. Volunteers from PZU adapted the room to therapeutic purposes, renovating it from grounds up: applying plaster, installing gypsum boards, suspended ceiling and painting the walls. The last stage was to lay down the flooring panels and equip the room



- PZU volunteers from Wrocław renovated a village community hall room in Sulistrowice. After the renovation, the room became a multi-functional, multi-media room with appearance of an industrial loft. Plaster was removed and clinker bricks were cleaned. A sound amplification system and new lighting was installed in the ceiling. The ceiling, window trimmings and walls were painted. ISO type chairs, low seats, projector stand and sound system were also purchased

- In 2019 Alior Bank became the strategic partner of the zacytani.org Foundation. The Bank joined its partner's campaign entitled "Great Collection of Books". It is a nationwide social campaign, which is supported by both private individuals (as donors) as well as institutions such as kindergartens, schools, offices, museums (as collection points). The bank's employees were not the only ones who became involved in the great collection of books; 100 branches played a role of open collection points, where anyone could bring books donated for the purpose of the campaign. Approximately 36 thousand books were donated to the Foundation, which passed them on to hospitals, nursing homes, day care centers, orphanages and other institutions. When Alior Bank's branches joined the "Great Collection of Books" initiative, the campaign was able to expand from 7 to 77 towns across Poland



- As part of the "Zaczytana Akademia" initiative carried out together with the zacytani.org Foundation, nearly 100 Alior Bank's employees took part in fairytale therapy training and became certified "fairytale educators". They regularly go to hospitals delivering fairytale therapy activities for children; in addition to reading, they discuss what they read, organize games, exercises and spend time with the sick children. The bank's volunteers who were at the same time fairytale educators took part in the Polish Language Festival under the patronage of Alior Bank. During the Festival, they joined the members of the Foundation to run fairytale education activities and workshops for the youngest participants of the festival, as well as educational activities for their parents

- Beneficiaries of the Foundation for the Compatriot received a unique chance to take a peek in the world of new technologies and innovation and how they are used in business, on the example of the PZU Group. Employees of the Sales Efficiency Office, HR Management Office, IT Management Office, IT Systems Development Office shared their experiences and competences with young students with technical majors

* In 2019, employees implemented a total of 109 initiatives

6. Ethical foundations of business operations



Reporting problems of an ethical nature - "all of us have a duty to act in accordance with the highest ethical standards and the law. We are obligated to report all our doubts regarding problems of an ethical nature and activities in violation with the law and internal regulations. We acknowledge that this information is conveyed voluntarily and in good faith. In circumstances evincing doubts we may approach our immediate supervisor or report the same to the Whistleblowing System in operation in PZU Group entities."



"The basis for our daily work is professional ethics and acting in accordance with the law. We make our employees aware of the meaning underlying the norms that we observe, in order to develop and strengthen our Group's organizational culture."

Sławomir Niemierka, Managing Director of Regulations in PZU and PZU Życie

The PZU Group Best Practices are the foundation of ethical standards in the PZU Group. Its aim is to develop a consistent organizational culture of the company in all key aspects of its operation.

The Group Best Practices define behaviors and conduct towards all stakeholders of the company, based on respect and trust. At the same time, this document serves as a common denominator of corporate culture, for all entities in the Group. Thanks to the consistent compliance of our fundamental principles, all our activities and processes are carried out based on coherent assumptions, thus ensuring a high operating standard throughout the Group. Separate codes of ethics are in place in the Alior Bank Group and in the Pekao Group.



Both Alior Bank and the other Alior Bank Group companies operate a Code of Ethics, which regulates, inter alia, the relationship of the company and its employees to clients, ethical behavior and respect for the law. Furthermore,

Alior Bank has implemented an Environment Policy applicable to a workplace free from undesirable conduct. The Policy applies to all Alior Bank employees and is a reflection of the Employer's fulfillment of the obligation to prevent and counteract undesirable conduct in the workplace, in particular discrimination, mobbing, and harassment, including sexual harassment. The employees took part in a training "Undesirable Conduct in the Workplace", which discussed behaviors that are considered objectionable and what to do if they are observed. Another implemented policy is the Policy of Unfair Selling Prevention, in order to manage the risk of misselling and improve the quality of the Bank's products offering process.

BEST PRACTICE



The "PZU Group Best Practices" were implemented in 2018. The document is a uniform model of the standards observed by all PZU Group entities, except for the Alior Group, and the Pekao Group, which have adopted the Alior Bank Code of Ethics and the Pekao Group Code of Conduct. The PZU Group Best Practices are a collection of values and principles that the employees should be guided by.

The PZU Group Best Practices describe the PZU Group's values and the fundamental rules of conduct of employees, which address the situations such as:

- conflict of interest;
- handling sensitive information;
- corruption and gift policy;
- reporting ethical problems;
- rules of cooperation with contractors;
- disclosures;
- and many other.

PZU Group's values

Our promise to the client

Our promise to the employee

Stability

- Safe and trustworthy business operation
- An offer of reliable products

- Commitment to employee development and career opportunities in the PZU Group
- Secure forms of employment

Honesty

- Transparent rules of communication
- Keeping promises

- Fulfilling obligations
- Clear operational principles of the organization

Innovation

- Knowing clients' needs and seeking new solutions
- Setting trends in the financial services market

- Thinking out of the box
- Actively seeking improvements in the company's operations

Responsibility

- Being responsible for our clients at every stage of their lives
- Conscious choices thanks to educational and prevention activities

- Taking into account the potential impact of decisions on employees
- Involvement in socially responsible activities

The Pekao Group operates a Code of Conduct, designed to ensure the highest standards of service and protection of reputation by the Group's employees.

- counteracting money laundering and financing of terrorism,
- consumer protection,
- fair competition and prevention of monopoly practices,
- confidential information and market abuse,
- management of conflict of interests,
- counteracting corruption.

The principles of the Code of Conduct are as follows:

- treat everyone with respect and dignity,
- respect human rights,
- protection of reputation,
- standards of communication,
- occupational health and safety,
- protection of assets
- financial reporting,
- care for natural resources,
- responsible marketing and promotion,
- protection of legally protected information,



Ethical foundations of business operations



TFI PZU has in place the Principles of Ethics for associated members and the Principles of Ethics for members not associated with the PZU Group. The principles have been adopted to ensure that supervisory board members not associated with

the PZU Group discharge their function correctly, to prevent conflicts of interest and mitigate reputation risk and corruption risk. Additionally, contrary to the document designated for members not associated with the PZU Group, the Principles of Ethics for members associated with the PZU Group contain two appendices: Appendix No. 1 – Rules for managing conflict of interest, and Appendix No. 2 – Rules for accepting gifts.

TFI PZU has also adopted the Rules for managing conflict of interest. It sets out the circumstances, which in respect to the individual activities in the area of TFI PZU's activity, cause or may cause a conflict of interest to occur associated with a material risk of violation of interests of clients, and defines actions aimed at identifying conflicts of interest, preventing and managing them and mitigating, as much as possible, the potential effects of the risk of conflict of interest.

PZU Group's ethical culture is developed in observance of the highest standards and in line with the needs of the Group's entities, taking account of the scale, character and type of their operation and local laws.

The PZU Group deploys its ethical culture by creating system-based solutions at the PZU level. As the parent company, PZU sets and develops the standards of conduct, and then recommends them for deployment in the other Group companies. The companies then implement the solutions and standards of conduct recommended by PZU, abiding by the so-called principle of proportionality and adequacy, i.e. the scale, character and type of their activities, provisions of local law and purposefulness of a given solution in the company's operation; they report compliance risks back to PZU, with due respect for legally protected secrets ensured.

PZU emphasizes building of compliance awareness among its employees, by developing an organizational culture of the PZU Group based on the fundamental ethical values. The most important activities building awareness include:

- PZU Compliance Week - z regular event designed to build and improve the awareness of PZU Group employees as regards the local and European regulatory environment and key information about the compliance function,

BEST PRACTICE



The Pekao Group conducts education activities for employees to promote the culture of compliance and ethical conduct.

Within the framework of these activities, training courses are carried out, brochures and principles are published reminding the standards of conduct. Employees expect information that is short and easy to remember, rather than long and extensive procedures they need to read. Pekao tries to meet these expectations and, as a result, employees admit that training of this type helps them gain knowledge of various inappropriate conduct, including behavior that may give rise to corruption.

- in and easy to understand form, including expert talks, training, knowledge contests, as well as individual and group compliance knowledge tournaments. The event was awarded in the category "Compliance Idea of the Year" in the Polish nationwide Compliance Awards 2019.
- PZU Compliance Newsletter - a quarterly which presents, in an easy to understand form, current regulatory challenges faced by the PZU Group, as well as selected market events which may be interesting and useful for all PZU employees in their daily work, as well as standards of conduct enforced in the PZU Group.
- Compliance Network - regular meetings addressed to the personnel responsible for compliance in the PZU Group companies. The meetings are designed to acquaint the compliance professionals with the most important developments in the area of compliance.
- Training: e-learning and classroom courses, including for newly-hired employees, where we emphasize compliance aspects and verify the level of knowledge after the training is completed.

6.1 Corporate governance and risk management, giving consideration to ESG and climate factors

Honesty is important to us - "honesty means more to us than just acting in accordance with the law. It also means admitting to the errors we have committed and drawing conclusions from them. It also signifies the skill and courage of voicing our own opinions, fulfilling the promises we have undertaken, openly expressing recognition and doubts."



[GRI 102-5, GRI 102-12]

The PZU joint stock company was established on 23 December 1991, transformed from the state-owned Państwowy Zakład Ubezpieczeń. PZU conducts its operations under the Insurance and Reinsurance Activity Act of 11 September 2015 (Journal of Laws of 2017, item 1170, as amended). A milestone in the PZU Group development was the public offering of its shares on the Warsaw Stock Exchange. The public offering of PZU shares on the Warsaw Stock Exchange took place on 10 May 2010. PZU follows the Best Practices of Companies Listed on the WSE.

Until 31 December 2019, PZU had been included in the RESPECT Index - the first index of socially responsible companies in Central and Eastern Europe. Since early 2020, PZU, Bank Pekao and Alior Bank have become part of the new WIG-ESG index.



In PZU, ethical matters are managed by the Compliance Department - an independent organizational unit reporting to the President of the Management Board. The Compliance Department is responsible for system-based management of compliance risk and other quality-related risks. The Director of the Compliance Department is responsible for oversight over the key compliance function. The Managing Director for Regulations, overseeing the Compliance Department, as well as the Director of the Compliance Department, have direct access to the members of the Company's Management Board and Supervisory Board, to whom the compliance function reports. The reporting proceeds in monthly and annual reports for the Management Board and quarterly risk reports to the Audit Committee of the Supervisory Board and the Supervisory Board itself, as well as in the form of ad hoc information provided to the members of the Company's statutory bodies if need arises. At the same time, every year the PZU Management Board approves

a Compliance Analysis Plan for a given year, which specifies additional areas to be subject to analysis, also including the ethical matters.



Bank Pekao, as well as Alior Bank, have designated an independent organizational unit reporting directly to the President of the Management Board. In Bank Pekao, ethical matters are managed within the

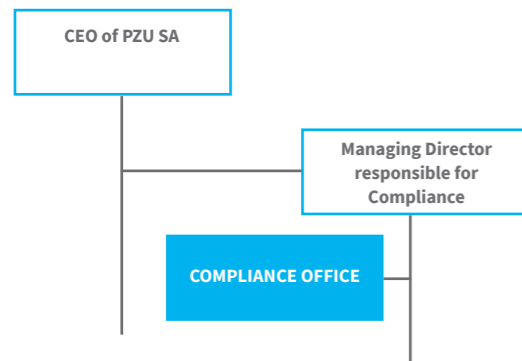
Compliance Department; in Alior Bank, they are managed by the of Regulation Compliance Department. Each of those departments prepares and presents to the Management Board and the Audit Committee of the Supervisory Board (quarterly) reports of compliance risk monitoring, including information on the identified compliance risk level in the individual area and the recommendations made to mitigate or eliminate the identified risk. The annual action plans of the compliance units and an annual report on compliance risk management is submitted annually to the Management Board, the Audit Committee of the Supervisory Board and the Supervisory Board.



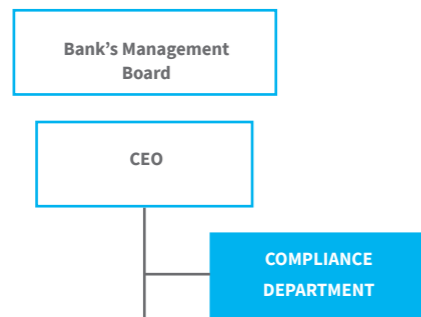
Ethical foundations of business operations

Compliance and ethical matters management structure:

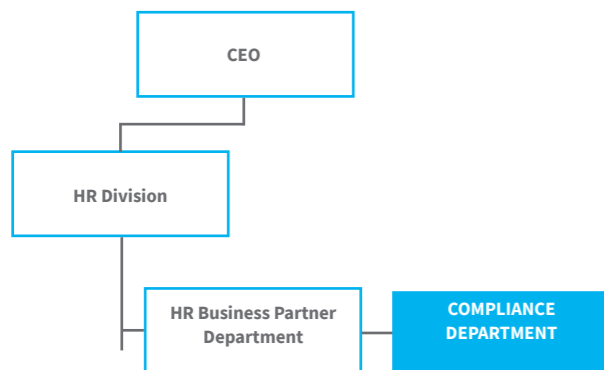
PZU



Bank Pekao



Alior Bank



[GRI 102-18]

Group's Organizational Structure [IIRC]

Shareholder Meeting

The highest corporate body of PZU is the Shareholder Meeting, operating pursuant to the Commercial Company Code and the Articles of Association. The Shareholder Meeting adopts decisions regarding PZU organization and operation. Resolutions are adopted by an absolute majority of votes, except in special cases provided for in the relevant laws.

Supervisory Board

The Supervisory Board exercises continuous oversight over PZU operations. It is composed from seven to eleven members. The Board's organization and work are defined in the Rules and Regulations of PZU Supervisory Board, adopted in February 2016.

Supervisory structure of PZU and PZU Życie in 2019:

PZU	PZU Życie
Maciej Łopiński – chairman of the Supervisory Board	Paweł Surówka – chairman of the Supervisory Board
Paweł Górecki – vice-chairman of the Supervisory Board	Piotr Głód – vice-chairman of the Supervisory Board
Alojzy Nowak – secretary of the Supervisory Board	Marcin Szuba – secretary of the Supervisory Board
Marcin Chłudziński – member of the Supervisory Board	Beata Teresa Bieńkowska – member of the Supervisory Board
Agata Górnicka – member of the Supervisory Board	Norbert Dworak – member of the Supervisory Board
Robert Jastrzębski – member of the Supervisory Board	
Tomasz Kuczur – member of the Supervisory Board	
Elżbieta Mączyńska-Ziemacka – member of the Supervisory Board	
Krzysztof Opolski – member of the Supervisory Board	
Robert Śnitko – member of the Supervisory Board	
Maciej Zaborowski – member of the Supervisory Board	

Management Board

The Management Board exercises any and all rights related to managing PZU which are not otherwise reserved by law or the provisions of the Articles of Association to the Shareholder Meeting or the Supervisory Board. Two Management Board members acting jointly or one Management Board member acting with a commercial proxy, are authorized to represent the Company. The Management Board adopts its rules and regulations, which are approved by the Supervisory Board. The Management Board is composed of three to eight members appointed for a shared term of three years.

Management structure of PZU and PZU Życie as at 31 December 2019:

PZU	PZU Życie
Paweł Surówka – President of the Management Board	Roman Pałac – President of the Management Board
Aleksandra Agatowska – Management Board Member	Aleksandra Agatowska – Management Board Member
Adam Brzozowski – Management Board Member	Marcin Eckert – Management Board Member
Marcin Eckert – Management Board Member	Elżbieta Häuser - Schöneich – Management Board Member
Elżbieta Häuser-Schöneich – Management Board Member	Tomasz Kulik – Management Board Member
Tomasz Kulik – Management Board Member	Bartłomiej Litwińczuk – Management Board Member
Maciej Rapkiewicz – Management Board Member	Dorota Macieja – Management Board Member
Małgorzata Sadurska – Management Board Member	Maciej Rapkiewicz – Management Board Member
	Małgorzata Sadurska – Management Board Member

The current composition of the PZU and PZU Życie Management Board is stated at our website at www.pzu.pl

Audit Committee

The Audit Committee is appointed by the PZU Supervisory Board. The majority of the Audit Committee members, including the chairperson, satisfy the independence criteria defined in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision, and at least one member has knowledge and skills of accounting or audit of financial statements in accordance with the Act. The Audit 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 in respect of the correctness of financial reporting, the effectiveness of internal control system, including internal audit, and the risk management system.

Committees are collegial bodies operating in the Head Offices of PZU and PZU Życie, which are established and liquidated by the Management Board. Committees issue opinions and make decisions in matters within their area of competence defined in rules and regulations of each committee. In 2019, the following committees operated in PZU and PZU Życie:

- Data Governance Committee;
- Innovations Committee;
- Investment Committee
- Cost Committee;
- PZU Group's Risk Committee;
- Investment Risk Committee
- Sponsorship, Prevention and CSR Committee;
- Property Sales Committee;
- Procurement Committee;
- Asset-Liability Management Committee;
- Initiatives Management Committee;
- Crisis Management Center (a collegiate body acting as a committee, whose responsibilities are defined in the Company's Business Continuity Plan).

PZU additionally operated the PZU Pricing Committee.

Compliance

PZU operates a compliance system, which supports the organization in conducting its business in a purposeful, lawful and ethical way. This system comprises standards of conduct and ethical norms, which support the organization in the mitigation of compliance, corruption and conflict of interests risks, and in the identification and prevention of irregularities. The following functions within the compliance system:

- "PZU Group's Best Practices";
- Anti-Corruption Programme at PZU and PZU Życie;

Ethical foundations of business operations

- Rules for acceptance and giving of gifts at PZU and PZU Życie;
- Rules for managing conflicts of interest at PZU and PZU Życie;
- Whistleblowing Procedure at PZU and PZU Życie.

The compliance system in PZU's direct or indirect subsidiaries, with which agreements have been concluded on cooperation or exchange of information, is based on, and consistent with, the principles deployed by PZU.

More information about the system of management for ethical matters, compliance and corporate governance of the Alior

Bank Group and the Pekao Group can be found in separate reports on the operation of those entities.

In 2019, a new e-learning compliance training course was developed and, at the beginning of 2020, it was made available to all PZU and PZU Życie employees as part of the educational platform. Additionally, a functionality enabling collection of PZU and PZU Życie employee representations on familiarization and compliance with the Anti-Corruption Program and the legal sanctions related to corruption was implemented in the internal HR system in PZU.

PZU Group's policies [UoR]

[GRI 102-11, GRI 103-2, GRI 103-3]

Risk management, taking into account non-financial risk

Risk management is one of the key internal processes in the PZU Group. The risk management system in place in PZU is based on three lines of defense. Its framework reflects the standards prevailing in the insurance sector and the guidelines laid down in regulatory regulations. The overriding objective of the PZU Group's risk management system is to ensure early identification and adequate management of material

risks associated with the activities of the PZU Group and its individual entities. The non-financial risk management processes are part of a broader risk management process in the Group.

Risk categories in the PZU Group [IIRC]:

BEST PRACTICE



The main elements of the PZU Group's risk management system have been implemented to ensure sectoral consistency and the execution of the various entities' strategic plans and the overall PZU Group's business objectives.

PZU exercises supervision over the PZU Group's risk management system by the power of mutual cooperation agreements entered into with other Group entities and the information provided thereunder. It manages risk at the PZU Group level on an aggregate basis, especially with respect to capital requirements. The cooperation agreements signed with the PZU Group subsidiaries enable the collection and processing of information necessary for appropriate and effective management of risk at the PZU Group level. They also guarantee that the various risks generated by the individual companies in the PZU Group are assessed and are based on the same standards, taking into account the requirements and restrictions arising from the applicable law.

The Risk Management Strategy in the PZU Group is the basis of operation of the risk management system in the PZU Group.

The Group has introduced risk management rules for the affiliates identified in the strategy. The rules constitute a recommendation issued by PZU regarding the organization of the risk management system in subsidiaries. Additionally, guidelines regulating the various risk management processes in the PZU Group entities are also issued from time to time.

The management boards of PZU Group companies from the financial sector are responsible for fulfilling their own duties in accordance with the generally applicable provisions of national and international law. In particular, they are responsible for the implementation of an adequate and effective risk management system.

Subsidiaries from outside of the financial sector introduce the risk management rules including the allocation of roles and responsibilities and the catalog of risks associated with the relevant activity. The determination of the appropriate level of risk in each company is the management board's responsibility, whereas a review of the risk management system, especially the risk appetite level, is conducted once a year by the unit responsible for risk, with all actions being coordinated at the PZU Group level.

Risk appetite is defined in the Risk management Strategy based on the values as the minimum value of the PZU Group's solvency ratio on a consolidated basis and PZU on a standalone basis.

Once a year, the internal audit unit prepares an annual activity report, which includes in particular evaluation of the internal control and risk management system. The procedure for preparing the report and its scope are governed by separate internal regulations. For the purposes of report, the risk unit prepares information as to the adequacy and effectiveness of the risk management system.

Operational risk
the risk of suffering a loss resulting from improper or erroneous internal processes, human activities, system failures or external events

Model risk
the risk of incurring financial losses, incorrectly estimating data reported to the regulatory authority, taking incorrect decision or losing reputation as a result of errors in the development, implementation or application of models

Actuarial risk
the likelihood of a loss or an adverse change in the value of liabilities under the existing insurance contracts and insurance guarantee agreements, due to inadequate assumptions regarding premium pricing and technical provisions

Compliance risk
the risk that the PZU Group may infringe on the law, internal regulations and adopted standards of conduct, including ethical standards, which results or may result in being subject to legal sanctions, or incurring financial loss or else loss of reputation or credibility

Market risk
the risk of a loss or an adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, credit spread, as well as value of liabilities and financial instruments

Credit risk
the risk of loss or adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors, which materializes in the form of a counterparty's default on a liability or an increase in credit spread

Liquidity risk
the possibility of losing the capacity to settle, on an ongoing basis, the company's liabilities to its clients or business partners. The aim of the liquidity risk management system is to maintain the capacity of fulfilling the company's liabilities on an ongoing basis. The company maintains the required level of liquidity of the investment portfolio

Concentration risk
the possibility of incurring loss stemming either from lack of diversification in the asset portfolio or from large exposure to default risk by a single issuer of securities or a group of related issuers

The risk management process consists of the following stages:

Identification

The process commences with a proposal to develop an insurance product, to buy a financial instrument, to modify an operating process, as well as whenever some other event occurs that may potentially lead to the emergence of risk. The identification process continues until the expiration of liabilities, receivables or activities associated with the risk. Risk identification involves identification of actual and potential sources of risk, which are subsequently analyzed in terms of significance.

Risk measurement and assessment

Risk measurement and assessment are carried out depending on the nature of the given type of risk and the level of its importance. Risk measurement is carried out by specialized units. Risk units in each company are responsible for the development of tools and for the measurement of risk in terms of risk appetite, risk profile and risk tolerance.

Risk monitoring and control

Risk monitoring and control consists in the ongoing analysis of deviations from benchmarks (limits, threshold values, plans, figures from prior periods, recommendations and guidelines).

Reporting

Reporting allows for effective communication on risk and supports risk management on various decision-making levels.

Management actions

Management actions include, among others, risk avoidance, risk transfer, risk mitigation, determination of risk appetite, acceptance of risk level, as well as the use of supporting tools, such as limits, reinsurance programs or underwriting policy reviews.

[102-15] Key non-financial information

From the perspective of the impact on issues related to social, employee, environmental, human rights and prevention of corruption, compliance risk and operational risk are of special importance. In addition, the PZU Group identifies environmental risk in the process of financing entities.

The PZU Group has implemented an operational risk management system under which it prevents operational risk incidents and reduces operational losses. The operational risk

management principles and structure in PZU are based on the adopted operational risk management policy. Operational risk is controlled on multiple levels in the organization. Supervision over the operational risk management system is exercised by an independent, dedicated unit within the Risk Department structure.

The key tool used to monitor operational risk is the key risk indicator system, covering areas with special exposure to operational risk. The indicators are subject to regular reviews: at least once a year.

As part of the compliance risk and operational risk, employee, environmental, social, ethical and prevention of corruption issues have been identified. Below is a list of key issues.

Employees and respecting human rights

Risk category	Risk description	Description of the approach to risk management
The risk associated with the difficulty of hiring qualified staff	Difficulties of hiring qualified staff pertain, in particular, to areas characterized by narrow specialization and those where candidates with unique competences are sought.	The risk is mitigated owing to the high PZU brand awareness among labor market participants, a highly valued range of fringe benefits, as well as candidate searches in alternative sources, such as social media and industry portals.
The risk associated with quickly changing regulations and necessity to update the knowledge about prevailing regulations and obligatory operating methods	The necessity to update the knowledge about prevailing regulations and obligatory operating methods on an ongoing basis. Examples include new types of responsibilities regarding verification of competences associated with the requirements of the insurance distribution act and introduction of the so-called Chinese wall method in connection with the inclusion of banks into the PZU Group. As a rule, verification of the competences and transfer of knowledge on the prevailing standards apply to a large number of employees over a short period of time.	Obligatory training courses are organized in the PZU Group, mainly in the form of e-learning, which allows an efficient transfer of knowledge in an optimally short time to all employees to which the scope pertains. Training courses contain tests verifying the effectiveness of the acquired knowledge and allow for monitoring whether the information has reached the target group.
The risk of failure to respect employee rights by unequal treatment of employees, discrimination of employees and cases of mobbing and discrimination	Actions and behaviors pertaining to or against an employee, involving persistent and lasting harassment or intimidation of an employee, impairing their professional self-esteem, causing or aimed at humiliating or ridiculing an employee, isolating them or eliminating them from the team of associates.	No actions or behaviors having the features of mobbing are tolerated by the employer in any way. The approach to prevention of mobbing and discrimination is described in SECTION 6.3 DIVERSITY AND RESPECTING HUMAN RIGHTS. Relevant preventive, training, procedural and process measures have been implemented.
Risk related to the lack of effective dialog with the trade unions (collective dispute)	A collective dispute of employees with the employer may pertain to terms of work, pay or social benefits and rights and freedoms of trade union employees or other groups entitled to association in trade unions.	The employer has appointed a Social Dialog Team in the HR Management Department. The team is supervised directly by the Director of the HR Management Department/Managing HR Director in the PZU Group. The team is composed of employees with many years of experience in social dialog, specialized in collective labor law. The social dialog policy is shaped directly by the company's Management Board and the Managing HR Director in the PZU Group. The Social Dialog Team employees conduct talks and participate in dedicated meetings with trade unions and respond on an ongoing basis to the needs of social partners. Meetings in the company's head office are held on average every two weeks and last minimum two days.

Risk category	Risk description	Description of the approach to risk management
The risk of overrunning the personnel budget	The need to hire an employee for an amount higher than budgeted in connection with lack of qualified employees in the labor market. Unbudgeted employee hiring.	Financial planning procedure in the PZU Group. Looking for financing sources for such hiring or, as a last resort, using the central budget reserve. Due to its limited size, there is a risk of overrunning the budget.
Risk of failure to ensure a safe and healthy work environment	Exposing employees to accidents at work.	To prevent accidents the PZU Group focuses on providing proper work conditions as well as controlling and eliminating hazards that might lead to an accident on an ongoing basis. For the purpose of shaping and raising the awareness of hazards and safe employee behaviors, a broad range of methods is used, including, among others, classroom and e-learning courses, courses and workshops in the field of rendering first aid.

Risk category	Risk description	Description of the approach to risk management
The risk pertaining to disclosure of personal data and data subject to insurance secrecy to unauthorized persons	The risk pertaining to disclosure of personal data and data subject to insurance secrecy to unauthorized persons.	PZU and PZU Życie have implemented principles for client identification and provision of information depending on the client's requests. In addition, access to personal data and data subject to insurance secrecy is granted only to authorized persons using the Central Information Security Management System (CSZBI). Additionally, PZU has implemented a DLP class monitoring system, which comprises appropriate rules minimizing the risk of disclosure of information, including personal data, to unauthorized persons.

* Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products.

Products and client relations

Risk category	Risk description	Description of the approach to risk management
Compliance risk in the marketing communication pursued by PZU	Conducting marketing activities is, by definition, associated with the risk of non-compliance with generally prevailing laws and guidelines of state authorities, as well as with reputational risk. Therefore, marketing materials need to be verified before publication for the perspective of, among others, transparency, truthfulness and accuracy of presented information.	The Marketing Department uses the practice of verification of planned marketing messages with other PZU units, in particular the Legal Department and Compliance Department (for compliance risk, including with regard to compliance with the law – risk of misleading the consumer, use of messages infringing the addressees' interests) and pertinent departments responsible for given products (consistency of the message with the facts – risk of misleading the consumer). To ensure reliable and ethical communication, the Group has introduced "Principles for issuing opinions on marketing activities and internal and corporate communication activities," and all marketing activities are conducted on the basis of the Code of Ethics in Advertising. SECTION 2.2 RESPONSIBLE SALES
Risk of misselling	The risk associated with unfair communication with clients as regards PZU Group's offers through unreliable or inaccurate description of the risks associated with PZU Group's offers.	To prevent misselling, the PZU Group has implemented Policies for the fair design and sale of financial products and services which have been described in more detail in SECTION 2.2 RESPONSIBLE SALES. Additionally, meeting the requirements of the PRIIP Regulation*, the PZU Group has developed Key Information Documents (KID) for all products covered by the regulation. The KID, prepared individually for each product, is aimed at facilitating comparison of the products of different companies and supporting clear communication of information that is important to the client.

Corruption prevention area

Risk category	Risk description	Description of the approach to risk management
Risk of abuse in the PZU Group	The risk associated with inappropriate implementation in the Group's structure of anti-corruption procedures, including ensuring protection for whistleblowers.	There is zero tolerance for any form of corruption in the PZU Group. Therefore, the Group companies have in place corruption prevention policies and rules for acceptance and giving of gifts. Additionally, PZU and PZU Życie have implemented an Anti-Corruption Program, which defines examples of corruption and division of responsibilities to control the risk. SECTION 6.5 TRANSACTION SECURITY
The risk associated with insurance crime and frauds	The risk associated with inappropriate design and implementation of solutions in the area of compliance and anti-fraud structures in the organization.	The PZU Group has in place special security procedures in the crime prevention area. SECTION 6.6 COOPERATION WITH SUPPLIERS

Protection of natural environment and climate

The extent to which chances and risks related to the climate change will affect the insurance industry depends on a specific product or offered services and the planned investment. The processes of preparation of policies, pricings, reinsurance strategies, as well as the banking and investment activities take into account climate risks based on the short-term perspective. PZU can perceive the potential adverse influence of frequent and increasingly more severe weather phenomena on the financial results. Therefore PZU incorporates the possibility of catastrophic phenomena in the economic strategies and models it prepares. This way we want to increase our resilience level in case of materialization of possible scenarios.

The probability that the risk that arise from the transition to a low-carbon and climate-resilient economy (transition risk) will materialize is much higher than the probability that the most extreme physical risk related to the climate change will materialize. PZU takes measures aimed to limit the probability that the transition risk will materialize through investments for low-carbon economy. On the other hand, we are aware that the materialization of the most extreme physical risk would constitute a threat for the whole insurance sector. The effects of the escalating climate changes might contribute to the materialization of risks, the related insurance of which might become unaffordable.

Risk category	Risk description	Description of the approach to risk management
Transition risks	The risk of incurring excessive costs with the process of transition of the present economy into a low-carbon and climate-resilient economy	<p>The PZU Group is aware of its indirect impact on the natural environment through the actions of its clients, especially those who extensively use natural resources in their operations. Therefore, the PZU Group takes measures that support the policy of limitation of greenhouse gas emissions, among others, by new insurance products offered for renewable energy source (RES) installations. The PZU Group is the insurer of Poland's largest wind farms and hydroelectric power plants. Furthermore, PZU's offer covers insurance programs for townships which co-finance RES installations and upgrades in conventional power plants (resulting in a reduction of exhaust emissions by desulfurization or denitrification installations or filter systems) and thermal waste neutralization installations. The PZU Group supports also activities aimed to increase electrification in transport.</p> <p>Bank Pekao's offer includes PrzekOrzystny (Mega Beneficial) loan, which is intended for funding RES generation in the form of the borrower's use of photovoltaic panels for own needs. The loan is secured with a gratuitous BGK Biznesmax guarantee, which lets the clients obtain a preferential interest rate and, during the first three years of loan repayment, also a refund of interest up to 5% of the loan amount.</p> <p>Moreover, Pekao has signed an agreement with the European Investment Bank to provide funding for the execution of projects aimed at improving energy efficiency, including modernization of thermal insulations, replacement of machinery and use of renewable energy sources, owing to which business operators in Kujawsko-Pomorskie Voivodship can obtain a low-interest loan. The Energy Saving Loan is only available from Bank Pekao. The bank is able to offer the low interest rate thanks to funding from the EU's Regional Operational Program.</p>

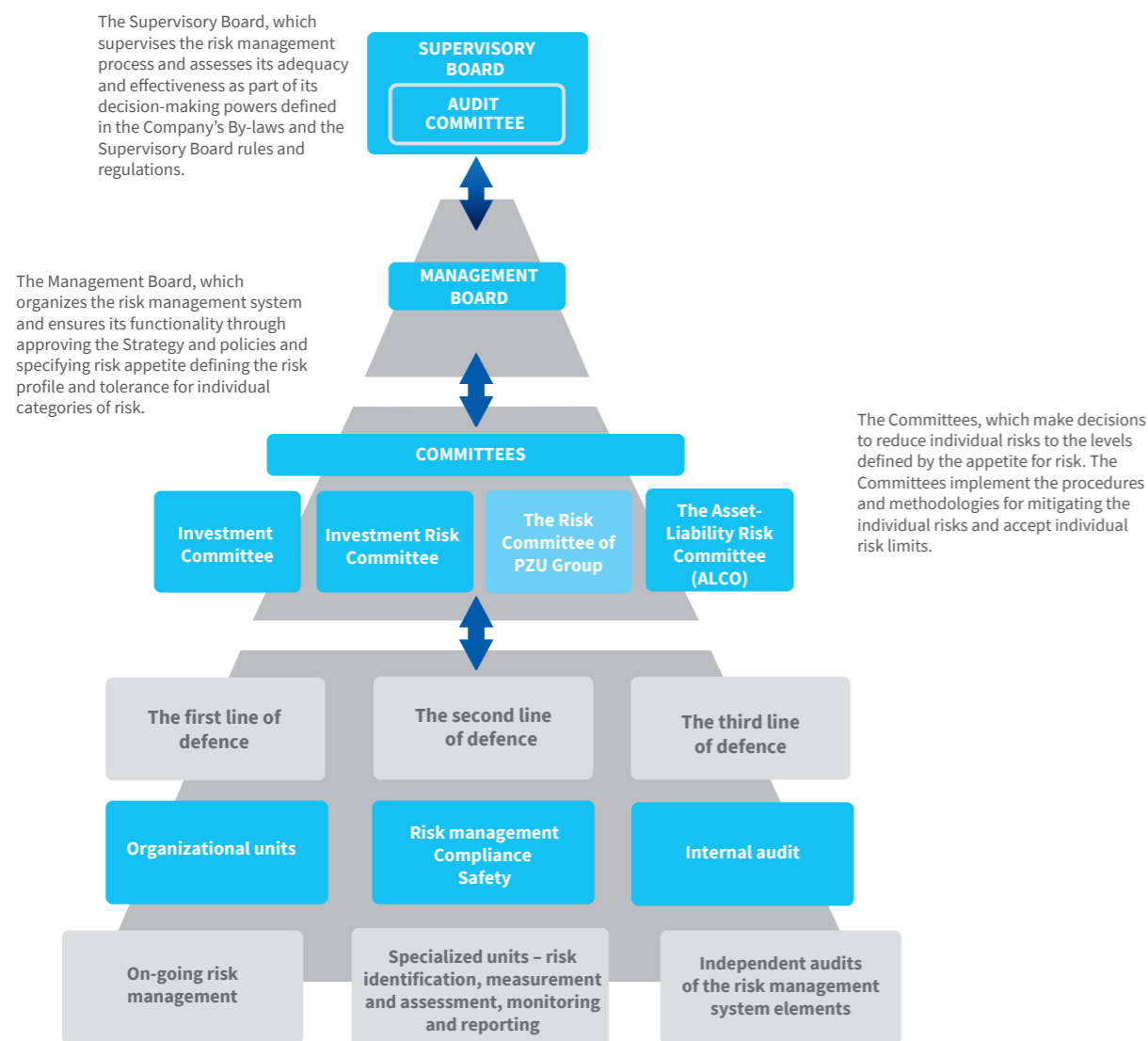
Risk category	Risk description	Description of the approach to risk management
The physical risk of pollution of natural environment and natural disasters resulting from climate changes	The physical risk related to effects of climate changes: acute physical risk, (among others severe storms, long-term heat waves, frost periods, droughts and fires) as well as chronic physical risk, i.e. the risk of persisting changes such as the increase in the average temperature. This group of risks includes cases related to direct devastating effects of natural disasters (destruction of property) and risks caused indirectly (disturbances in the supply chain, deficit of natural resources).	<p>PZU takes measures for better understanding of the catastrophic risk factors, taking into account in particular the flood risk. For this purpose, the PZU Group runs periodic analyses of its exposure to natural disasters. In addition, a division of the insurance portfolio into zones according to specific degrees of exposure to the risk of floods and cyclones has been introduced. Each such zone covered by the analysis is assigned a value of potential losses corresponding to the assumed probability levels. As part of the annual design of the reinsurance coverage program, changes are introduced in the frequency and scale of catastrophic events and places of their occurrence.</p> <p>In its insurance activity, PZU uses a clause concerning extended liability for losses arising in connection with the release of hazardous substances into the air, water or soil and in respect of costs associated with the removal, treatment and disposal of any pollutants. PZU also offers insurance cover for clients and their property in the case of natural disasters.</p> <p>PZU also tailors its product offer to the identified risk factors, among others by an offer for sectors of the economy exposed to the highest climate risks, such as agriculture. For more information about tailoring the product offer to risk factors see SECTION 3.1 OUR BUSINESS IN THE FACE OF CLIMATE CHANGE.</p> <p>As part of its products, PZU also provides an insurance guarantee for performance of obligations on account of rectification and remedial of the negative effects for the environment and damages to the environment. Thanks to that it is possible for clients for obtain the required permits, among others:</p> <ul style="list-style-type: none"> • decision approving the hazardous waste management program; • permit to conduct waste recycling and neutralization activity; • permit to construct waste landfills; • cover for negative effects in the environment (e.g. river water pollution); • permit for cross-border transport of waste. <p>The PZU Group employs also weather scenarios as a basis for the construction of the reinsurance program and for the calculation of capital requirements. The capital requirements provide a guarantee that even in the event of catastrophic floods or cyclones the PZU Group will have the capacity to pay its liabilities to clients.</p>
The reputation risk and the compliance risk in connection with the direct environmental impact	The risk associated with failure to comply with environmental norms and standards by the company, its suppliers and business partners	<p>The PZU Group monitors the consumption of energy resources and environmental resources (energy, fuels, water, paper). An Environmental Protection Officer has been appointed to take measures for reduction of direct environmental footprint of the PZU Group and provision of compliance with the applicable laws.</p> <p>PZU has in place internal procedures regarding business partners, which require compliance with environmental norms and standards. A Code of CSR Best Practices for PZU Suppliers has been developed and compliance with its provisions by the business partners is incorporated into their contracts with PZU.</p>

Risk management responsibility

The management boards of the PZU Group companies are responsible for fulfilling their own duties in accordance with the generally applicable provisions of national and international law. In particular, they are responsible for the implementation of an adequate and effective risk management system.

Supervision over the risk management systems in the various financial sector entities is exercised by supervisory boards. PZU designates its representatives to the supervisory boards of its subsidiaries, including in particular the Alior Bank Group and the Pekao Group.

Chart of the organizational structure for the risk management system



6.2 Preventing corruption and conflict of interest

Corruption and gift policy - "We do not tolerate corruption. We act ethically and in accordance with the law when performing our business tasks and cooperating with our business partners. The PZU Group has strictly defined rules in force for accepting and giving gifts. We do not give unpermissible presents to business partners, their employees, agents or other third parties. Nor do we promise or expect to receive such presents, nor do we accept them. In particular, this applies to situations in which the type and extent of these gifts affect the actions or decisions of the recipient. It is also unacceptable to make use of third parties to circumvent this rule."



"The awareness and observation of standards of conduct, especially in business ethics and compliance form one of the pillars of quality in the PZU Group's business. The ethical standards and risk management processes we have implemented, including the risk of a conflict of interest and corruption risk demarcate the avenues for doing business at a systemic level and support current practice, thereby enhancing the condition of the financial market and clients."

Marcin Góral, Compliance Department Director

statutory bodies. Relative to the entity in question, these rules are covered by a range of implemented documents, regarding, inter alia, prevention of corruption, whistleblowing, conflict of interest management, and procurement. These issues are presented also during internal training courses at the company. Gifts and entertainment, exclusively of low value, may be offered or received in the course of typical business practice. Under no circumstances can money or its equivalent be offered or received. Giving and receiving gifts cannot be so frequent, excessive or generous as to represent an actual or perceived risk of corruption, or breach local statutory or executive regulations.

BEST PRACTICE



Considering corruption to be one of the most serious factors threatening the principles of democracy and market economy, OECD has taken actions to combat this phenomenon. For many years Poland has been a member of OECD, which has developed the provisions of the convention on combating bribery of foreign public officials.

PZU Group's policies [UoR]

[GRI 102-11, GRI 103-2, GRI 103-3]

The PZU Group has, and will always have, zero tolerance for any form of corruption. The organization's implemented solutions define the rules of corruption risk management, including the identification of this risk, its prevention and monitoring.

The Group's companies operate solutions designed to prevent corruption, including, inter alia, the rules of accepting and giving gifts, conflict of interest management, and ethical principles to be followed by members of the company's

The basic document in the anti-corruption policy is the document entitled "PZU Group's Best Practices," which expressly prescribes zero tolerance for any corruptive behaviors. The provisions of this document obligate each employee to act in compliance with the law and defined ethical standards. The best practices have been implemented in all PZU Group entities as well as the Alior Bank Group and the Pekao Group, which have separate regulations in this respect in place.

Ethical foundations of business operations

PZU has also implemented solutions imposing an obligation to identify and assess corruption risk as part of the ongoing compliance risk management.

The 2019 corruption risk assessment confirms that the system solutions work correctly and that actions aimed at managing this risk are taken with due diligence. In 2019, the results of the conducted measurement of the internal control system performance maintained at a stable level, which permits an assumption that there are still convenient conditions at PZU, which may make it possible to detect corruption threats.

[GRI 205-1]

PZU, PZU Życie and Tower Inwestycje have in place an Anti-Corruption Program, which aims to reduce the risk of corruption. The Program shows examples of corruption factors and division of responsibilities to effectively control the risk in the company. It identifies the business areas in which the corruption risk is potentially the highest and describes the symptoms of behavior and conduct of employees which may point to potential corruption threats in the given area. The Program also introduces an obligation of periodic, annual, assessment of corruption risk in PZU. It includes, among other things, corruption risk self-assessment questionnaires conducted among employees, registered notifications of irregularities in specific areas, results of internal inspections and reports of non-governmental organizations dealing with the corruption problem. In 2019, further works on solutions for corruption risk management were performed in PZU. The message on the significance of corruption risk management was reinforced in accordance with the adopted strategy and Anti-Corruption Program. Intensified educational activities for employees (training, publications, ongoing consultations) were performed for the purpose of controlling the corruption risk. In the remaining PZU Group entities, the potential corruption risk analysis or assessment is carried out as part of the analysis of the reports or inquiries related to conflict of interest or accepting/giving gifts.

[GRI 205-3]

In the entire PZU Group, 260 cases of corruption and fraud were identified in 2019, which was 55 cases more than in 2018. In both years, 76% of the cases were associated with the Alior Bank Group (140 in 2018 and 198 in 2019). There were no cases of corruption and fraud in PZU and PZU Życie.

[GRI 205-2]

After implementation of the Anti-Corruption Program, all PZU and PZU Życie employees were obligated to familiarize themselves with it and comply with its provisions and submit pertinent representations with this respect.

Ethical issues are an element of training for the newly employed. The Compliance Week was held again in 2019. It is the Compliance Department employees' own project. The purpose of the event is to propagate the knowledge of the compliance principles, novelties in the law, as well as the current and upcoming regulatory challenges home and abroad. All activities are oriented towards reinforcing the compliance culture in the PZU Group. Additionally, the event was awarded in the category "Compliance Idea of the Year" in the Polish nationwide Compliance Awards 2019.

A functionality enabling collection of PZU and PZU Życie employee representations on familiarization and compliance with the Anti-Corruption Program and the legal sanctions related to corruption was implemented in the internal HR system in PZU. 10,033 individuals submitted representations on familiarization and compliance with the principles of the Anti-Corruption Program.

These actions are supplemented by anti-corruption training and campaigns executed in the corporate communication channels, attracting the employees' attention to the corruption risk. In 2019, a new e-learning training course on the Anti-Corruption Program was delivered. The training was completed by 10,613 PZU and PZU Życie employees. PZU and PZU Group entities, excluding Armatura Kraków and Arm Property, have also adopted their conflict of interest management rules. Each potential conflict of interest which could hinder effective and objective performance of work for the PZU Group should be reported by the employee to their manager and the PZU Group entity's compliance unit. The conflict of interest management rules introduced in the PZU Group ensure professional, reliable and fair treatment of all clients and persons related to the company in conflict of interest situations.

A person who determines that a conflict of interest has occurred or may occur as a result of the performance of his/her duties is required to take steps aimed at its elimination and to notify the conflict of interest in accordance with the adopted procedure. The report form is submitted to the managers and the compliance unit in the PZU Group entity which analyzes the report.



PZU and PZU Życie have adopted the "Rules for managing conflicts of interest at PZU and PZU Życie". This regulation aims to ensure professional, reliable and fair treatment of all clients and persons related to the company in a conflict of interest situation.

A person associated with PZU (an employee, a PZU agent), who determines that a conflict of interest has occurred or may occur as a result of the performance of his/her duties is required to take steps aimed at its elimination and to notify the conflict of interest in accordance with the adopted procedure. The report form is submitted to the managers and the Compliance Department which analyzes the report. A detailed analysis of each case of conflict of interest is another dimension of a practical activity in the discussed area.

Numerous training courses were delivered to increase awareness as regards conflict of interest risk management, a dedicated area review as regards conflict of interest risk was carried out. A new e-learning training course in compliance was also developed and, at the beginning of 2020, made available to all PZU and PZU Życie employees as part of an educational platform.



6.3 Diversity and respecting human rights



We respect one another - "Respect is visible in our attitude and approach to others who have placed their trust in us. We do not tolerate any forms of discrimination. Every person who witnesses these types of practices in the PZU Group should report them without fear. We respect persons employed in all positions and we value their contribution in the work of the entire team. We are of the opinion that the diversity of roles and variety of character and personality traits build the entire organization's success."



"Dignity of every human being is the imperative and a basis of all operating rules applicable in the company. It is not good enough to be a non-discriminatory enterprise

- our work is to be based on warmheartedness and respect for any kind of diversity and in each everyday activity. These days, success of large organizations largely depends on the ability to build an inclusive workplace and ensure a comfortable space for discussion on every opinion and position."

Andrzej Szeremeta, Head of the Social Dialogue Team

PZU Group's policies [UoR]

[GRI 103-2]

The respect for diversity and equality and the prohibition of discrimination are two principles that are deeply rooted in PZU organizational culture. The Group is involved in activities fostering conscious management of diversity, including workshops and training courses for employees and managers. This way the company supports the creation of an organizational culture open to recognizing individual dissimilarities and differences and working to prevent any cases of employee discrimination on the grounds of dissimilarity. The implementation of a range of such regulations and practices enables performance of actions within the framework of sustainable development while respecting diversity and equal treatment.

Pekao Bank Hipoteczny and Pekao Investment Banking have an internal Gender Equality Procedure in place.

[GRI 405-1]

Composition of supervisory bodies and employees broken down into employee groups by gender, age and other diversity factors converted into FTEs

Employees by age category and diversity	Percentage of employees in each category in relation to the total number of employees in a given category in PZU and PZU Życie			
	2018		2019	
	Women	Men	Women	Men
<30 years old	60.5%	39.5%	59.9%	40.1%
30-50 years old	62.3%	37.7%	62.1%	37.9%
>50 years old	56.4%	43.6%	56.3%	43.7%
Total by gender	61.1%	38.9%	60.8%	39.2%
Foreigners	0%	0%	0%	0%

Employees by employment structure	Percentage of employees in each category in relation to the total number of employees in PZU and PZU Życie			
	2018		2019	
	Women	Men	Women	Men
Management positions	53.3%	46.7%	53.8%	46.2%
Other employees	62.6%	37.4%	62.1%	37.9%
Total by gender	61.1%	38.9%	60.8%	39.2%

Employees by employment structure	Percentage of employees in each category in relation to the total number of employees in PZU and PZU Życie					
	2018			2019		
	<30 years old	30-50 years old	>50 years old	<30 years old	30-50 years old	>50 years old
Management positions	2.0%	83.1%	14.9%	2.0%	83.7%	14.3%
Other employees	16.0%	67.7%	16.3%	15.2%	68.3%	16.4%

Composition of the Supervisory Board by age category and diversity as at 31 December 2019

Composition of the Supervisory Board by age category and diversity	Percentage in each category in PZU		Percentage in each category in PZU Życie	
	Women	Men	Women	Men
<30 years old	0.0%	0.0%	0.0%	0.0%
30-50 years old	9.1%	54.5%	0.0%	60.0%
>50 years old	9.1%	27.3%	20.0%	20.0%
Total percentage by gender	18.1%	81.8%	20.0%	80.0%
Foreigners	0%	0%	0%	0%

Ethical foundations of business operations

Composition of the Management Board by age category and diversity as at 31 December 2019

Composition of the Management Board by age category and diversity	Percentage in each category in PZU		Percentage in each category in PZU Życie	
	Women	Men	Women	Men
<30 years old	0.0%	0.0%	0.0%	0.0%
30–50 years old	25.0%	62.5%	22.2%	55.5%
>50 years old	12.5%	0%	22.2%	0%
Total percentage by gender	37.5%	62.5%	44.4%	55.6%
Foreigners	0.0%	0.0%	0.0%	0.0%

[GRI 406-1]

The Group companies have anti-mobbing policies and internal procedures in place. In the case of companies with a low headcount, no separate regulations pertaining to prevention of mobbing have been implemented. The companies comply with the general document, “PZU Group Best Practices”, which indirectly regulates the conduct in a mobbing situation.



There is an internal anti-mobbing procedure in TFI PZU. PTE PZU, in turn, has adopted a resolution on the rules for preventing mobbing in Powszechne Towarzystwo Emerytalne PZU Spółka Akcyjna. Among the purposes of this procedure is to set forth the provisions governing the appointment and responsibilities of the anti-mobbing committee.

CHALLENGE

[GRI 419-1] In 2018, PZU recorded 7 non-financial sanctions for non-compliance with the law or regulations totaling PLN 212,945, while 2019 saw 4 sanctions totaling PLN 157,650. Two sanctions totaling PLN 46,500 were imposed on PZU Życie in 2019. In 2018, the claim pertained to remuneration, retirement severance pay and reinstatement of employment. The 2019 claims pertained, among others, to improper termination of an employment contract, discrimination on grounds of health.

[GRI 406-1] PZU attaches special importance to prevention of mobbing in the workplace and cares for a friendly work environment so that it is free of any unlawful behaviors. In 2019, in the PZU Group, there were 24 identified breaches of the rules of conduct pertaining to ethics and human rights (9 cases more than in 2018). 6 of them occurred in the Pekao Group, 17 in the Alior Bank Group, and 1 in the PZU Zdrowie Group.

In PZU, mobbing prevention is also supported by an anti-mobbing procedure. The “report the incident” procedure enables employees to report information about breaches of rules using an Intranet platform. An Anti-Mobbing Commission has been appointed to verify unacceptable behaviors. It reviews employee complaints and investigates each signal of behaviors that may have the features of mobbing.

In addition, an e-learning training course entitled “Mobbing – legal and psychological aspects” is available to all employees. Apart from to mobbing-related issues, employees are provided also with information on prevention of discrimination and equal treatment in employment opportunities.

The PZU Group ensures equal opportunities to employees for development, improvement of their skills and promotions. The remuneration system depends on the type of the work performed, the value of the position for the company, the employees’ competences, required skills and market remuneration levels. The company prevents discretion as regards remuneration, among others through setting transparent, non-discriminatory fixed compensation levels for the same type of work or work with the same value, reflecting primarily appropriate professional experience and organizational responsibility defined in the job description.

Principles supporting diversity and equal treatment span all career stages in the company, 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 signatories of the Charter of Diversity in 2013.

BEST PRACTICE



The client service standards in place in PZU branches comprise a “five steps theory” which places particular emphasis on the senior citizens’ needs (e.g. problems with vision, hearing, mobility or comprehension of complex information).

The employee guide contains recommendations on how to provide services to senior citizens. In particular, it contains the instruction that the information should be provided in an understandable manner, sometimes more slowly.

Analogous principles apply when providing the services to the disabled, including people with mobility impairment, blind persons or persons with impaired vision, deaf persons or persons with impaired hearing, or people with speech impediment. Additionally, in eight biggest Polish cities, clients can be serviced using the sign language.

Approx. 80% of PZU branches are partly adapted to the needs of people with disabilities. They are equipped, among others, with appropriate driveways, ramps, platforms, elevators and stair-climbers:

- there are currently no barriers at entrances in approx. 36% of PZU branches (out of 422);
- in approx. 40% of branches, access to the disabled is facilitated through appropriate ramps, elevators, or equipment.

Approx. 40% of PZU branches are equipped with toilets adapted to the needs of the disabled. They have, among others, maneuvering space for wheelchairs and grab rails. It is also made sure that the car parks are adapted to the needs of eligible vehicles, by designating properly labeled places.

The company also seeks to meet the needs of parents. Playroom corners have been prepared specially for the children, where the child may freely and safely occupy oneself while the parent is taking care of all the matters related to an insurance policy. As at the end of both 2018 and 2019, there were playroom corners in 13 branches – children could play with environment-friendly puzzles in 120 branches.



In the Pekao Group, the aim is to develop appropriate conditions and create a mobbing-free work atmosphere. The anti-mobbing policy lays down a procedure for lodging and reviewing mobbing complaints and guidelines giving the company’s employees the possibility to manage their career, attain success and assess their work on the basis of individual achievements.



The anti-mobbing policies implemented in PZU Zdrowie and its subsidiaries are compliant with the PZU Group’s guidelines.



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



BEST PRACTICE

Comprehensive service provided to disabled drivers and passengers



PZU has noticed a major barrier to mobility encountered by drivers and passengers with physical dysfunctions. The lack of adaptation of automotive vehicles to their specific needs often results in their exclusion in the area of professional and social activity.

PZU provides special support to disabled road users and, since 2015, has been implementing, in cooperation with the Aid to Disabled Drivers (SPiNKa) Association, a program of comprehensive aid addressed to the sector of drivers with various dysfunctions and disabled passengers using car transport. Within the program, it provides financial support for the purpose of vehicle adaptation to the needs of disabled drivers and purchase of special vehicles adapted to carriage of disabled persons. As part of implementing best practices, adaptation of 61 disabled drivers' cars was supported. PZU assumes that the cooperation with the SPiNKa Association will be continued.



6.4 Whistleblowing System

We can file reports - "in the chosen manner that is appropriate for a PZU Group entity:

- by phone or fax,
- by mail – to the address of the PZU Group entity's compliance unit,
- by e-mail – to the address of the PZU Group entity's compliance unit,
- in person – to the PZU Group entity's compliance unit."



[GRI 102-17]

In all Group companies, both Polish and foreign, separate whistleblowing procedures are in place.

In PZU and PZU Życie and in other PZU Group entities, employees are informed about prevailing standards of conduct, among others during on-boarding training on compliance and e-learning courses.

All advice pertaining to ethical and legal aspects of conduct are provided anonymously, in full compliance with confidentiality principles. The reported cases are carefully analyzed.



In 2019, circa 100 suspected irregularities were reported in PZU and PZU Życie, which is a confirmation of the actual operation of the Whistleblowing System. All reported cases were recorded in the register and examined in accordance with the regulations applicable in the Company, including the "Whistleblowing Procedure in PZU and PZU Życie".

In all Group companies there are independent mechanisms for reporting information on existence, suspected existence or possible existence of irregularities or abuses as well as doubts or concerns regarding existence of irregularities.

In accordance with the Whistleblowing Procedure prevailing in the companies, the abovementioned information that is significant for the legal and financial interest and ethical irregularities can be reported through the following channels operated by the Compliance Department using:

- dedicated hotline and fax;
- traditional mail to the address of the Compliance Department;
- dedicated e-mail addresses;

- dedicated Internet form;
- in person: directly to an employee of the Compliance Department.

They are available, among others, to employees, agents and other entities cooperating with the company on the basis of civil-law agreements.

In principle, in the remaining PZU Group companies, the system has been based on the solutions in place in PZU.

In accordance with the prevailing procedure, proceedings with regard to irregularity notifications are conducted by the Compliance System Team members in the Compliance Department and, if they are absent or excluded, such proceedings are conducted by the Compliance System Team Manager. In the case of absence or exclusion of the aforementioned persons, the Director of the Compliance Department is in charge of that.

The person conducting the proceedings analyzes the factual circumstances and the legal status specified in the notification, established in the proceedings.

In other PZU Group entities, the proceedings are normally conducted by compliance units.

Despite the independence of the breach notification systems, the structures operate efficiently and effectively. Reports summarizing the risks and breaches are presented to the management boards of individual Group companies. In 2019, in the entire PZU Group, there were 24 identified breaches of the rules of conduct pertaining to ethics and human rights in total (15 in 2018). 6 of them occurred in the Pekao Group, 17 in the Alior Bank Group, and 1 in the PZU Zdrowie Group. As a result of these cases, the following sanctions were applied: disciplinary talk, transfer of the employee to a different entity, termination



of the employment contract. In Bank Pekao, the whistleblowing system is defined by the whistleblowing policy. It provides for the possibility of lodging anonymous (or non-anonymous) notifications of practices inconsistent with the applicable laws or internal regulations. All notifications are examined and processed properly. The Policy has not been implemented in the bank's subsidiaries, but some of them have developed internal procedures regulating this issue. These included, among others, Centralny Dom Maklerski Pekao, Pekao Bank Hipoteczny and Pekao Investment Banking.



PZU's foreign companies also have whistleblowing systems in place. Breaches are reported by email or in writing to the direct manager. In Lithuania each employee may anonymously report a breach or abuse via the Intranet. Upon receiving a notification, the abuse prevention manager carries out an inspection based on the received information and submits the results of the investigation to the company's Management Board.



In the Alior Bank Group, the whistleblowing process and guarantee of anonymity for the whistleblowers are laid down by the compliance policy. The Bank ensures the possibility to use different communication channels. In this situation, an employee may choose the way for reporting their comments and concerns in the way they find fit. Notifications can be submitted orally, in writing to the Regulation Compliance Department, or by email to the address etyka@alior.pl, including anonymously, e.g. by sending a message by mail or email from publicly available websites, making it possible to send messages without specifying the sender's address or in any other manner selected by the whistleblower. Notifications of breaches are forwarded to the bank's Management Board member responsible for the current functioning of the whistleblowing procedures. This role is discharged by the President of the bank's Management Board. If the notification pertains to the bank's Management Board Member, the bank ensures the possibility of reporting the case directly to the Chairperson of the Bank's Supervisory Board to their email address. The operation of the etyka@alior.pl mailbox, coordination of verification of the reported breaches and the follow-up action is the responsibility of the Regulation Compliance Department.



Alior Bank has in place also the "Policy of workplace free of undesirable behaviors in Alior Bank", which additionally regulates the question of reporting irregularities in the case of undesirable behaviors such as mobbing, discrimination, harassment and sexual harassment.



In all health area companies a compliance regulation package has been implemented, comprising, among others, a whistleblowing procedure.

6.5 Transaction security

Counteracting money laundering and terrorism financing - "money laundering and terrorism financing are perceived as a genuine and material risk in our business. This is a worldwide problem that gives rise to grave consequences on the financial market. For that reasons the PZU Group has been taking any and all legally permissible actions to prevent situations in which the transactions it executes would be used for money laundering or terrorism financing."



PZU Group's policies [UoR]

[GRI 103-2]

Financial crime, money laundering and financing of terrorism are the challenges that bring about serious consequences for the financial markets across the globe. For many years the PZU Group has been taking legally required actions to prevent situations in which its transactions are used for unlawful purposes.

The PZU Group has in place special security procedures in the crime prevention area. In TUW PZUW the procedure formalizes the process of identification, management and securing of

the company against crime, in particular insurance crime and fraud.

TFI PZU has implemented Rules and Regulations for Counteracting and Disclosing Manipulations in Financial Instruments in the company's activity.

In 2019, there were 371 incidents involving insurance fraud reported to law enforcement authorities in the Group, 79% of which concerned PZU, 12% – PZU Życie, and the remaining cases – LINK4 and foreign companies.

BEST PRACTICE



The Act of 1 March 2018 on combating money laundering and financing terrorism (Journal of Laws of 2018, item 723) imposed new duties on PZU. One of the basic obligations following from the new Act is the multi-dimensional assessment of the money laundering and financing of terrorism risk in PZU Życie, taking into account internal and external factors, including clients, countries or geographical areas, products, services, transactions, supply channels, business partners and Group entities. To comply with the new regulations, the company launched an AML project aimed at developing solutions allowing for implementation of the provisions of the act in business and operational processes in 2018.

all obligated institutions¹ in the PZU Group. As part of the works, the processes pertaining to conclusion of insurance contracts and handling of claims and liabilities were remodeled. The changes pertained to 147 products offered or disbursed by PZU Życie.

Adaptation of PZU Życie to the requirements of the Act resulted in, among others, new or optimized procedures for identification and verification of clients with an enhanced money laundering risk. In addition, new representations were introduced for persons on exposed political positions, and the PZU Życie agents and employees have been trained on the new legal regulations.



In the first place, the areas which required changes were identified. Legally required internal procedures were also implemented, including a group procedure addressed to

¹ Obligated institutions in the PZU Group are institutions from the Group subject to the AML Act. PZU is not an obligated institution, hence it is not subject to the AML Act regime, but being the parent company in the PZU Group, it adopts a group procedure for the Group entities which are obligated institutions. The group procedure defines the standards prevailing in the PZU Group and the rules for exchange and protection of information for the needs of performance of AML activities.



Ethical foundations of business operations

In Bank Pekao and five other Group companies, internal fraud management procedures have been implemented. Bank Pekao has in place a Fraud Management Process regulation which introduces an Official Instruction entitled Fraud Management Process in Bank Polska Kasa Opieki. The regulations define specifically the “Fraud Management Policy” introduced by the bank’s Management Board. The Official Instruction defines in particular:

- what a fraud is and what fraud categories may affect the bank in the course of its activity;
- who (which organizational unit in the bank and which employee of the unit) is obligated to take action in the event of fraud;
- how specifically fraud should be prevented (catalog of activities to be performed).

In addition, there are defined obligations and powers of the Financial Security Office in the bank’s Security Department, which performs the tasks associated with central coordination of prevention of financial crime in the bank.

The Fraud Management Process and the Official Instruction imposed on each bank employee the obligations and powers associated with prevention of financial crime threatening the organization and the bank’s clients.



The Alior Bank Group has implemented a procedure for preventing money laundering and financing of terrorism.

In 2018 in the Pekao Group and Alior Bank Group there were 5,226 pending fraud cases. The value of the proceedings amounted to over PLN 16 million. In 2019, in the Pekao Group and the Alior Bank Group, there were 4,245 pending fraud cases. The value of the proceedings amounted to less than PLN 10 million.

CHALLENGE

[GRI 419-1] In 2019, the Polish Financial Supervision Authority imposed on PZU 5 penalties in the amount of slightly more than PLN 6 million, including 2 penalties (with the total value of PLN 1.2 million) that are not final. The penalties pertained to, among others, breach of Article 14 sec. 1-3 of the Act on Compulsory Insurance, the Insurance Indemnity Fund and the Polish Motor Insurers’ Bureau, in connection with identified delays in award and disbursement of compensations and failure to fulfill disclosure obligations.

[GRI 206-1] In 2019, there was one court proceeding pending against PZU and one against PZU Życie.

In January 2019, the Court of Appeal in Warsaw dismissed the appeal lodged by the President of the Office of Competition and Consumer Protection and thus relieved PZU of the allegation of illegal market division with Maximus Broker and a sanction in the amount of PLN 56.6 million. PZU was accused of allegedly concluding an illegal sales agreement with an insurance intermediary based on Torun, Maximus Broker, involving division of the market of group accident insurance for education centers in the Kujawsko-Pomorskie Voivodship. The trial lasted a few years.

With the judgment of 24 October 2019, the Supreme Court dismissed the cassation appeal filed by PZU Życie. The Company has not received a justification of the judgment so far. PZU Życie was accused by the President of the Office of Competition and Consumer Protection of abusing its dominant position in the Polish market since 2001 and breach of EU regulations in 2004-2007. In turn, on 23 January 2019, in turn, the Court of Appeal in Warsaw dismissed the appeal of the President of the Office of Competition and Consumer Protection and thus relieved PZU of the allegation of illegal market division with Maximus Broker and a sanction in the amount of PLN 56.6 million.

In the case of Alior Bank, there were two cases.

In 2006, the Office of Competition and Consumer Protection, following a long-lasting investigation, imposed on 20 banks operating in Poland, including Bank BPH, Alior Bank’s legal predecessor, a penalty of PLN 164 million, for unlawful, in the Office’s opinion, agreeing upon the interchange fee between themselves. In 2017, the Supreme Court subscribed to the position of some of the banks according to which the court of the lower instance should not have issued a decision imposing high penalties on the banks without exercising utmost diligence, involving, in this case, an in-depth analysis of the requests for evidence submitted during the lawsuit. The case pertained to the level of the interchange fee, which was allegedly set on an excessively high level in relation to the normal costs of operation of the transaction system. The Office of Competition and Consumer Protection has concluded that the interchange fee in Poland was excessively high (as much as 2% of the transaction value) and, additionally, its value was set by banks themselves, which had the features of prohibited

price-setting to the clients’ detriment. Currently, the case is pending before the Court of Appeal in Warsaw.

On 30 May 2018, the President of the Office of Competition and Consumer Protection issued a final decision for Alior Bank no. RBG 6/2018 pertaining to practices breaching consumers’ collective interests. The allegations pertained to introduction of amendments to the agreement during its term, without providing consumers with the legal basis and the circumstances that have contributed to the modification of the terms and conditions of the agreement. Alior Bank executed the decision within the prescribed deadline. With the letter of 5 July 2019, supplemented by the letter of 29 August 2019 Alior Bank submitted to the President of the Office of Competition and Consumer Protection a report on the execution of the said decision.

In 2018, there was one court proceeding pending against Bank Pekao. It pertained to a complaint lodged in 2001 by the President of the Office of Competition and Consumer Protection on the request of the Polish Trade and Distribution Organization. The allegations pertained to application of practices restricting competition, involving conclusion of price arrangements and joint setting of the interchange fee and coordination of actions in order to restrict entrepreneurs’ access to the acquiring service market. The proceeding lasted a few years and Bank Pekao appealed against the court’s judgment. In 2017, the bank lodged a cassation appeal, which was accepted by the Supreme Court. In the judgment of 25 October 2017, the Supreme Court overturned the appealed judgment of the Court of Appeal and remanded the case to this court for re-examination. The President of the Office of Competition and Consumer Protection refunded the penalty of PLN 16.6 million to the bank. Currently, the proceeding is pending before the Court of Appeal.



6.6 Cooperation with suppliers



Transparent rules of cooperation - “we treat business partners honestly. We do not establish business contacts and we do not enter into contracts on behalf and in favor of the PZU Group in which members of our families are a party thereto. We recuse ourselves from making decisions in the matter of cooperating with entities with which our relatives collaborate. We care about having good relations with intermediaries. We do not differentiate in an unjustified manner our conditions of cooperation with them, in particular on account of the nature, form or business size of intermediaries.”



“We feel responsible not only for our employees and collaborators but also for our subcontractors and suppliers. We care about the comfort of the tasks they perform

and invariably highest occupational safety and health standards. As specialists in the area of hazards appearing in each sphere of life, we very carefully eliminate all situations and circumstances which may potentially turn out dangerous.”

Bartłomiej Zarzecki, Managing Director of Procurement Department, PZU and PZU Życie

[GRI 102-9]

The PZU Group is committed to building long-term relations with suppliers based on mutual trust, respect and professionalism. In particular, we appreciate suppliers which apply proven market practices and represent the highest level of professional ethics.

The company is aware that it has material impact on the procurement market and assumes responsibility for fostering the highest business standards in its environment. Driven by care for the quality of business relations, promotion of best market practices and positive impact on the society and natural environment, it has developed a Code of CSR Best Practices for PZU Group's Suppliers.

The PZU Group wants to promote the idea of corporate social responsibility in relations with its suppliers, cooperating only with business partners who observe human rights, act in compliance with legal regulations, especially with regard to prevention of corruption. Suppliers cooperating with PZU Group entities should ensure safe and fair work conditions for their employees and apply the highest ethical standards and care for the natural environment. Each company that wants to cooperate with PZU and PZU Życie is required to familiarize itself with the “Code of CSR Best Practices for PZU Suppliers” and compliance with its provisions by the business partners is incorporated into the contracts with PZU.

BEST PRACTICE



The PZU Group, in representations received from suppliers, uses the provision: “The Contractor represents that it has familiarized itself and accepts the general corporate governance principles and the Code of CSR Best Practices for PZU Group's Suppliers adopted in PZU and PZU Życie, found at the website: <http://www.pzu.pl/kultura-compliance-pzu>.”

Execution of the representation is an indispensable part of the proposal submitted by the Supplier in the tender proceedings and negotiations. Execution of the representation is an indispensable part of the proposal submitted by the supplier in the proceedings.

BEST PRACTICE



Works is currently under way on the procurement platform making it possible to communicate with the suppliers electronically. The implementation of the full functionality of the system is expected to be completed at the end of 2021.



BEST PRACTICE



Code of CSR Best Practices for PZU Group's Suppliers



The Code is a collection of principles both for the PZU Group and for its all suppliers. It is also a material criterion for qualification and assessment of potential suppliers from the perspective of observance of human rights, natural environment protection, professional ethics and personal data protection.

Human rights

The PZU Group conducts business activity observing generally prevailing provisions of law and respecting human rights. The PZU Group attains this objective through confirming these rules in its procurement policy, information protection procedures, occupational safety and health procedures, instructions and internal guidelines of the PZU Group.

Natural environment

The PZU Group is committed to limit the negative effects of its activity on the natural environment through implementation of environmental initiatives and engaging employees in environmental protection efforts, and expects that each group supplier complies the same environmental protection principles, especially as regards consumption of raw materials and natural resources, consumption of paper and appropriate waste management.

Professional ethics

The PZU Group's professional ethics reflects the vision and values that the company pursues on a daily basis. These values define the standards in daily operations and are aimed at supporting the strategic vision of development of the PZU Group. Individual companies have in place internal procedures and policies for prevention of corruption, conflict of interest and disclosure of confidential information.

GDPR

The PZU Group ensures the security of its data and protection of personal data of its clients. It understands the complexity of the obligations following from the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (GDPR) and makes sure all of its processes are compliant with the Regulation and local personal data protection regulations. The PZU Group expects an equally mature approach from its business partners.

The obligations imposed by GDPR are complied with in the daily activity, which ensures compliance of the personal data processing with the laws. These include in particular to the following:

- assessment of the risk of breach of law and personal freedom in connection with data processing both in current activities and in newly launched processes/initiatives/projects – in 2019, as part of the opinion collection process, 1,571 cases and 379 initiatives/projects were assessed, 71 processes were monitored and 15 on-site audits were carried out;
- exercise of data subject rights (among others, objections sent to the Security Department, data copy, data erasure, limitation of processing) – 977 requests reviewed in PZU and 587 requests in PZU Życie;
- handling of 1,368 security incidents associated with personal data processing in PZU, including 131 reported to the Personal Data Protection Authority (PDPA) and 387 incidents in PZU Życie, including 65 reported to PDPA.

BEST PRACTICE

Supplier management procedure in the area of supplier registration, verification and qualification



Thanks to the supplier management procedure in the area of supplier registration, verification and qualification, the supplier management process is subject to verification and documenting at each stage. The procedure contains definitions, flows, division of roles and responsibilities and description of the supplier management process (in the area of registration, verification and qualification into purchase categories). At the same time, a procurement platform was introduced facilitating dynamic information flow and allowing for preparation and completion of collection of regularly updated documents associated with (potential) cooperation with the given supplier. After completion of the registration and acceptance form, including the Code of CSR Best Practices, external companies may be entered into the PZU Group Supplier Database.

After full implementation of the module responsible for registration and qualification of suppliers in the procurement platform, the monitoring of the next CSR indicator will start. The indicator aims to ensure that during the qualification process as many suppliers as possible invited to take part in the tenders organized by the Procurement Department are asked about CSR issues (ethical, environmental, employee-related, human rights).

The corruption risk is a constant element of the purchasing process in place in PZU and PZU Życie. Each potential supplier is subject to corruption risk assessment on the basis of a pertinent risk assessment questionnaire. In addition, in accordance with the Anti-Corruption Program, each cooperation agreement between the company and a business partner should comprise anti-corruption clauses. One of the clauses is a confirmation of acceptance of the anti-corruption standards prevailing in PZU by the supplier. In accordance with the internal procedures, entities cooperating with PZU and PZU Życie are informed about the Anti-Corruption Program in place in the company.

BEST PRACTICE

Procurement procedure



Purchases in PZU and PZU Życie are executed according to the following flow:

- identification of the purchasing requirement;
- notification of the substantive unit (if there is no substantive unit assigned to the purchase area, this step is omitted);
- notification to the Procurement Department;
- implementation of the prevailing agreement or purchasing procedure (tender, negotiations, unconstrained purchase procedure, RfI – request for information);
- signing of the contract (only in the case of a purchasing procedure);
- execution of the purchase;
- assessment of the contract (only for existing contracts with the supplier).

In 2019, the Procurement Department completed 304 purchasing procedures (tender, negotiations, unconstrained purchase procedure, RFI) in PZU and PZU Życie. This is 7% less than in 2018.

In 2019, in total 8,817 agreements with suppliers were concluded in PZU and PZU Życie, i.e. approx. 14% less than in 2018.



About this report

7. About this report

The PZU Group integrated report comprises data for the period from 1 January to 31 December 2019 and is the third report of this type prepared by the Group. This is part of the overall strategy aiming to understand and improve CSR results and cultivate relations with key stakeholders. [\[GRI 102-50\]](#)



“Our ambition is to constantly improve in the area of corporate social responsibility, including increasing transparency. The report has been prepared in accordance with the prevailing non-financial reporting requirements laid down in the amended Accounting Act of 29 September 1994.

In addition, preparing this report we followed the guidance of voluntary, best global guidelines and standards – international reporting standard – Global Reporting Initiative (GRI Standards), international integrated reporting guidelines (International Integrated Reporting Council, IIRC), and guidelines of the European Commission on reporting climate-related information and recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).”

Magdalena Komaracka, PZU Investor Relations Director

[\[GRI 102-45\]](#) In accordance with the requirements of the Accounting Act, the report on the PZU Group’s non-financial information in 2019 encompasses non-financial information and consolidated data pertaining to the PZU Group and PZU, its parent company in line with the structure of the organization included in the Consolidated Financial Statements for the year ended 31 December 2019. The data from PZU Życie, Alior Bank Group, Pekao Group, LINK4, AAS Balta, AB Lietuvos Draudimas and PrJSC IC PZU Ukraine are consolidated and presented in the information pertaining to the PZU Group. Alior Bank and Bank Pekao, in turn, have decided to present separately, as part of their Management Board activity reports, separate disclosures on non-financial data, as public interest entities.

Alior Bank presented them also in the consolidated form. The PZU Zdrowie Group (PZU Zdrowie as the parent company), Armatura Kraków and PZU CO (CIG) are not public interest entities hence they are not subject to separate regulatory obligations regarding disclosure of non-financial data. Information regarding these companies and the other PZU Group companies has been presented in the consolidated data showcased in the report. Additionally, updated consolidated non-financial data for 2018 for the aforementioned entities were presented.

[\[GRI 102-46\]](#) In line with the approach stemming from the principle of materiality, the various pieces of non-financial information have been presented to the extent necessary to evaluate the development, performance and standing of the PZU Group. Relatively less space has been devoted to smaller entities whose impact on the overall depiction of the PZU Group is minor or simply marginal.

During defining the substantive part of the report, in accordance with the international guidelines, we have carried out a process comprising the following stages:

- **Identification** – selection of the key issues regarding corporate social responsibility and conducted activity based on an analysis of internal documents and of external publications and press information on the Group, and review of industry reports;
- **Prioritization** – to identify the key issues, in December 2018 a dialogue session was held with PZU Group’s key stakeholders. The session was attended by the Group’s external stakeholders, among others representatives of national administration, non-governmental organizations, European institutions, investment associations and business partners. The Group’s key achievements as regards responsible business and sustainable development were summed up and the stakeholders’ expectations as regards corporate social responsibility activities undertaken by the PZU Group were defined. Additionally, in January 2019, a questionnaire among external stakeholders was carried out to identify additional key topics;
- **Validation** – PZU Group representatives confirmed the final list of priority issues taken into account in the 2019 report.

Based on the results of the analysis carried out during at the stage of identification of key issues during the dialogue session

and internal workshops, 14 important topics from 6 areas of responsibility were defined.

[\[GRI 102-47, GRI 103-1\]](#) Topics identified as being material

Priority 1 - Key topics in the context of PZU Group reporting for 2019:

- method of management of individual risk groups, including ESG (Environmental, Social, Governance);
- business challenges related to digitization;
- research and development activity, development of technological innovations, development of innovative products;
- management of environmental issues in the context of offered products, assets and investments (indirect impact).

Priority 2 - Very important topics in the context of PZU Group reporting for 2019:

- plans and development strategy for the future;
- size of the climate footprint and ways of neutralizing it;
- mitigation of the negative impact of the organization on the environment (impact of infrastructure, consumption of utilities – paper, energy, employee transport etc.);
- impact of the company on the quality of life of Poles and the social environment;
- dialogue with the clients and results of satisfaction surveys;
- complaints management;
- methods of developing good work conditions and care for employee development.

Priority 3 – Additional topics in the context of PZU Group reporting for 2019:

- business performance and market position of the PZU Group;
- development of an ethical culture, corporate governance and prevention of breaches (corruption, bribery, discrimination);
- ensuring equal opportunities and diversity of employees.

7.1 Dialogue with the environment



Open communication - “we convey precise and necessary information to all the parties with whom we collaborate. We do our utmost to ensure that the reports and documents we transmit to control or supervision authorities or we publish are complete and understandable.”



“The voice of stakeholders is important to us. We not only want to satisfy the expectations of our clients or employees but want to be frank with the business environment in the conduct of our operations. We believe that relations based on honesty and transparency are key to success. Therefore we are engaged in the dialogue with the environment, carry out regular questionnaires and dialogue sessions, and publish all key information that may contribute to better execution of our mission.”

Aleksandra Jakima-Moskwa, Investor Communication Coordinator

[GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44]

The material role played by stakeholders and their measurable impact on shaping the PZU Group’s operations mean that every company in it regularly updates its partner map, and drafts key forms of dialogue with the various groups. They are selected on the basis of the importance of relations and the extent of the links to the PZU Group.

The stakeholder map has been presented below with the stakeholders having been chosen on the basis of the extent of their involvement in the Group’s operations and their materiality from the viewpoint of the business model. This map does not cover the activities of the Pekao Group or Alior Bank where different approaches to external relations are in place.

Stakeholder group	Approach taken to the involvement of a given stakeholder group	Level of involvement of a given group	Key issues and problems touched upon by stakeholders
Employees	<ul style="list-style-type: none"> annual/quarterly discussions; internal meetings; internal portal/intranet; newsletter; boxes to explicate things that are not clear; trade unions; internal publications; information campaigns expanding knowledge about the organization; engagement and employee satisfaction surveys; broadcast meetings with Management Board members; video materials shown in the companies. 	high	<ul style="list-style-type: none"> listening to opinions of employees; providing growth opportunities to employees; creating a satisfactory workplace; building understanding for strategy implementation and achieved results; activating employee to participate in new initiatives.

Clients	<ul style="list-style-type: none"> website; client needs survey; satisfaction and opinion surveys; financial and insurance education programs; Client Spokesman. 	high	<ul style="list-style-type: none"> collecting client expectations and opinions; incorporating client opinions when designing business solutions; creating products and services that match client needs; create transparent terms and conditions in offers and contracts.
Suppliers	<ul style="list-style-type: none"> meetings with new and current suppliers; CSR poll. 	high	<ul style="list-style-type: none"> supporting the execution of the Group’s strategy and access to innovation; shaping business standards in our surroundings and promoting best procurement practices.
Investors and shareholders	<ul style="list-style-type: none"> regular meetings during conferences, discussion panels (group meetings in the company and individual ones); quarterly financial reports, tables with data and results presentations; constant cooperation between the Investor Relations Department and stakeholders (institutional and retail investors, analysts and capital market organizations); meetings and conference calls with the Management Board; the company’s website; internet information channels. 	high	<ul style="list-style-type: none"> ensuring information transparency; creation of value; distribution of profits to shareholders.
Business partners: agents and brokers	<ul style="list-style-type: none"> annual, monthly and ongoing meetings with agents; satisfaction and opinion surveys; internal communication portal for agents; sales training and support programs; Elite Agent Club and Elite Advisory Group. 	high	<ul style="list-style-type: none"> presentation of strategic plans; addressing ongoing cooperation issues to ensure mutual benefits.
Media	<ul style="list-style-type: none"> press releases; press conferences; expert interviews; industrial interviews; social services. 	medium	<ul style="list-style-type: none"> transparency in operation; building insurance awareness; enhancing the level of knowledge concerning financial products.
Local communities	<ul style="list-style-type: none"> ongoing direct communication; supporting local initiatives through the program www.pomocmoc.pl. 	medium	<ul style="list-style-type: none"> execution of sponsorship and prevention projects; supporting the development of communities; being a responsible citizen; encouraging employees to take part in social campaigns.

Central administration	<ul style="list-style-type: none"> • cooperation in debates and conferences; • answering inquiries and incorporation of recommendations; • legislative cooperation with the Polish Insurance Association. 	<p>medium</p>	<ul style="list-style-type: none"> • ensuring compliance with requirements and regulations; • support for the creation of new market principles, including best practices.
Non-governmental organization and public institutions	<ul style="list-style-type: none"> • building partnerships and conducting social diagnosis; • joint planning, implementation and evaluation of projects; • involvement in initiatives and projects to promote CSR and corporate foundation standards; • organization of joint conferences, seminars and seminars – activities benefiting the third sector and the academic community; • sharing know-how (training). 	<p>medium</p>	<ul style="list-style-type: none"> • implementation of educational and social programs promoting health, safety, social aid, culture and protection of cultural heritage

BEST PRACTICE

[102-13]

Participation in associations and industry organizations



The PZU Group is engaged in the activity of numerous organizations and associations.

Membership in the organizations listed below is of a strategic nature to PZU. The company

pays membership dues to support the activities laid down in the articles of association and takes part in additional projects run by the following:

- Polish Association of Listed Companies
- British Polish Chamber of Commerce
- Polish Insurance Association
- European Financial Marketing Association (EFMA)
- International Association of Agricultural Insurers
- Polish Motor Insurers' Bureau
- United Nations Environment Programme Finance Initiative

7.2 GRI content index

[102-55]

GRI Standard number	Number of the indicator	Indicator	Page number
Reporting assumptions and bases			
GRI 101		Reporting assumptions and bases	
Profile indicators [2016]			
Organization profile			
GRI 102	102-1	Name of the organization	8
GRI 102	102-2	Description of the organization's activity, primary brands, products, and/or services	8
GRI 102	102-3	Location of organization's headquarters	PZU Head Office Warsaw, al. Jana Pawła II 24
GRI 102	102-4	Location of operating activities	9
GRI 102	102-5	Ownership and legal form	123
GRI 102	102-6	Markets served	9
GRI 102	102-7	Scale of the organization	8, 14
GRI 102	102-8	Information on employees and other workers	81-85, 168-169
GRI 102	102-9	Description of the supply chain	148-150

GRI Standard number	Number of the indicator	Indicator	Page number
GRI 102	102-10	Significant changes during the reporting period regarding size, structure, form of ownership and value chain	<p>The following changes transpired in the structure of the PZU Group in 2019 up to the date of publication of these financial statements:</p> <ul style="list-style-type: none"> On 31 January 2019, the final share purchase agreement was signed between PZU Zdrowie and the shareholders of Alergo-Med Tarnów Sp. z o.o., under which PZU Zdrowie purchased shares in Alergo-Med Tarnów Sp. z o.o.; On 3 June 2019, PZU Zdrowie purchased shares in Falck Centra Medyczne Sp. z o.o. and Starówka Sp. z o.o.; On 29 October 2019, PZU Zdrowie entered into a preliminary share purchase agreement with THC SICAV-RAIF SA, and on 9 December 2019 into final share purchase agreement for an equity stake in Tomma. At the same time, PZU Zdrowie, and thus also PZU, became an indirect owner of the following subsidiaries of Tomma: Asklepios Diagnostyka sp. z o.o. and Bonus-Diagnosta sp. z o.o., in which Tomma holds a 100% stake and 100% of votes at the shareholder meeting; On 16 December 2019, Specjalistyczny Zakład Opieki Zdrowotnej Multimed sp. z o.o. merged with Elvita Jaworzno III Sp. z o.o.
GRI 102	102-11	Precautionary Principle or approach	127-128, 135-136
GRI 102	102-12	External initiatives, externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	105, 123
GRI 102	102-13	Membership in associations and organizations	156
Strategy			
GRI 102	102-14	Statement of senior management	6-7
GRI 102	102-15	Description of key impacts, opportunities and risks	27, 31, 128
Ethics and integrity			
GRI 102	102-16	Organization's values, code of ethics, principles and norms of behavior	120-121

GRI Standard number	Number of the indicator	Indicator	Page number
GRI 102	102-17	Mechanisms for advice and concerns about ethics; internal and external mechanisms making it possible to obtain advice regarding the behaviors in ethical and legal issues and issues associated with the organization's integrity	143-144
Organizational governance			
GRI 102	102-18	Governance structure	124-125
Stakeholder engagement			
GRI 102	102-40	List of stakeholder groups engaged by the reporting organization	154-156
GRI 102	102-41	Employees subject to collective bargaining agreements	The indicator was not presented in the report due to sensitivity of the data.
GRI 102	102-42	Basis for identification and selection of stakeholders engaged by the organization	154-156
GRI 102	102-43	Approach to stakeholder engagement, including the frequency of engagement	154-156
GRI 102	102-44	Key issues and concerns raised by stakeholders and the organization's response, also by reporting them	154-156
Reporting practice			
GRI 102	102-45	Entities included in the consolidated financial statements	5, 152
GRI 102	102-46	Process of defining the contents of the report and topic boundaries	152-153
GRI 102	102-47	Identified key topics	153
GRI 102	102-48	Restatements of information, explanation of the effect of any adjustments to the information contained in previous reports as well as the reasons for their inclusion and their impact (e.g., mergers, acquisitions, change of year/reference period, nature of business, measurement methods)	Due to the extended scope of collected data, strengthening the quality of the management system and the carried out internal verification process, the information presented in the 2018 report were subject to correction.
GRI 102	102-49	Changes in reporting	There were no significant changes from the previous report concerning the scope and extent of the report.
GRI 102	102-50	Reporting period	From 1 January 2019 to 31 December 2019.
GRI 102	102-51	Date of publication of the last report (if published)	The last report was published on 15 March 2019 and pertained to 2018 data.

GRI Standard number	Number of the indicator	Indicator	Page number
GRI 102	102-52	Reporting cycle	Annual
GRI 102	102-53	Contact details	Aleksandra Jakima-Moskwa Investor Communication Coordinator (non-financial information) daneniefinansowe@pzu.pl
GRI 102	102-54	Claims of reporting in accordance with the GRI Standards, specification of whether the report has been prepared in accordance with the GRI Standard in the Core or Comprehensive version	This report has been prepared in accordance with the GRI Standards: Core option.
GRI 102	102-55	GRI content index	158-164
GRI 102	102-56	External assurance, the policy and the current policy concerning third party verification of the report	The report is not subject to third party verification.

Approach to management

GRI 103	103-1	Explanation of the material topic and its Boundary	153
GRI 103	103-2	Approach to management and its components	20, 36, 51, 57, 67, 80, 89, 94, 96, 104, 120, 127, 135, 138, 145
GRI 103	103-3	Evaluation of the management approach	20, 120, 127, 135

Thematic indicators:

Economic topics:

Economic results [2016]

GRI 201	201-1	Direct economic value generated and distributed (taking into account revenues, operating expenses, employee salaries, subsidies and other investments for communities, retained profits and disbursements for capital owners and state institutions)	14
---------	-------	--	----

Combating corruption [2016]

GRI 205	205-1	Operations assessed for risks related to corruption	136
GRI 205	205-2	Communication and training on anti-corruption policies and procedures in the organization	The indicator partially reported.
GRI 205	205-3	Confirmed cases of corruption and actions taken	136

GRI Standard number	Number of the indicator	Indicator	Page number
Violating the rules of free competition [2016]			
GRI 206	206-1	Legal steps taken against the organization for anti-competitive behavior, anti-trust, and monopoly practices	146
Environmental topics			
Materials [2016]			
GRI 301	301-1	Raw materials/materials used by weight and volume	75
Energy [2016]			
GRI 302	302-1	Energy consumption by the organization, taking into account the types of raw materials	69-70
GRI 302	302-4	Reduction of consumption of energy	68-69, 73
Compliance with environmental regulations [2016]			
GRI 303	303-1	Total water consumption by source	75
Emissions [2016]			
GRI 305	305-1	Total direct (Scope 1) gas emissions	70-71
GRI 305	305-2	Total energy indirect (Scope 2) greenhouse gas emissions	71
GRI 305	305-3	Other indirect (Scope 3) greenhouse gas emissions	72
GRI 305	305-4	GHG emissions intensity	72
Compliance with environmental regulations [2016]			
GRI 307	307-1	Cash value of penalties and total number of non-financial sanctions for non-compliance with the law and/or regulations on environmental protection	67
Social topics			
Employment [2016]			
GRI 401	401-1	New employee hires and employee turnover	87-88, 170-171

GRI Standard number	Number of the indicator	Indicator	Page number
Occupational safety and health [2016]			
GRI 403	403-2	Rate for injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	94-95
Education and training [2016]			
GRI 404	404-1	Average number of hours of training per year per employee	97-98
GRI 404	404-2	Managerial skill development and continuing education programs supporting continuity of employment of employees and transition assistance programs	98-99
GRI 404	404-3	Percentage of employees receiving regular performance and career development reviews, by gender and employment category	98
Diversity and equal opportunity [2016]			
GRI 405	405-1	Composition of supervisory bodies and employees broken down into employee groups by gender, age and other diversity factors	138-140
Counteracting discrimination [2016]			
GRI 406	406-1	Incidents of discrimination and corrective actions taken	140
Marketing and labeling products and services [2016]			
GRI 417	417-1	Internal requirements for product and service information and labeling	53
GRI 417	417-2	Incidents of non-compliance with regulations and voluntary codes for product and service information labeling	52
GRI 417	417-3	Incidents of non-compliance with regulations and voluntary codes concerning marketing communications	52
Client privacy protection [2016]			
GRI 418	418-1	Substantiated complaints regarding breaches of client privacy and data loss	59

GRI Standard number	Number of the indicator	Indicator	Page number
Compliance with social and economic regulations [2016]			
GRI 419	419-1	Non-compliance with laws and regulations in the social and economic area	140, 146
Sector-specific aspect: local communities			
G4-FS13		Access points to sparsely populated areas that are less economically developed	53
G4-FS14		Initiatives undertaken to improve access to financial services for disfavored persons	53
G4-FS15		Policies for the fair design and sale of financial products and services	51
G4-FS16		Initiatives to enhance financial literacy by type of beneficiary	102

7.3 Table of compliance with the Accounting Act

Requirements of the Accounting Act regarding disclosure of nonfinancial data	Has the requirement of the Act been satisfied	Chapter
Description of the business model of the entity and key performance indicators	Yes	Chapter 1.2. Business model
Description of management of the risks identified as material	Yes	Chapter 6.1. Corporate governance and risk management, giving consideration to ESG factors
Description of due diligence policies and procedures and indicators associated with the activity of the entity with regard to counteracting corruption	Yes	Chapter 6.2. Preventing corruption and conflict of interest
Description of due diligence policies and procedures and indicators associated with the activity of the entity with regard to observing human rights	Yes	Chapter 6. Ethical conduct of business
Description of due diligence policies and procedures and indicators associated with topics important for relations with consumers/clients and quality	Yes	Chapter 2. Client at the center of attention
Description of due diligence policies and procedures and indicators associated with the activity of the entity with regard to employee issues	Yes	Chapter 4. Employee matters
Description of due diligence policies and procedures and indicators associated with the activity of the entity with regard to natural environment	Yes	Chapter 3. Our impact on the natural environment
Description of due diligence policies and procedures and indicators associated with the activity of the entity with regard to social issues	Yes	Chapter 5. PZU Group's social commitment

7.4 Taking into consideration guidelines on on reporting climate-related information

In 2019, the European Commission published Guidelines on non-financial reporting: Supplement on reporting climate-related information (2019/C 209/01) (European Commission Guidelines), which are expected to encourage enterprises to report in detail data on the impact of their business model on the climate. The European Commission Guidelines are not legally binding yet, but their application is already recommended by the European Securities and Markets Authority. Additionally, the Financial Stability Board has set up the Task Force on Climate-related Financial Disclosures (TCFD) which, through its activities, incentivizes financial institutions and non-financial enterprises to disclose information on climate-related risks and opportunities.

The PZU Group implements the European Commission guidelines on non-financial information, itemizing the reporting of climate-related data and further guidance for banks and insurance companies specified in Annex I and recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Analyses of the possibility of implementation of the guidelines and monitoring of legislative solutions on the EU and national level associated with sustainable financing are taken into account in the work conducted in 2020 on the update of the PZU Group strategy.

	Guidelines pertaining to disclosure of climate-related information	Chapter
Description of climate-related risks	<p>Process of identification and assessment of climate-related risks in the short- and long-term perspective and specification how the company defines the short- and long-term perspective.</p> <p>Key climate-related risks that the company has identified in the short- and long-term perspective in the entire value chain and all assumptions made as part of the risk identification process.</p> <p>The climate-related risk management process together with specification of who this process has been integrated with overall risk management in the organization.</p>	Chapter 6.1 Corporate governance and risk management, giving consideration to ESG factors
Non-financial performance indicators	Direct emissions Scope 1 and Scope 2, Selected GRI indicators	Chapter 3.2 Our direct environmental impact
Outcomes of policies and procedures	As above	Chapter 3.2 Our direct environmental impact

	Guidelines pertaining to disclosure of climate-related information	Chapter
Business Model	Description of the business model, impact of climate-related risks and opportunities on the business model, strategy and financial plans	Chapter 1.2. Business model Coping with the challenge of climate change Chapter 3. Our impact on the natural environment
	Positive and negative impact of the organization on the climate	Chapter 3.1 Our business in the face of climate change
	Climate scenarios: resilience of the company's business model and strategy considering the different climate-related scenarios	
Policies and due diligence processes	Description of the company's climate policies, including approach to mitigating climate changes or adaptation.	Chapter 3.2. Our direct environmental impact
	Climate-related objectives set by the company: all target greenhouse gas emissions and how they relate to national and international plans (in particular the Paris Agreement).	Letter from the CEO Coping with the challenge of climate change
	Role of the management staff in the process of risk assessment and climate risk management.	

7.5 Additional data

[GRI 102-8]

Total number of employees by gender (converted into FTEs):

	Number of employees					
	2018			2019		
	Women	Men	Total	Women	Men	Total
Total	28,573	13,169	41,742	27,712	13,330	41,042

Total number of employees by contract type (converted into FTEs):

	Number of employees					
	2018			2019		
	Women	Men	Total	Women	Men	Total
fixed-term	3,692	2,256	5,948	3,623	2,238	5,861
indefinite-term	24,881	10,913	35,794	24,089	11,092	35,181
Total	28,573	13,169	41,742	27,712	13,330	41,042

Total number of employees by age group (converted into FTEs):

	Number of employees					
	2018			2019		
	Women	Men	Total	Women	Men	Total
<30	3,736	2,172	5,908	3,579	2,128	5,707
30-50	17,962	8,646	26,608	17,911	8,922	26,833
>50	6,875	2,351	9,226	6,222	2,280	8,502
Total	28,573	13,169	41,742	27,712	13,330	41,042

Total number of employees by form of employment: full-time vs. part-time (converted into persons):

	Number of employees					
	2018			2019		
	Women	Men	Total	Women	Men	Total
full-time	24,505	10,923	35,428	23,381	10,937	34,318
part-time	7,360	4,241	11,601	7,360	4,623	11,983
Total	31,865	15,164	47,029	30,741	15,560	46,301

Total number of employees by employment structure (converted into persons):

	Number of employees					
	2018			2019		
	Women	Men	Total	Women	Men	Total
Management Board members	34	124	158	37	112	149
Managers	3,638	2,562	6,200	3,547	2,586	6,133
Others	28,434	12,669	41,103	27,772	12,927	40,699
Total	32,106	15,355	47,461	31,356	15,625	46,981

Total number of employees (converted into persons):

	Number of employees					
	2018			2019		
	Women	Men	Total	Women	Men	Total
Agents (insurance companies)	743	329	1,072	825	328	1,153
Employed on the basis of civil law agreements (work product and mandate agreement)	4,734	2,527	7,261	5,966	3,371	9,337
Employed under an internship agreement	22	13	35	88	79	167
Self-employed	466	511	977	1,018	512	1,530
Total	5,965	3,380	9,345	7,897	4,290	12,187

[GRI 401-1]

New employee hires by gender (converted into FTEs):

PZU						
Total number of employees by:	2018			2019		
	Number of employees	Number of new employee hires	Percentage of new employee hires	Number of employees	Number of new employee hires	Percentage of new employee hires
Women	4,235	625	14.8%	4,196	390	9.3%
Men	3,081	463	15.0%	3,068	287	9.4%
Total	7,316	1,088	14.9%	7,264	677	9.3%

PZU Życie						
Total number of employees by:	2018			2019		
	Number of employees	Number of new employee hires	Percentage of new employee hires	Number of employees	Number of new employee hires	Percentage of new employee hires
Women	2,106	318	15.1%	2,130	261	12.3%
Men	958	234	24.4%	1,005	167	16.6%
Total	3,064	552	18.0%	3,135	428	13.7%

Total number of newly-hired employees by age (converted into FTEs):

PZU						
Total number of employees by age:	2018			2019		
	Number of employees	Number of new employee hires	Percentage of new employee hires	Number of employees	Number of new employee hires	Percentage of new employee hires
<30	1,021	569	55.7%	975	313	32.1%
30-50	5,054	490	9.7%	5,052	348	6.9%
>50	1,241	29	2.3%	1,237	16	1.3%
Total	7,316	1,088	14.9%	7,264	677	9.3%

PZU Życie						
Total number of employees by age:	2018			2019		
	Number of employees	Number of new employee hires	Percentage of new employee hires	Number of employees	Number of new employee hires	Percentage of new employee hires
<30	386	201	52.1%	369	136	36.9%
30-50	2,185	329	15.1%	2,260	273	12.1%
>50	493	22	4.5%	506	19	3.8%
Total	3,064	552	18.0%	3,135	428	13.7%

Total number and rate of employee turnover by gender (converted into FTEs):

PZU						
Total number of employees by:	2018			2019		
	Number of employees	Turnover numbers	Turnover rates	Number of employees	Turnover numbers	Turnover rates
Women	4,235	413	9.75%	4,196	364	8.67%
Men	3,081	282	9.15%	3,068	251	8.18%
Total	7,316	695	9.50%	7,264	615	8.47%

PZU Życie						
Total number of employees by:	2018			2019		
	Number of employees	Turnover numbers	Turnover rates	Number of employees	Turnover numbers	Turnover rates
Women	2,106	233	11.06%	2,130	211	9.91%
Men	958	131	13.67%	1,005	108	10.75%
Total	3,064	364	11.88%	3,135	319	10.18%

Total number and rate of employee turnover by age groups (converted into FTEs):

Total number of employees by age:	PZU					
	2018			2019		
	Number of employees	Turnover numbers	Turnover rates	Number of employees	Turnover numbers	Turnover rates
<30	1,021	185	18.12%	975	149	15.28%
30-50	5,054	400	7.91%	5,052	341	6.75%
>50	1,241	110	8.86%	1,237	125	10.11%
Total	7,316	695	9.50%	7,264	615	8.47%

Total number of employees by age:	PZU Życie					
	2018			2019		
	Number of employees	Turnover numbers	Turnover rates	Number of employees	Turnover numbers	Turnover rates
<30	386	82	21.24%	369	63	17.07%
30-50	2,185	218	9.98%	2,260	201	8.89%
>50	493	64	12.98%	506	55	10.87%
Total	3,064	364	11.88%	3,135	319	10.18%

[GRI 405-1]

Composition of supervisory bodies and employees broken down into employee groups by gender, age and other diversity factors converted into FTEs

Employees by age category and diversity	Percentage of employees in each category in relation to the total number of employees in the given category in PZU			
	2018		2019	
	Women	Men	Women	Men
<30 years old	58.5%	41.5%	58.0%	42.0%
30-50 years old	59.8%	40.2%	59.6%	40.4%
>50 years old	49.6%	50.4%	49.9%	50.1%
Total by gender	57.9%	42.1%	57.8%	42.2%
Foreigners	0%	0%	0%	0%

Employees by age category and diversity	Percentage of employees in each category in relation to the total number of employees in the given category in PZU Życie			
	2018		2019	
	Women	Men	Women	Men
<30 years old	65.7%	34.3%	64.6%	35.4%
30-50 years old	68.2%	31.8%	67.6%	32.4%
>50 years old	73.6%	26.4%	72.0%	28.0%
Total by gender	68.7%	31.3%	68.0%	32.0%
Foreigners	0%	0%	0%	0%

Employees by employment structure	Percentage of employees in each category in relation to the total number of employees in PZU			
	2018		2019	
	Women	Men	Women	Men
Management positions	51.9%	48.1%	53.5%	46.5%
Other employees	59.0%	41.0%	58.5%	41.5%
Total by gender	57.9%	42.1%	57.8%	42.2%

Employees by employment structure	Percentage of employees in each category in relation to the total number of employees in PZU Życie			
	2018		2019	
	Women	Men	Women	Men
Management positions	56.3%	43.7%	54.3%	45.7%
Other employees	71.3%	28.7%	70.8%	29.2%
Total by gender	68.7%	31.3%	68.0%	32.0%

Report on non-financial information of the PZU Group and PZU SA for 2019 has 175 consecutively-numbered pages.

Percentage of employees in each category in relation to the total number of employees in PZU SA

Total number of employees by age:	2018			2019		
	<30 years old	30–50 years old	>50 years old	<30 years old	30–50 years old	>50 years old
Management positions	1.9%	83.0%	15.1%	2.1%	83.6%	14.3%
Other employees	16.4%	66.8%	16.8%	15.5%	67.6%	16.9%

Percentage of employees in each category in relation to the total number of employees in PZU Życie

Total number of employees by age:	2018			2019		
	<30 years old	30–50 years old	>50 years old	<30 years old	30–50 years old	>50 years old
Management positions	2.2%	83.1%	14.7%	2.0%	83.7%	14.3%
Other employees	15.4%	69.0%	15.6%	14.7%	69.5%	15.8%

Signatures of PZU Management Board Members

Paweł Surówka – President of the Management Board

Adam Brzozowski – Management Board Member

Marcin Eckert – Management Board Member

Elżbieta Häuser – Schöneich – Management Board Member

Tomasz Kulik – Management Board Member

Maciej Rapkiewicz – Management Board Member

Małgorzata Sadurska – Management Board Member

Warsaw, 11 March 2020