



Date of preparation: **14 July 2020**

Issuer's abbreviated name: PZU SA

**Current Report No. 27/2020**

Subject: **Information provided to a shareholder outside the Shareholder Meeting pursuant to Article 428 of the Commercial Company Code**

Legal basis: **Article 56(1)(2) of the Act on Offerings – current and periodic information**

Body of the report:

The Management Board of Powszechny Zakład Ubezpieczeń Spółka Akcyjna ("PZU SA", "Company") hereby presents the information that was provided today to a shareholder outside the Shareholder Meeting in response to the questions asked by the shareholder on 30 June 2020 pursuant to Article 428(6) of the Commercial Company Code.

**1. What is the management board's assessment of the changing business environment and policy changes implemented by the largest financial institutions, in particular the largest global reinsurance companies whose services have been used by PZU in the past, with regard to high-carbon sectors, in particular the Polish energy and coal mining sectors?**

PZU's cooperation with leading global reinsurance companies is based on both very good relations and long-term continuation of business solutions aimed at ensuring optimal reinsurance protection for the Company. Bearing in mind the existing long-term cooperation between PZU and reinsurance markets, decisions made by certain leading reinsurers to avoid exposure to high-carbon undertakings will have a limited impact on the Company's existing cooperation with them.

Certain markets have for a rather long time (since 2017-2018) communicated the introduction of the concept of an "anti-coal policy". The reinsurance market is not homogeneous, meaning that policy changes do not affect all markets to the same extent and in the same dimensions. PZU, for reasons having to do with the scale of its business and financial stability, may use the services offered by the reinsurance market to a very broad extent within the confines of applicable laws.

**2. To what extent have the decisions made by the largest global reinsurance companies affected PZU's access to reinsurance services for new coal projects and their costs for the PZU Group? Does PZU anticipate an increase in these costs in 2020 and 2021 due to the COVID19 pandemic?**

As regards new coal projects, access to reinsurance capacity in certain markets has become limited, which may affect the price level of coverage. However, it is currently difficult to anticipate the possible increase in costs in 2020 and 2021 due to the COVID19 pandemic, because other factors also affect prices on the global reinsurance market.

**3. In particular, in accordance with the legal analysis on the basis of which irregularities in the operation of a supervised entity involving a breach of the obligations imposed by Article 55(2b) in connection with Article 49b of the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2019, item 351, as amended) have been reported to the Polish Financial Supervision Authority (KNF), in particular pertaining to the fulfillment of the requirements specified in Article 49b(2)(5) and Article 49b(3) of the Accounting Act, resulting from failure by the PZU Group to include in its statement on non-financial information,**

**prepared for the Group and its parent company PZU, a description of the policies applied to with regard to issues related to the natural environment, in particular with the climate, and the outcomes of the application of these policies, a description of significant risks related to the operations of PZU Group members that may exert an unfavorable impact on the natural environment (especially in terms of climate change and the indirect impact of the PZU Group on their behavior), including risks related to the products offered by PZU Group members or their relations with the external environment, including counterparties, and a description of how these risks are managed, and, as a consequence, failure to provide reliable non-financial information to the extent necessary to assess the entity's development, performance and standing as well as the impact of the PZU Group's business on environmental protection issues, including indirect effects on climate change, I have a question for a representative of the Supervisory Board about his/her opinion on how the said deficiencies affect the assessment of the management board's report, the non-financial report and the preparation of the PZU Group in 2019 for the risk of faster energy and economic transformation toward low-emission solutions than that assumed in the scenarios assumed by the Polish government and by companies with a majority shareholding of the State Treasury that form part of the investment and loan portfolios of PZU Group members and are insured by PZU under TUW PZU?**

The non-financial report of the PZU Group and PZU SA for 2019 has been prepared in accordance with the applicable non-financial reporting requirements laid down in the said Accounting Act of 29 September 1994.

Moreover, the report follows the international reporting standard of the Global Reporting Initiative (GRI Standards), international integrated reporting guidelines (International Integrated Reporting Council, IIRC), and guidelines of the European Commission itemizing climate-related data and recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

As regards issues related to the natural environment, in its non-financial report for 2019 the PZU Group has published information on both direct and indirect impact it exerts on the environment. Also, this information is presented in accordance with EU guidelines pertaining to non-financial reporting, the Supplement concerning the reporting of climate-related information (2019/C209/01).

As at the date of the non-financial report for 2019, the following chapters:

- 1.5 Strategic challenges of the future – Coping with the challenge of climate change,
  - 3.1 Our business in the face of climate change,
  - 3.2 Our direct environmental impact,
  - 6.1 Corporate governance and risk management, giving consideration to ESG and climate factors,
- contain elements of the approach and practices we applied in these fields, including adaptation to climate change, analysis of the impact of environmental risks on the adopted risk management model and the impact of our business on the climate.

According to the information published in the report, the PZU Group plans to continue to develop its strategic approach to climate issues, which in the future will be reflected in our policies, in line with sectoral trends and the conditions prevailing in the Polish market and economy, including energy transformation.

At the same time, in accordance with the information provided to the shareholder on 26 May 2020 at the PZU SA Shareholder Meeting, advanced work is underway on such issues as Environmental Policy, Human Rights Policy and Sustainable Investment Policy. The PZU Group is acting in accordance with and upholds its commitments made in 2019 regarding the pursuit of direct zero emissions.

Significant activities with regard to issues related to the natural environment implemented in the PZU Group after the date of publication of the non-financial report for 2019 will be described in the non-financial report for 2020.

The PZU SA Supervisory Board has issued a positive assessment of the Management Board report on the

activity of the PZU Group and PZU SA for 2019 and the standalone and consolidated financial statements for the period from 1 January 2019 to 31 December 2019 in terms of their compliance with the ledgers, documents and facts. The audit of the financial statements was carried out based on information and details obtained during the work of the of the PZU SA Supervisory Board and the Audit Committee of the PZU SA Supervisory Board, including those provided by the PZU SA Management Board and the statutory auditor, KPMG Audyt sp. z o.o. sp.k., based on the powers prescribed by the generally applicable law and internal regulations.

- 4. PZU was the leader of the syndicate insuring the construction of the Ostrołęka C coal-fired power plant. This project will be abandoned. PZU also insures companies that extract more than 80% of hard coal and lignite in Poland as well as coal-fired power plants with the achievable capacity of more than 50% of that of Poland's national power system. Why is there no information in the management board's reports and the non-financial report for 2019 concerning PZU's role in insuring the coal mining sector in Poland? Does PZU consider its involvement in this sector to be of no significance for the shareholders of the PZU Group?**

Information on data related to insurance contracts is covered by insurance secrecy rules and is not published by the PZU Group.

The substantive content of the non-financial report for 2019 was defined in line with international guidelines. Based on the outcome of the analysis carried out at the stage of identification of key issues identified during the dialogue session with stakeholders, a survey conducted among stakeholders and internal workshops, 14 important topics from 6 areas of responsibility were defined. In line with the approach stemming from the principle of materiality, the various pieces of non-financial information were presented to the extent necessary to evaluate the development, performance and standing of the PZU Group.

- 5. PZU Życie is experiencing a rapid growth in Poland. At the same time, PZU is responsible for insuring most Polish coal mines and power plants through PZU TUW. The burning of coal from these mines (both hard coal and lignite) by households is one of the main causes of smog and the air quality in Poland that is among the worst across the EU. In turn, the burning of coal by coal-fired power plants contributes to the exacerbation of the frequency and intensity of extreme weather phenomena such as agricultural droughts, floods, intense and hurricane winds and fires. The largest global insurance companies say that a world in which the average global temperature increases by 4 degrees Celsius is non-insurable. In 2019, how did PZU manage the reputation risk arising from the fact that the Company simultaneously insures entities that are responsible for intensifying climate change and victims of extreme weather phenomena exacerbated by the involvement of the PZU Group in insuring companies and installations of the Polish coal mining sector on making investment decisions in 2019 based on the complete picture of risks associated with the activities of the PZU Group?**

During its analysis of key risks, the PZU Group takes into consideration both the financial and reputational impact of a potential event and also evaluates the likelihood of occurrence of the event in question. The outcomes of such evaluation are analyzed by the pertinent organizational units, and the situation on the corporate insurance market is monitored on an ongoing basis.

- 6. Article 56(1)(2) in conjunction with Article 61 of the Act of 29 July 2005 on Public Offerings and the Conditions for Offering Financial Instruments in an Organized Trading System and on Public Companies (consolidated text: Journal of Laws of 2019, item 623, as amended) requires public disclosure of current and periodic information in a manner that enables investors to assess the economic, asset and financial standing of the issuer. Due to the absence of disclosure of information related to climate change and its impact on the activities of PZU Group members, including in respect of the quantity and extent of property insurance contracts executed by PZU and other PZU Group members with entities whose business model is based on the mining or burning of fossil fuels, including hard coal and lignite, or an indication of whether such contracts carry any considerable insurance risk or what the risk appetite is in respect of such contracts, which prevents investors from making informed**

**decisions, bearing in mind the actual assessment of the economic standing of the PZU Group and PZU in light of the increasing costs and risks to the mining and energy businesses based on fossil fuels, a breach has been committed of the Act of 29 July 2005 on Public Offerings and the Conditions for Offering Financial Instruments in an Organized Trading System and on Public Companies. In the opinion of the PZU Management Board, did institutional and retail investors, in 2019, have sufficient information about the involvement of the PZU Group in insuring companies and installations of the Polish coal mining sector to make investment decisions in 2019 based on the complete picture of risks associated with the activities of the PZU Group?**

The PZU Group reports information in compliance with all applicable requirements, including by publishing current and periodic information in accordance with the applicable legal requirements, market practices and best practices of companies listed on the WSE. Our reports are verified by an independent auditor and our issuer reports contain all information required by the applicable laws, both as to its materiality and timing, which is necessary for market participants to make their investment decisions. The Management Board is conducting an ongoing dialogue with investors and analysts, including by holding regular quarterly performance conferences and participating in meetings and conferences for both retail investors and institutional investors.

In its non-financial report for 2019, the PZU Group referred to environmental issues and risk management aspects in consideration of ESG and climate factors in chapters 1.5, 3.1, 3.2 and 6.1. Year by year, the PZU Group's non-financial reports contain increasingly more information on direct and indirect impacts, which demonstrates that the PZU Group attaches great significance to environmental issues. At the same time, due to the elevated level of interest among investors in ESG issues observed this year, we will attempt to address these issues in our subsequent non-financial reports.

Please note that work is currently underway at the European level (consultations conducted by the European Commission) on the renewal of the sustainable funding strategy that will result in the creation of a roadmap with new actions aimed at intensifying private investment in sustainable projects and actions designed to support the various activities provided for in the European Green Deal as well as management and integration of climate and environmental risks for our financial system. Any legal changes in the form of updates to delegated acts of the European Commission will be implemented in accordance with the agreed schedules, if they are adopted.

Legal basis: § 19 Section 1 Item 12 of the Finance Minister's Regulation of 29 March 2018 on Current and Periodic Information Transmitted by Securities Issuers and the Conditions for Recognizing the Information Required by the Regulations of a Non-Member State as Equivalent.