

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

2020

Integrated report of the PZU Group and PZU SA in 2020
according to the IIRC guidelines and GRI standards



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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 2020 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 2020. The data from PZU Życie, the Alior Bank Group, the Pekao Group, LINK4, TUW PZUW and the foreign entities doing business as AAS Balta, AB Lietuvos Draudimas and PrJSC IC PZU Ukraine are consolidated and presented in the information pertaining to the PZU Group. In turn, Alior Bank and Bank Pekao as public interest entities have also elected to make separate disclosures concerning their non-financial data, also in consolidated form. The PZU Zdrowie Group in which PZU Zdrowie is the parent company, Armatura Kraków and PZU CO (CIG) are not public interest entities and 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 2019 for the aforementioned entities have been 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



POLICY



COVID-19

[UoR]

ACCOUNTING ACT REQUIREMENTS

[IIRC]

GUIDELINES FOR IIRC INTEGRATED REPORTING



INSURANCE



HEALTH



INVESTMENTS



BANKING



POLICY



COVID-19



Beata Kozłowska-Chyła
CEO of PZU

[GRI 102-14] Dear Stakeholders,

The PZU Group is the largest financial institution in Central and Eastern Europe. We employ approximately 40 thousand employees in five countries: in Poland, Ukraine, Lithuania, Latvia and Estonia who enable us to serve roughly 22 million clients. Together we are building profitability and generating the highest solvency ratios among European insurers. We measure our success not only in terms of financial results but also social commitment, actions to benefit the natural environment and sustainable development.

An additional responsibility is incumbent on PZU as a national economic champion of Poland and a State Treasury company. We were one of the first ones to get involved in the fight against the coronavirus pandemic which has been collecting its harvest across the world since early 2020. We have earmarked more than PLN 25 million for that purpose. On top of the money that made it possible to strengthen the health protection of Poles, we also got engaged ourselves in charitable assistance. Our employees disinterestedly devoted

almost 7 thousand hours to providing support to the needy and in this way they helped 11 thousand people.

Today, these figures should exert no smaller of an impression than the high level of gross written premium or the sound return on equity. For they evidence that as the PZU Group we have passed the most important examination in empathy and commitment to helping the needy.

When I joined the Management Board in March of 2020 Poland was just starting to live in conditions formed by the pandemic. I was cognizant that we would be facing demanding times full of unknowns in our business. Events in recent months have shown that by reacting quickly to the evolving market environment and efficiently managing the organization, we are continuing to grow by making advances, among other places, on the market for medical services that are particularly important during this difficult time of the pandemic.

Climate change is another challenge we must face. We are aware that the business decisions we make and our activity on the financial market may exert a direct and indirect impact on the natural environment. That is why we approach our business with great responsibility as demonstrated by the distinction awarded to PZU, which found itself on the podium in the Ranking of Responsible Companies 2020 in the banking, financial and insurance sector industry classification.

International resolutions also influence our approach to sustainable development. Care for the environment and stopping climate change have been emphasized in the Paris Agreement and in the UN Agenda setting Sustainable Development Goals (SDGs). Recently, the European Union has undertaken comprehensive steps to encourage a low-carbon economy and sustainable development, for instance by implementing the European Green Deal intended to ensure achievement of climate neutrality in EU countries by 2050.

These and other documents are a road sign for us to roll out changes in our organization, to enable us to act in favor of sustainable development while giving consideration to environmental, social and best-in-class governance standards. We are keen on making our organization a trusted partner along the path to building a green economy.

This report, which I convey to you with pleasure also proves that we are doing our utmost in this field. It has been drafted in accordance with best market practices while taking into account GRI, IIRC and European Commission guidelines on non-financial reporting, providing for the disclosure of detailed climate-related data. To provide all stakeholders with access to the most extensive amount of information about us, non-financial reporting is improving and being expanded every year.

I believe that in our role as the largest Polish insurer that sets trends for the overall financial sector, and as a significant employer on the market, we will contribute to creating the best-in-class standards in our sustainable development activities.

Respectfully,

Beata Kozłowska-Chyła, PhD Hab.,
President of the PZU Management Board, Supervisory Board
Chairwoman of Bank Pekao, Supervisory Board Chairwoman
of PZU Życie

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, enjoying the trust of 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. The PZU Group's consolidated assets total PLN 379 billion.



PZU heads up the Group, with its traditions dating back to 1803, when the first insurance company was established on Polish soil. The Company is listed on the Warsaw Stock Exchange. 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 a very strong capital position.

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

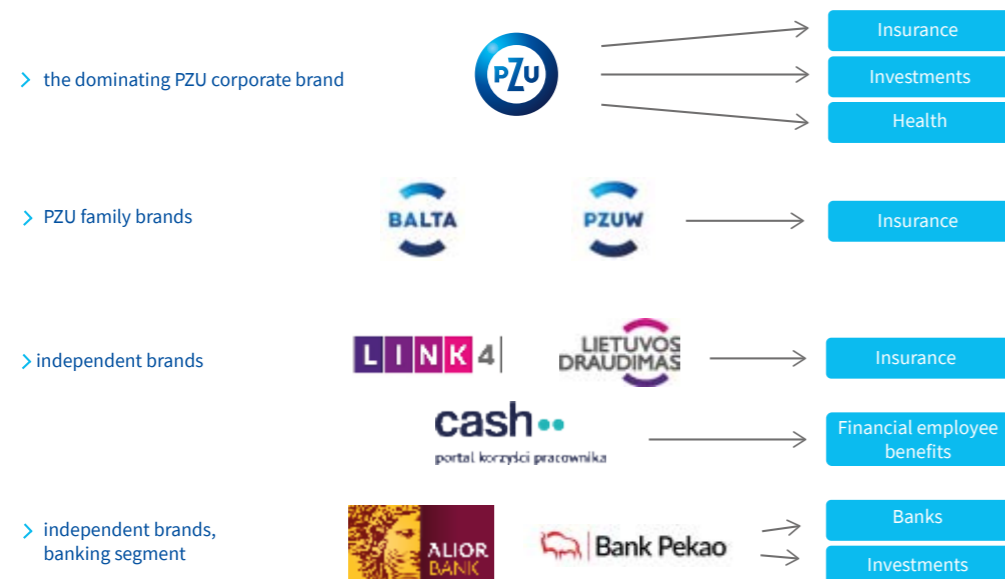


The dominant corporate brand within the Group is that of PZU. As many as 90% of all Poles recognize it spontaneously. Its aided recognition¹ is 100%². The PZU brand is used to identify the PZU Group, most of its companies operating on the Polish market (PZU, PZU Życie, PTE PZU, TFI PZU, PZU Pomoc, PZU 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.

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, 2020

Magnitude of operation and impact



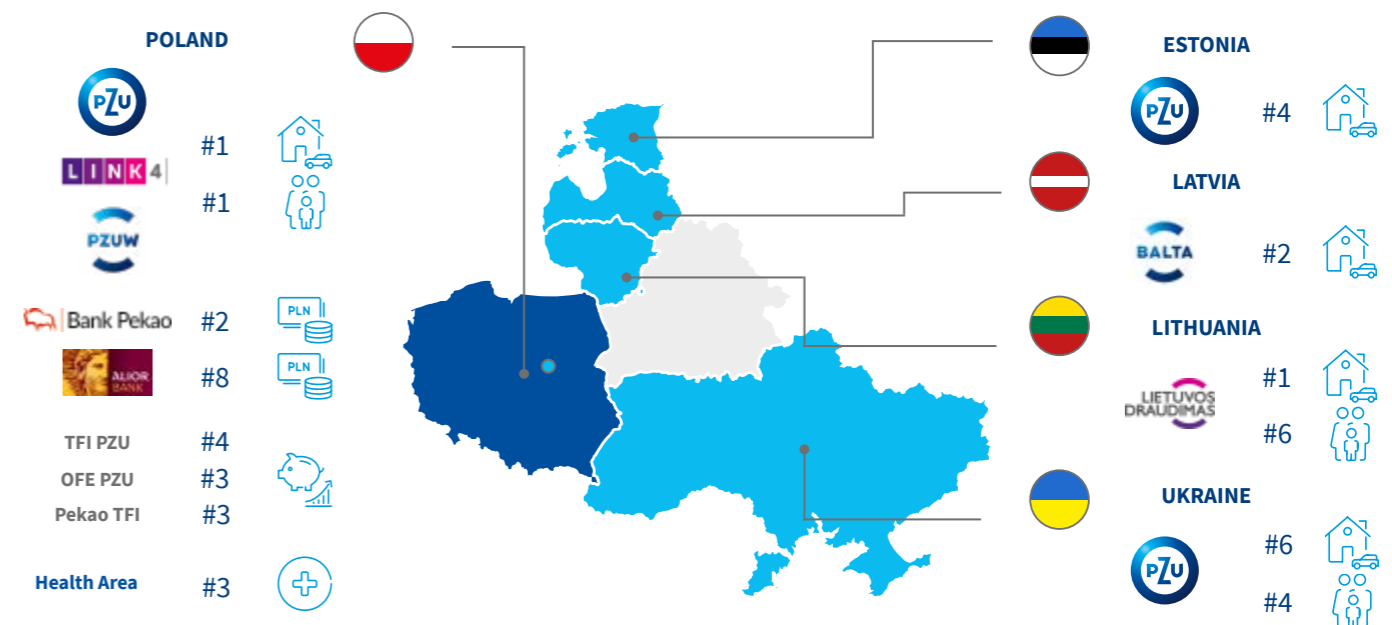
The last level of brand architecture is the independent brands group. This category includes the brands whose names and graphic identification differ from the corporate brand, such as LINK4.

the name of PZU Cash, managing a website offering financial employee benefits.

The independent brands that joined the PZU Group in 2015 and 2017 are Alior Bank and Bank Pekao, respectively.

In 2020, in addition the Cash brand joined the PZU Group's architecture. It denotes a company doing business under

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



- Non-life insurance
- Life insurance
- Market position by assets under management
- Market position by assets
- Market position by revenues
- PZU Headquarters: Warsaw, al. Jana Pawła II 24

- LITHUANIA (Lietuvos Draudimas AB also has a branch in Estonia)**
- Non-life insurance: Lietuvos Draudimas AB
 - Life insurance: UAB PZU Lietuva Gyvybes Draudimas

- LATVIA**
- Non-life insurance: Apdrošināšanas Akciju Sabiedrība Balta

- POLAND**
- Non-life insurance:
 - Powszechny Zakład Ubezpieczeń SA (PZU)
 - LINK4 Towarzystwo Ubezpieczeń SA (LINK4)
 - Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych (TUW PZUW)
 - Life insurance: Powszechny Zakład Ubezpieczeń na Życie SA (PZU Życie)
 - Medical services: PZU Zdrowie Group
 - Banking services: Bank Pekao and Pekao Bank Hipoteczny, Alior Bank
 - Management of pension funds: Powszechnie Towarzystwo Emerytalne PZU SA (PTE PZU)
 - Creation, representing and management of mutual funds:
 - Towarzystwo Funduszy Inwestycyjnych PZU SA (TFI PZU)
 - Pekao TFI
 - Alior TFI
 - Financial employee benefits: PZU Cash

- UKRAINE**
- Non-life insurance: PrJSC IC PZU Ukraine
 - Life insurance: PrJSC IC PZU Ukraine Life Insurance



AWARDS:

Business:

PZU: Trustworthy Brand



PZU Życie: Super Ethical Company



TFI PZU: "TFI of the Year" in the ranking published by Gazeta Giełdy i Inwestorów "Parkiet"



TFI PZU: Two "Alfa" awards from the Analizy Online service given to PZU Obligacji Krótkoterminowych and PZU Dłużny Aktywny



Business:

Bank Pekao: The best offer of mortgage loan in „Złoty Bankier” competition



Innovations:

PZU Zdrowie: Golden OTIS Trust Award 2020 for its Virtual Clinic



PZU: Celent Model Insurer 2020 in the Data, Analytics, and AI category



PZU: Master of Innovative Transformation, special distinction in a contest organized by the ICAN Institute and the MIT Sloan Management Review Poland



LINK4: Client's Golden Laurel in 2020 in the motor insurance category



LINK4: Client's Silver Laurel in 2020 in the residential insurance category



Alior: First place in the cash loan category and distinction in the safe bank category: best practices awarded in the Golden Banker plebiscite



Alior: Invest Cuffs, Kantor Online 2019



PZU: Innovation Eagle awarded by the Rzeczpospolita daily in the category of Innovative Solutions mitigating the effects of the COVID-19 pandemic



Pekao Direct: Bronze medal in the Stevie Awards for Sales & Customer Service in the category Best use of technology in sales



Pekao Direct: Main prize in the European Customer Centricity Awards in the category Best omnichannel experience



CSR:

PZU Zdrowie: Wprost Business Leader for its health protection activities



Alior: Best Team supporting the Contact Center



Alior: Second place in the Bankier.pl ranking for the least expensive brokerage account



Alior: Forbes- Bank Przyjazny Firmie (first place)



Alior: Newsweek's Friendly Bank of 2020 in traditional banking and remote banking



HR:

PZU: Distinction in the Internet campaign category in the Employer Branding Excellence Awards 2020



LINK4: Best Quality Employer 2020



Pekao: Special prize Friendly Workplace 2020



Pekao: Top Employers 2020



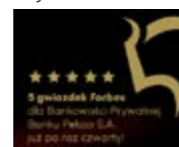
Pekao: Best Investment Bank in Poland and CEE



Pekao: Best bank for transactional banking and treasury products



Pekao: Five stars in the rating of Private Banking services awarded by the Forbes monthly



Pekao: Best Bank in the category of large commercial banks in the Gazeta Bankowa competition



Lietuvos Draudimas: Third place for the best COVID-19 internal communication campaign in the PR Impact Award 2020 contest

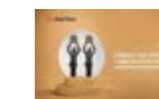


AAS Balta: Best employer 2020 in the Baltic States according to Kincentric



Marketing:

Pekao: Best Bank Advertising Spot in the Golden Bankier ranking



IR:

PZU: The Best Annual Report 2019 - The Best of the Best" (a second time)



Awards and distinctions in 2020

Digitization to serve the client better

The COVID-19 Band of Life is a small electronic device which monitors the basic vital parameters of patients and alerts medical personnel of any emergencies. It won the special award of the Rzeczpospolita daily called Innovation Eagles in the category of Innovative Solutions Mitigating the Effects of the COVID-19 Pandemic. The contest jury appreciated the quick adaptation of the already operational project to the new conditions.

The PZU project team responsible for the deployment of artificial intelligence in the handling of motor claims received a special distinction in a contest organized by the ICAN Institute and the MIT Sloan Management Review Poland. It was awarded the Master of Innovative Transformation title.

In the international contest held by the global consulting firm Celent, a provider of analytical services for the financial services market, PZU was also awarded the Celent Model Insurer 2020 title in the Data, Analytics and AI category. The project was recognized for the pioneering deployment of artificial intelligence in motor claims handling.

PZU Zdrowie received the Golden OTIS Trust Award 2020 for its execution of the first electronic health care project in Poland, called the Virtual Clinic. Owing to the roll-out of its telemedicine solution, patients may receive medical assistance remotely, anytime and anywhere.

HR

PZU's campaign dubbed "Practical knowledge makes sense" was awarded in the Employer Branding Excellence Awards 2020 contest in the Online Campaign category.

The National Certification Board awarded LINK4 with the Best Quality Employer title, which is a distinction for companies applying the market's best practices in the HR area. The contest jury recognized the abundant training offer and the opportunity for employees to acquire knowledge and skills useful in a variety of positions.

For the third time, LINK4 was awarded the Investor in Human Capital award as confirmation of a high degree of satisfaction among its staff and a high level of employee engagement.

Bank Pekao received a special award in the third edition of the Friendly Workplace 2020 program. The program awards

enterprises that value and support the work-life balance model, craft a healthy and friendly work environment, focus on open and partnership-based relations with employees, and invest in the development of the professional competences and interests of their staff. The bank scored 24 points on a 1-25 scale, ranking it among the best employers in Poland.

Business

For the third consecutive time, PZU Życie became a laureate of the Ethical Company contest and obtained the title of Super Ethical Company, joining PZU, which has held the same title since 2018. Both companies now belong to the selected group of organizations awarded for their best compliance systems adopted by entities operating on the Polish market. The Ethical Company 2020 contest was held by the editors of the Puls Biznesu daily with the participation of the law firm PwC Legal as its content partner.

In 2020, LINK4's motor insurance products were again ranked first in the Client Laurel contest, having been selected as top products by 33% participants, up 3 p.p. from the year before, and were awarded the 2020 Golden Client Laurel. The contest also recognized LINK4 home insurance policies, which were awarded the Silver Laurel 2020 based on a vote by clients. The Laurel is a nationwide annual competition that selects the most recognizable and most frequently recommended products and brands in their categories.

PZU Zdrowie ranked third in the Top Brand contest held by the Press Magazine in the healthcare category with highest publication sentiment index in the industry.

The COVID-19 insurance in the LINK4 Mama bundle was awarded the Debut of the Year title in the Consumer Quality Leader contest. The contest jury recognized the broad range of the company's offering, enabling the insurance cover to encompass a large variety of events, even those least predictable.

PZU CO was ranked first in the "Best service in remote channels" category in the "Institution of the Year" contest.

Towarzystwo Funduszy Inwestycyjnych PZU was awarded the title of the Mutual Fund Management Company of the Year. The "Parkiet" Daily Paper for Stock Market Participants and Investors recognized TFI PZU for the development of the inPZU investment platform and excellent performance of its debt funds. Two of them, namely PZU Papierów Dłużnych POLONEZ

and PZU Dłużny Rynków Wschodzących, were awarded the Golden Portfolios statuettes for their high rates of return, value of assets and stable performance.

TFI PZU was recognized by the independent analytical firm Anality Online with two prestigious ALFA 2019 statuettes. PZU Obligacji Krótkoterminowych and PZU Dłużny Aktywny were the highest-rated funds in the Best Debt Fund category owing to the above-average rates of return they generated for their investors in 2019.

TFI PZU was also awarded the Teraz Polska emblem. The contest jury recognized the company's attractive offering, among other aspects of its business.

Alior Bank obtained four awards, including three first places, in the Golden Handset and Telemarketer of the Year contests. In the Golden Handset contest, it ranked first in the Best Contact Center Support Team category. In the Telemarketer of the Year contest, it came first in the Help Desk and Outbound Sales categories in recognition of its outstanding customer service.

Alior Bank won the third place in the „Institution of the Year 2019” ranking in The Best Service Quality at the Outlet, The Best Remote Account Opening Process, The Best Internet Banking and The Best Mobile Application categories.

Bank Pekao was recognized in 2020 by the Global Finance Magazine, from which it received prestigious awards, including, for the first time ever, for being:

- the best investment bank in Central and Eastern Europe;
- the best bank for transactional banking and treasury products.

Other awards:

- first place in Poland in trade finance for 2021;
- best private banking in Poland in the Private Bank Awards 2021 ranking;
- best custodian bank in Poland;
- best investment bank in Poland.

Social impact

The Wprost weekly journal recognized PZU Zdrowie for its social engagement and awarded it a distinction for activities aimed at protecting the health of Polish citizens during the pandemic in 2020. The jury of the Business Champions contents recognized the company, among other aspects, for its educational campaign that provided reliable information about the COVID-19 and provided tangible support during this tough period.

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.”

Jan Grzegorz Prądyński, President of the Management Board of the Polish Insurance Association

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



[G4-FS14] Among all the Polish insurers the PZU Group offers its clients the largest sales and service network. It has 410 branches across the country, 10 thousand tied agents and agencies, over 3.2 thousand multiagencies, and nearly 1.1 thousand 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 standing out from the competition.



The PZU Group's clients in Poland have access to Bank Pekao's distribution network (713 branches, including 513 branches adopted to the needs of disabled clients) and Alior Bank's distribution network (674 branches, including 180 traditional branches, 7 Private Banking branches, 13 Corporate Banking Centers and 474 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. As at yearend 2020, the PZU Group collected PLN 1.7 billion in additional written premium from collaboration with these banks.



In the Baltic States, PZU's distribution network consists of over 700 agents, 18 multiagencies and 400 brokers. The Group also cooperates with 7 banks and 42 strategic partners. In Ukraine, insurance products are distributed through approximately 400 agents and in cooperation with over 20 multiagencies, nearly 40 brokers, 9 banks and 2 strategic partners.



In addition, in health the PZU Group cooperates with approx. 2,200 partner centers in nearly 600 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



For several years, PZU Zdrowie has been gradually expanding the scale of its business. In 2020, the following transactions were finalized within the PZU Zdrowie Group:

- merger of Specjalistyczna Przychodnia Przemysłowa "PROF-MED" with Centrum Medyczne Medica;
- merger of Alergo-Med with PZU Zdrowie;
- merger of Bonus-Diagnosta with Asklepios Diagnostyka;
- merger of FCM Zdrowie with PZU Zdrowie.



PZU Zdrowie also acquired a minority stake in Centrum Medyczne Gamma sp. z o.o., making it the sole owner of the target company.

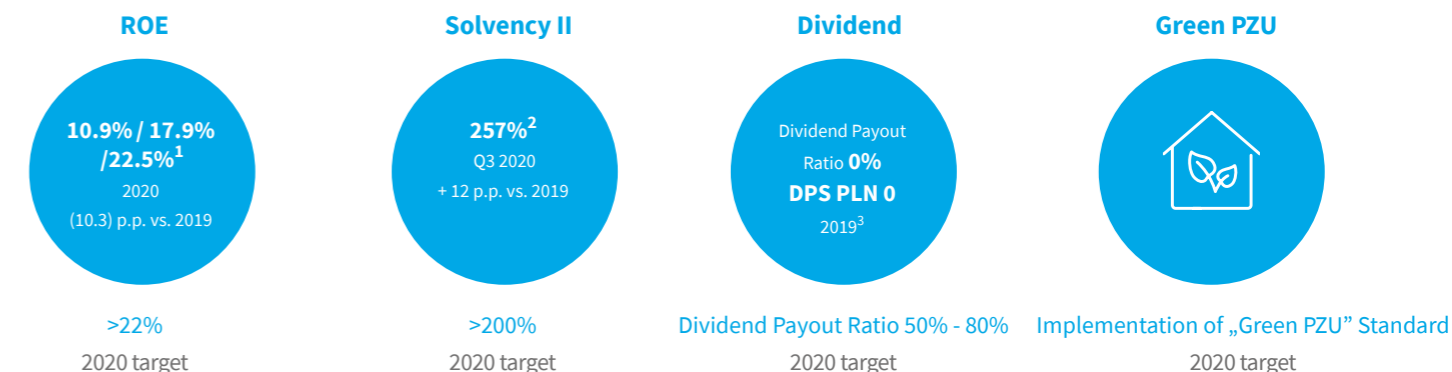
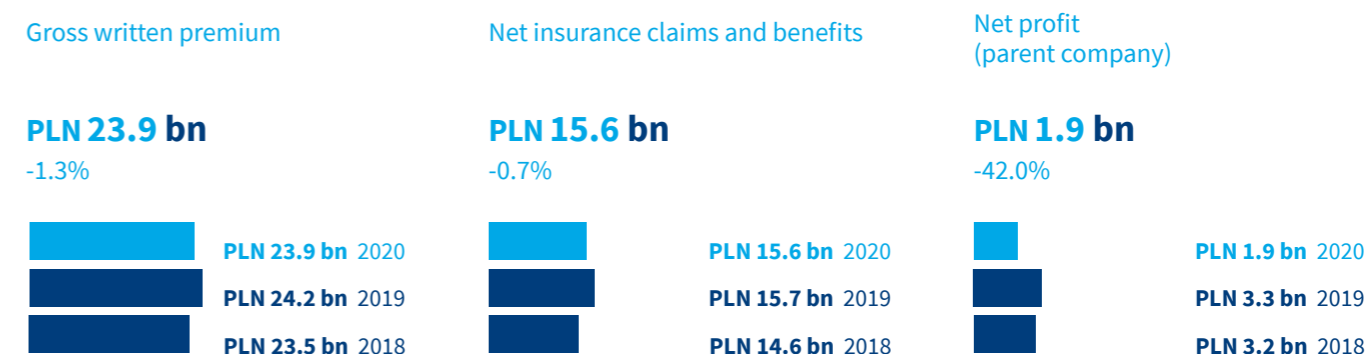
In 2020, one of the most state-of-the-art facilities of the PZU Zdrowie network was opened: the PZU Zdrowie Warsaw Chmielna Medical Center. A number of innovative solutions in patient care have been adopted in the facility, including electronic StethoMe stethoscopes or a painless safe blood test using the AccuVein vein illuminator. An unquestionable advantage of the facility is also its excellent location in downtown Warsaw, near the Central Railway Station, at the intersection of the city's key thoroughfares. Moreover, Tomma Diagnostyka Obrazowa centers were opened in Wrocław and Częstochowa.



Also, during the COVID-19 pandemic, all of the Group's own facilities were kept open, while remote consultation services were being developed. A Telemedicine Center was launched along with telemedicine solutions in over 20 own existing centers.

1.1 PZU Group's financial effectiveness

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



¹ ROE reported / profit and equity adjusted for the impairment loss on assets related to banks acquisitions in the amount of PLN 1,343 million / profit and equity adjusted for the impact of COVID-19, additionally, equity adjusted by PLN 2,636 million (80% of the consolidated profit for 2019, which was not paid in the form of dividends)

² Data not audited or reviewed by a statutory auditor

³ KNF (the regulatory authority) expected that in 2020 insurance companies retain the entirety of profit earned in previous years. That stance the KNF expressed on 26 March 2020 in a letter sent to insurance and reinsurance companies indicated the situation involving the epidemic announced in Poland and its possible further adverse economic consequences as well as expected adverse impact on the insurance sector

Dividend payout ratio and dividend per share (DPS) for the preceding 3 years were as follows: 62.5%, PLN 1.40 (2016); 74.6%, PLN 2.50 (2017); 75.3%, PLN 2.80 (2018).

Direct economic value generated and shared (data in PLN million)	2019	2020
Revenue	40,061	37,102
Operating expenses, excluding payroll, levy on financial institutions and community investments	(26,550)	(26,069)
Total payroll and employee benefit expenses	(5,252)	(5,366)
Income tax	(1,844)	(1,841)
Levy on financial institutions	(1,134)	(1,203)
Voluntary investments in the broader community	(96)	(93)
Dividends paid to all shareholders	(3,804)	-
Retained economic value	1,381	2,530

The retained value presented herein is the amount remaining after the distribution of the generated economic value among the company's stakeholders. This amount is not the same as the net profit disclosed in the profit and loss account, because it also takes into account the dividends (as distributed economic value).



„The PZU Group is successfully building its profitability in the challenging situation caused by the COVID-19 pandemic and in the existing environment of low interest rates. It also attains some of the highest solvency ratios among European insurers. We are a dividend company and we intend to honor the obligations we have vis-à-vis our shareholders, consisting of delivering above-average rates of return and an attractive stream of dividends to them.”

Beata Kozłowska-Chyła, PhD Hab., President of the PZU Management Board

BEST PRACTICE

Own risk and solvency assessment process (ORSA)

This is an integral part of our financial planning. 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 the “Policy of own risk and solvency assessment”.



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



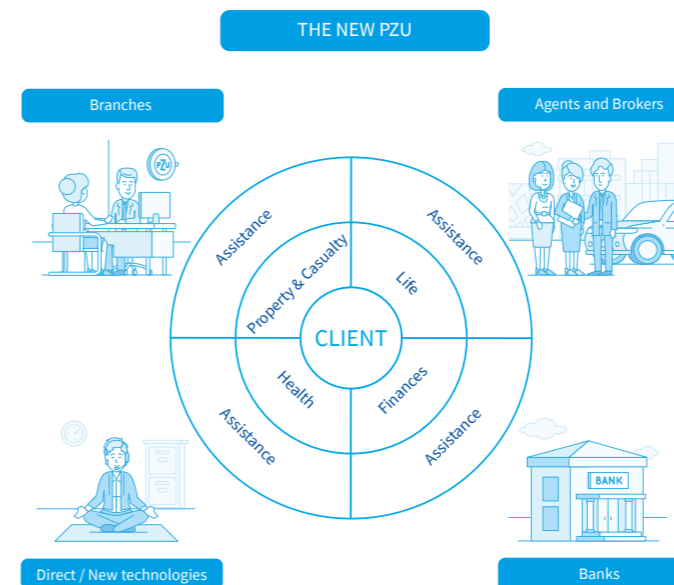
The PZU Group endeavors to manage capital effectively and maximize the rate of return on equity for the parent company’s shareholders, in particular by maintaining the level of security and retaining capital resources for strategic growth objectives through acquisitions. Moreover, when it recommends 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 Communique 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 Office of the Prime Minister regarding companies in which the State Treasury has an equity stake that draw up financial statements for 2020”.

According to the guidelines given by the Office 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.

1.2 Business model [Accounting Act] [IIRC]

The PZU Group’s operating model brings together all of the Group’s activities and integrates them in a client-focused manner: life insurance, non-life insurance, health insurance, investments, pensions, health care, banking and assistance services. This drives the gradual transformation of insurers from focusing primarily on valuation and transfer of risk toward being an advisory and service company utilizing the technological know-how. An operating model has been created in which the core is client knowledge and the skill of building long-term relations. Thanks to that a high quality and large volume of interactions with the client will be achieved. The transformation in the direction of an advisory and service company will make it possible to care for the future of both retail and business clients and satisfy their needs comprehensively when it comes to life, health and property insurance as well as savings and finance.



In connection with the PZU Group’s development, it was 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, in particular:

- Beata Kozłowska-Chyła, President of the PZU Management Board, is also the Chairwoman of the Bank Pekao Supervisory Board;
- Aleksandra Agatowska, President of the PZU Życie Management Board and PZU Group Director, is also the Chairwoman of the Alior Bank Supervisory Board.

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, 30 subsidiaries currently cooperate with each other in a number of areas, including: procurement, risk management, IT management, internal audit, strategy and project management, marketing and PZU brand management, legal advisory and assistance services, security management, HR management, corporate communication, tax policy, corporate governance, 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:

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

Due to the distinctive nature of banking operations, 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 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. Chinese walls are to ensure the separation of the flow of information obtained from banks by PZU, in order to preserve legally protected information, including information constituting banking secrecy. It is also 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, it was necessary 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 PZU 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 six 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 unrenovable natural resources (including water, minerals and air as well as biodiversity and the protection of ecosystems) 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.

Financial

- PLN 378,974 million – consolidated asset (vs PLN 343,340 million in 2019)
- PLN 18,777 million – parent company's equity (vs PLN 16,169 million in 2019)
- PLN 6,679 million – Group's bonds (subordinated liabilities) (PLN 6,700 million in 2019)
- PLN 241,061 million – bank deposits from clients (PLN 217,831 million in 2019)
- PLN 23,866 million – gross written premium (life insurance and non-life insurance) (PLN 24,191 million in 2019)
- PLN 9.1 billion – gross written premium on motor insurance (PLN 9.7 billion in 2019)
- PLN 5.9 billion – gross written premium on non-life insurance other than motor insurance (PLN 5.8 billion in 2019)
- PLN 7.0 billion – gross written premium on group and individually continued life insurance (PLN 7.0 billion in 2019)

Products and distribution

Broadest offer of insurance, investment and banking products in Poland

- 4.9 thousand hotline employees (PZU, PZU Zdrowie, LINK4, Alior Bank, Bank Pekao) (4.8 thousand in 2019)
- ~27 main products with possible customization of the offer and a broad portfolio of medical services offered by PZU Zdrowie (~25 in 2019)
- 130 own medical centers (130 in 2019) and approx. 2,200 medical centers collaborating as part of PZU Zdrowie's network (over 2,200 in 2019)
- 410 PZU branches (410 in 2019), 713 Bank Pekao branches (805 in 2019) and 674 Alior Bank branches (820 in 2019)
- 10 thousand tied agents and agencies (10 thousand in 2019)

HR

- 39,857 PZU Group employees converted into FTEs (40,660 in 2019)
- 67% women and 33% men (68% and 32% in 2019)
- 14% employed in management positions, 86% employed in other positions (13% and 87% in 2019)
- 83 persons employed in the Group's innovation centers (76 in 2019)

Intellectual

- 911 thousand training hours throughout the PZU Group (967 thousand in 2019)
- 22.9 h of training per year per PZU Group employee (23.2 h in 2019)
- More than PLN 210 million of investments (financial expenditures) throughout the Group for technological projects aimed at boosting innovation (more than PLN 271 million in 2019)
- 6 innovation centers (PZU Innovation Laboratory, PZU LAB, LINK4 Business and Innovation Development Division, Alior Bank Design and RBL Innovations Department, Alior Bank FinTech and E-commerce Technology Department, Bank Pekao Innovation Laboratory)
- 38% of ongoing projects involved technological changes at PZU and PZU Życie (38% in 2019)

Natural

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).

Social relations

- PLN 46.5 million allocated to prevention activities by PZU, PZU Życie and TUW PZUW (PLN 51.8 million in 2019)
- PLN 9.6 million allocated to sponsorship activities by PZU and PZU Życie (PLN 11.2 million in 2019)
- PLN 20.7 million allocated by PZU and PZU Życie to endeavors of the PZU Foundation (PLN 20.7 million in 2019)
- 407 PZU volunteers (1,170 in 2019), 826 Pekao volunteers (880 in 2019) and 1,166 Alior Bank volunteers (559 in 2019)

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.

We focus on client needs

We leverage new technological solutions

We share knowledge

We offer products addressing environmental challenges (including natural disasters)

We strengthen prevention, we build social awareness around new risks

- Presence at every stage of a client's life
- Grow product accessibility in the online channel
- All client knowledge available in a single venue
- Multichannel approach to handling client affairs

[More information in section 2. Client at the center of attention and 2.1 Innovations]

- mojePZU – option to buy products and service in the online channel
- PZU GO – utilizing telematics in motor insurance
- Data Lab – utilizing Big Data in business processes
- Artificial intelligence (AI) in claims handling

[More information in section 4.4. Knowledge sharing]

- Group's "Green PZU" standard
- Environmental guarantee
- PLN 161.1 million in claims paid to farmers as a result of natural disasters in 2020 (PLN 85.3 million in 2019)
- Participation in the dialogue on sustainable finance as part of a task force of the Polish Insurance Association and partnership under the global UNEPFI Program

[More information in section 3. Our impact on the natural environment and 1.5 Coping with the challenge of climate change]

- Through the operations of the PZU Foundation we concentrate on the following areas:
 - health and social assistance
 - safety
 - education
- Activities in the area of culture and history

[More information in section 5. The PZU Group's social commitment]

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.

Clients

- PLN 6,493 million of claims and benefits paid in life insurance (PLN 6,102 million in 2019)
- PLN 7,480 million of claims and benefits paid in non-life insurance (PLN 7,925 million in 2019)
- PLN 110.2 billion of bank loans granted to natural persons (PLN 105.9 billion in 2019)
- PLN 87.1 billion of bank loans granted to corporations (PLN 89.0 billion in 2019)
- PLN 10.3 million clients of PZU Życie (10.7 million in 2019)
- PLN 137 billion - sum of sums insured for MOD insurance on vehicles (PLN 138 billion in 2019)
- PLN 1,911 billion - sum of sums insured for buildings against damage caused by natural disasters (PLN 1,814 billion in 2019)
- 147 thousand doctor consultations arranged monthly by PZU Zdrowie (122 thousand in 2019)
- 86% of PZU clients satisfied with the claims and benefits handling process (85% in 2019)
- 22.2% NPS (net promoter score) for PZU and PZU Życie (18.7% in 2018)
- 98.5%, 98.6%, 74.2%, 71.4% - complaints handling timeliness ratio for the PZU and PZU Życie, PZU Zdrowie Group, Alior Group and Pekao Group, respectively (98.0%, 97.7%, 91.5%, 77.2% in 2019)

Investors and shareholders

- 22.5%* return on equity for shareholders of the parent company (21.2% in 2019)
- PLN 0 of dividend paid from PZU (PLN 2,418 million in 2019), PLN 0 from Pekao (PLN 1,732 million in 2019)
- PLN 4,058 million of the Group's operating profit (PLN 7,084 million in 2019)
- PLN 2,530 million of consolidated net profit (PLN 5,185 million in 2019)
- Insurance: 88.4% of profitability of non-life insurance in Poland – COR (88.4% in 2019)
- Insurance: 19.7% of operating margin in group and individually continued insurance (21.3% in 2019)
- Banking: PLN 5,174 million (of investment gains net of interest expenses (PLN 7,216 million in 2019)
- Banking: PLN 3,008 million of net fee and commission income (PLN 3,146 million in 2019)
- High level of security: Solvency II ratio for the PZU Group at 257% of after Q3 2020 (245% in 2019)
- A-/stable 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

Employees and agents

- 7.2% of PZU and PZU Życie employee turnover (9.0% in 2019)
- 7.5% and 5.5% of internal vertical promotions for women and men, respectively, at PZU and PZU Życie (9.9% and 8.5% in 2019)
- 84.6% of employees of employees covered by additional medical insurance Opieka Medyczna funded by PZU (84.3% in 2019)
- 83.7% of PZU and PZU Życie employees covered by the company's Employee Pension Scheme (EPS) (86.2% in 2019)
- 549 agents in the Elite Agent Club (573 in 2019)
- 1,034 PZU Sport Team members (1,052 in 2019)

Social environment

- 139 initiatives pursued by the PZU Foundation to promote art and culture (187 in 2019)
- 4.6 million visitors (physically) and 9.6 million visitors (online) to cultural institutions supported by PZU (7.8 million in 2019 - physically)
- 6,029 persons to whom support was provided under the PZU Foundation's grant contests (6,070 in 2019)
- 455 persons in a difficult situation who received subsidies for rehabilitation, purchasing medications and rehabilitation equipment from the PZU Foundation (385 in 2019)
- 173,808 hours worked by volunteer rescuers under cooperation with the Voluntary Mountain Rescue Service (GOPR) (214,514 hours in 2019)
- 12,264 beneficiaries aided by PZU employees through voluntary work (175,823** in 2019)

Central administration

- PLN 1,841 million of current income tax paid on the PZU Group's consolidated earnings (PLN 1,844 million in 2019)
- PLN 1,203 million of levy on financial institutions (PLN 1,134 million in 2019)
- Financing the state budget's borrowing needs: PLN 99.3 billion – value of Treasury Securities in the portfolio of PZU Group companies (PLN 68.6 billion in 2019)

* Value adjusted for the impact of COVID-19 on the group's results and a dividend of 80% of the PZU Group's consolidated net profit, which was not paid in the form of dividends in 2020 and contributed to equity

** The number of beneficiaries includes 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) - “The 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 [Accounting Act]

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

The PZU Group runs its operations while adhering to the principles of ethics and responsible business conduct. Growth in the PZU Group’s value is pursued in consideration of the expectations and needs of the environment and a reasonable use of resources. The firm strives to manage many types of capital – financial, human, environmental and social – in a responsible and sustainable manner.



2020 was the last year when the Company pursued the “Corporate social responsibility strategy of the PZU Group for 2018–2020”. The strategy was the first document to organize key CSR activities at the management level. It

defined ambitions, directions of activities and initiatives in reference to business and social challenges. The CSR strategy comprises issues related to clients, employees, environmental impact, risk management, social involvement and relationships with suppliers. Initiatives and indicators defined

in detail in the strategy enable us to enhance our operating standards steadily across the spectrum of sustainable development, which is reflected in building value for the PZU Group’s stakeholders.

2020 brought a number of new challenges that were extremely hard to predict at the time of preparation of the document. The organization took various steps to align the strategic assumptions with the new reality. Despite the numerous changes in the business environment, the primary assumption of the CSR strategy remains valid: “We care about the future to help our clients”.

In this year’s report, the PZU Group summarizes the CSR strategy in its entirety, presenting the level of attainment of its objectives and describing the key initiatives pursued in respect of each commitment.

Commitments enshrined in the PZU Group’s CSR Strategy – objectives, 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 culture of ethics and compliance



We manage our environmental impact with a sense of awareness

We respond to the needs of our clients

The PZU Group endeavors to be a stable and trustworthy partner for its clients. To this end, it builds long-term relationships with them and responds to their changing 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.

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

Objective for 2020	
– NPS (satisfaction) indicator for retail clients in insurance > competition	
Execution 2020: 22.2% by 6 p.p. > competition	<input checked="" type="checkbox"/>
– indicator concerning the timeliness of examining complaints	
95% up to 28 days	
Execution 2020 98.05%	<input checked="" type="checkbox"/>

Clients were once again inclined to recommend PZU to a greater extent in 2020 in comparison to the competition. Its NPS (Net Promoter Score) was 6 p.p. higher than the competition’s. This score is to a large extent the outcome of actions taken after client satisfaction studies enabling us to identify the organization’s strengths and areas in need of modification and improvement.

The set objective was successfully pursued from the launch date of the new CSR strategy for 2018–2020. The NPS achieved in both 2018 and 2019 was significantly higher than the competition’s.

Since the launch of the independent market ranking “Institution of the Year”, PZU has been ranked first among insurers in the “Quality of service in the outlet” and “Quality in remote contact channels” categories. These achievements confirm that the customer service standards adopted by the organization are fitting and have gained the highest recognition. Another outstanding achievement of 2020 was

also the first place in the category announced on the occasion of the 5th anniversary of the contest: “Best Insurer”.

In 2020, PZU also endeavored to deliver top performance in terms of the timely handling of complaints. The share of complaints handled within 28 days kept increasing gradually to over 98%, which meant that the goals set in the strategy were exceeded. Half the number of complaints were handled within 14 days of being reported.

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;
- having highly committed and best personnel on the market;
- low turnover of the most talented people in the organization.

Steps taken by the PZU Group to achieve the foregoing objectives:

- ensuring transparent career paths;
- enabling the professional development of employees;
- promoting entrepreneurship, innovation and team work;
- building a higher quality of the organizational culture;
- counteracting employee attrition;
- developing a program to retain key employees;
- creating a friendly environment and atmosphere and developing opportunities, while at the same time guaranteeing respect for life-work balance.

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

Objective for 2020	
– employee engagement index	
55%	
Execution 2020: 61% [participation ratio: 82%]	<input checked="" type="checkbox"/>
– % of women in managerial positions	
Min. 50%	
Execution 2020: 55%	<input checked="" type="checkbox"/>

In 2020, the employee engagement index increased by 10 p.p. y/y and reached 61% with an 82% participation ratio (84% in 2019).



Since 2018, the share of women in managerial positions has been on the rise. In 2018, women accounted for 53.1% of management, in 2019 – 53.5%, and in 2020 – 54.8%.

Key initiatives that contributed to the successful attainment of the assumed indicators:

- rapid development of online forms of professional improvement – webinars and conferences were available to all employees, regardless of area or position, which for several years has been translating into an increase in the availability of various development opportunities for employees;
- exchange of managerial experience within on the #Management Lab platform with the participation of in-house and third-party experts; in particular focused, on developing employee engagement;
- educational program #DobryStan (#WellBeing) serving the purpose of building high efficiency and mental resilience; psychological support was also provided over a hotline as part of the program;
- development of a new model of work organization to accommodate the changes – deployment of a hybrid model, support in changing the habits and methods of doing work with a view to maintaining the efficiency of work under the new model;
- ongoing dialogue with employees – conducting “pulse checks” on current needs and received support, especially during the pandemic.

These initiatives contributed to a decrease in the employee attrition rate in the first year of employment. In 2020, it stood at 0.38%, which was below the assumed maximum level of 0.5%. At the same time, the percentage of employees with more than 10 years of work in the PZU Group was 51.1%, which was above the assumed minimum level of 45% for 2020.

We manage our environmental impact in a deliberate manner

The PZU Group devised 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 of pollution and its elimination at its source;

- inclusion of environmental protection elements into the business policy and strategy;
- partnership, meaning the requirement for all PZU Group entities to take joint environmental protection actions.

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

Objective for 2020
– deployment of PZU’s own “Green PZU” standard
fully implemented (100%)

Execution 2020:
fully implemented (100%)

The PZU Group’s business operations are based on a reasonable approach to the use of natural resources and curtailing its adverse environmental impact in compliance with the applicable legal requirements and established market standards. The Group pursues this objective consistently, by applying a long-term outlook. On 5 November 2018, the Management Board adopted a resolution whereby it put in place a PZU Group Standard document entitled “Green PZU” along with guidelines for planned deployments in the areas of administration and real estate. The purpose of this document is to harmonize the PZU Group’s activities in the area of conscious environmental management and to minimize its adverse environmental impact.

Environmental initiatives pursued in 2020 under the Green PZU standard:

- curtailing the consumption of office supplies;
- reducing the volume of hard-copy documentation;
- recycling of used assets;
- collaboration in the area of asset disposal with companies that have adopted the highest environmental protection standards;
- environmentally friendly activities in the car fleet management policy;
- curtailing the consumption of utilities, including electricity, water and heat;
- conducting rational waste management;
- installing air conditioning with an ecological cooling agent;
- preferring environmental and social aspects when choosing space for rent.

A major initiative in the environmental area is the promotion of environmentally friendly behaviors among employees.

In 2018–2020, a number of educational campaigns were conducted to raise the environmental awareness among employees and promote environmentally friendly behaviors both at work and at home. Events such as the Water Day, the Earth Hour, the Earth Day and the Environmental Protection Day have become undeviating elements of the PZU and PZU Życie calendar of events. In 2020, on the occasion of the Global Day of Action for Sustainable Development, the “SDG (Sustainable Development Goals) Challenge contest, i.e. how PZU may stimulate sustainable development?” was organized for employees to come up with innovative business ideas. PZU Group employees shared as many as 57 ideas responding to the contest challenge.

We cultivate 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 is provided in [section 6.1. CORPORATE GOVERNANCE AND RISK MANAGEMENT, GIVING CONSIDERATION TO ESG AND CLIMATE 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 is provided in [section 6. ETHICAL FOUNDATIONS OF DOING BUSINESS](#).

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 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 participation in major industry events in the capacity of an expert.

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

Objective for 2020
– PZU’s financial commitment to social activity
>50 million per annum

Execution 2020:
> 77 million

Financial commitment to social activity in 2020 surpassed PLN 77 million (PZU, PZU Życie, TUV PZUW and the PZU Foundation). In 2019, it was over PLN 84 million, and in 2018 – over PLN 86 million.

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.

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

Objective for 2020
– 90% of PZU’s suppliers covered by the tender process accept and comply with the “Code of CSR Best Practices for PZU’s Suppliers”
fully implemented (100%)

Execution 2020:
In 2020, 98% of suppliers covered by the tender process accepted the “Code of CSR Best Practices for the PZU Group’s Suppliers”

On the PZU Group

The “Code of CSR Best Practices for the PZU Group’s Suppliers” was developed in 2018 and came into force in 2020. Every company interested in cooperation with PZU and PZU Życie is required to familiarize itself with this document, and compliance with its provisions by the business partners is incorporated into the respective contracts. The submission of a representation on the supplier’s knowledge of the Code and acceptance of its provisions is an indispensable element of business proposal documentation. A detailed description of the ethical principles of cooperation with business partners is provided in [section 6. ETHICAL FOUNDATIONS OF DOING BUSINESS](#)

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 until 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.

Until 2020, the Sponsorship, Prevention and CSR Committee was responsible for coordinating the pursuit of the CSR strategy and the assessment of achievements in the corporate responsibility area. The Committee was in charge of ensuring the correct execution of PZU and PZU Życie’s sponsorship, prevention and corporate social responsibility activities and supervision over these areas.

The key assignments of the Committee included:

- examination of applications for the execution of national and local prevention or sponsorship projects with a value exceeding a certain threshold amount;

- ongoing monitoring of the execution of prevention or sponsorship projects;
- supervising the execution of CSR projects.

Strategic plans for 2021–2024

In response to the challenges faced by business, including by companies operating in the insurance and financial sectors, and prompted by the expectations of a broad range of stakeholders, in 2020 the Group began work on the ESG Strategy for the coming years. At the end of the first quarter of 2021, the new document will replace the existing CSR strategy. In its new strategic directions, the Group focuses on aspects related to environmental protection (and climate change), social commitment and corporate governance (ESG). As the largest insurance group in the region, the PZU Group seeks to establish a sustainable organization demonstrating a transparent approach to sustainable development. With a view to creating a responsible organization under the new strategy, as part of the subsequent work defined in the Sustainable Development Strategy, the PZU Group will strive to incorporate even more comprehensively climate-related factors in processes used to manage the various categories of risk.

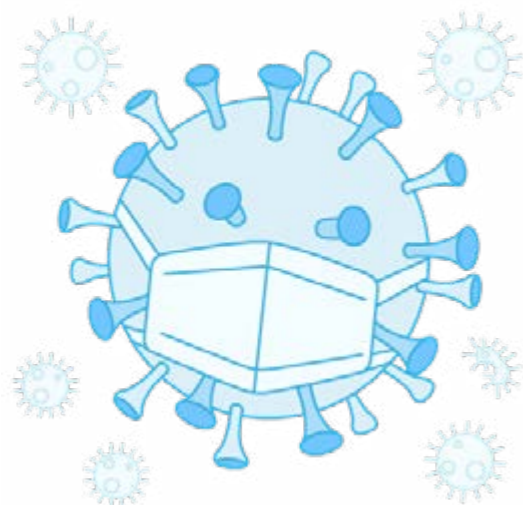
This approach will permit the making of decisions supporting sustainable development in the context of the products being offered, cooperation with business partners, care for the well-being of employees and local communities, and building value-based leadership.

[GRI 102-20]


The newly established Sustainable Development Department will be put in charge of the coordination of activities under the new strategy. The Department will report directly to the PZU Group Director/PZU Życie Management Board Member responsible for the sustainable development area.



STRATEGIC CHALLENGES OF THE FUTURE



PZU in the face of the COVID-19 pandemic [IIRC]



“From the operational perspective, one of the main challenges for the PZU Group in 2021 will be to build profitability in an environment of low interest rates and maintain a high level of adaptability to opportunities and threats that will appear in the economic environment as a result of the COVID-19 pandemic. Endeavors and investments in the digital transformation area will certainly be of fundamental significance in the fight for the client’s attention and retention.”

 Beata Kozłowska-Chyła, PhD Hab., President of the PZU Management Board

[GRI 102-15, GRI 103-2, GRI 103-3]

Crisis Management Team

The activities undertaken by the PZU Group in response to the COVID-19 threat were coordinated by the Crisis Management Team comprised of representatives of the Management Boards of PZU and PZU Życie. It was established on 25 February 2020, even before the first COVID-19 case was detected in Poland and still before the pandemic was declared by the World Health Organization (WHO). Its main assignment was to ensure business continuity while applying the strictest security measures and regulatory restrictions imposed to prevent the dissemination of the disease. The frequency of meetings of the Crisis Management Team was set in response to the evolution of the pandemic. In March 2020, when the situation required the taking of frequent and swift actions, the Team met almost every day. Some decisions were forwarded as recommendations to PZU Group subsidiaries. As a result, despite the challenging situation, there were no major disruptions in any PZU Group companies associated with the continuity of operations or the provision of services.

The Crisis Management Team has decision-making power in two key aspects: organizational/legal and technical. In the exercise of its powers in the former area, procedures were adopted to enable remote work. Necessary amendments were also made to the business continuity procedures. In parallel, new regulations were devised to manage the risk of infection, based on registers of identified cases and other sources.

In the technical aspect, the Team’s powers concerned the following two areas:

- health – ensuring the supply of additional disinfectants and protective equipment, and guaranteeing safety in all premises;
- IT – expansion of hardware to increase the VPN limit, purchase of licenses for the use of online communicators and for software to support remote work, increasing the phone data transmission limits, equipping employees with notebooks and desktops for remote work, increasing the bandwidth of internet lines.

The Crisis Management Team also initiated various information and education activities targeted at employees. They were carried out online, using the internal newsletter or during specially organized webinars.

Outcomes of activities in the employee area

- **Remote and rotational work**
The option to render remote or rotational work was introduced as early as in March 2020. It required both formal/procedural changes and the provision of necessary technological tools. Similar solutions aimed at enabling staff to work remotely were also applied in the Bank Pekao Group and the Alior Bank Group.

- **Online training**
Rozszerzono zakres szkoleń online, które pozwoliły na kontynuację rozwoju zawodowego i osobistego.

- **Access to information**
The electronic newsletter “PZU Alert” and information provided on the intranet enabled employees to maintain a high level of awareness about the evolution of the pandemic and the related restrictions.

- **Psychological support**
A free helpline was set up for employees in need of psychological assistance. Moreover, employees were encouraged to attend webinars on the methods of dealing with the new situation.



Future outlook – strategic challenges of the future

Outcomes of activities in the client area

• Accessibility of customer service outlets

During the subsequent waves of the pandemic, the accessibility of insurance, banking and medical facilities was maintained, while adhering to all legal limitations and sanitary restrictions associated with the spread of COVID-19. The facilities were provided with surface and hand disinfectants, masks and protective plexiglass at direct service workstations. The sales and service processes were adapted to the new requirements to ensure business continuity and, at the same time, safe customer service.

• Facilities for claims handling

As part of the claims handling process, the option of remote inspection of apartments and vehicles via a smartphone was introduced along with the calculation of damage based on photographs and telephone calls. The Door to Door service was also launched, enabling the collection of a damaged vehicle from the client, its subsequent repair and delivery to the specified address.

• Support for clients and business partners

Assistance was provided to clients in a difficult financial standing due to the pandemic – they were offered an option to defer the deadline for remitting a premium, spread payments over installments and even have their premium waived by PZU.

In respect of business partners and contractors, a policy of the payment of receivables within a maximum of three days was adopted.

• Support for agents

PZU equipped its agencies with protective screens at direct service workstations, 7 thousand liters of disinfectant, 55 thousand facemasks and 168 thousand disposable gloves. Agents also obtained support in the remote sales area through the mojePZU portal.

• Extending the magnitude of remote medical services

In April 2020, PZU Zdrowie opened its own Telemedicine Center. By the end of the year, it completed 40.5 thousand remote consultations. PZU Zdrowie also launched a program for individuals who suspect that they have caught the COVID-19 or already have a confirmed positive result of a COVID-19 test and are in home isolation. The aim of the program is to provide PZU Zdrowie's patients with the comfort

of treatment at home, the sense of safety and, if necessary, with quick help from specialists.



Outcomes of activities in the social area

• Direct support

- Nearly PLN 20 million was earmarked by PZU and PZU Życie to counter the effects of the pandemic. This money was used to purchase, among other things, medical equipment for hospitals, personal protection equipment for healthcare workers, the police and the border guard.
- Infectious disease hospitals also received nearly one thousand modern bands which remotely monitor the patients' life parameters. The value of these devices was PLN 1 million.
- 200 cars were funded for medical services to transport test samples from people quarantining at home. PZU's initiative means not only help for the ill with COVID-19 but also support for small and medium enterprises, from which the insurer rents cars and the revenues of which dropped by several dozen percent during the pandemic.
- PLN 143 thousand in financial support from the prevention fund was provided to the National Institute of Public Health – State Hygiene Department to outfit it with a diagnostic line to do lab tests on the presence of COVID-19 making it possible to shorten the waiting time for test results.
- The PZU Group's banks also pursued various initiatives in support of the fight against the pandemic. As part of one of the joint initiatives, employees of PZU, PZU Życie, Bank Pekao, Alior Bank and LINK4 organized a fundraiser. The companies added one Polish zloty to each Polish zloty raised by the employees. In total, nearly PLN 400 thousand was collected, with which 1,775 barrier tents were purchased.

• Information activities

- Assistance lines were set up for senior citizens and medical personnel.
- Contents published on the PZU Group's YouTube channel in support of the #zostanwdomu (#stayathome) campaign were viewed by nearly 5 million users.

- The information campaign encouraging remote contact with PZU reached over 6 million people.
- The Academic Council of TUW PZUW prepared a recommendation on “how to deal with patients suspected of being infected with the SARS-CoV-2 coronavirus for entities performing medical activities”, based on consultations with representatives of 30 hospitals and 5 associations specializing in the area of hospital infection control. The document was sent to all medical facilities which provide stationary and 24/7 health services.



Impact of the pandemic on the PZU Group's business in the short and medium term [IIRC]

The curtailment of business in a variety of industries coupled with the parallel forced transition to remote work and the mobility of consumers reduced to an absolute minimum have obviously changed the way many enterprises are run. In the insurance sector, digital transformation and the deployment of advanced technologies in products and services have definitely gained additional momentum. Remote forms of contact during the sales process, inspection and claims handling became popular quite rapidly. Many of these forms of work or communication will become permanent standards of PZU's corporate culture. The situation caused originally by isolation and, currently, adhering to the principles of social distancing in the return to the “new normal” may also accelerate the transfer of clients from traditional to remote channels. Changes in clients' habits, which would normally take several years, may in the current circumstances occur much faster. According to some market observers, technological progress may have accelerated by as much as a decade.

Digitization is and will continue to be of key significance for the development of the PZU Group in the new reality that has been shaped by the pandemic. The focal component of this change is the mojePZU platform, which will ultimately integrate all our products focused on the client. This will require continued digitization of sales processes and further development of remote communication methods with the clients. This modern self-service solution offers a single location for access to the

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 mobile app. At the end of 2020, the mojePZU portal served as a tool for as many as 1.6 million users. The digitization trend was also in progress in the PZU Group's banks. The digitization of processes and the use of remote channels for communication between employees and clients have significantly accelerated also in these companies.

In the new reality, solutions based on artificial intelligence have been very successful. The artificial intelligence algorithms implemented by PZU are able to analyze photos documenting a loss, but also name a specific part of a vehicle, assess the extent of the damage and classify a part for repair or replacement. Artificial intelligence needs only 30 seconds to carry out such analysis. Moreover, the solution makes it possible to select 90% of the documentation that fulfills the requirements needed to preserve high quality of claims handling in PZU. Artificial intelligence will forward the remaining claims requiring additional expertise directly to PZU employees. By 2020, artificial intelligence solutions were applied to over 150 thousand cases.

The outbreak of the pandemic also confirmed the need to invest in robotization. In 2020, 24 business processes at PZU and PZU Życie, including 12 in the areas of foreign, subrogation and corporate claims handling, were already handled by robots. Robotization brings cost savings, robots also provide PZU with a competitive edge in the fight for the provision of better client experience.

Along with the growing trust of clients in remotely provided services, the expectations for this form of service provision have also increased. As a result, this has translated into a heavier network traffic and a greater concern for cybersecurity. In response to these concerns, in 2020 a cybersecurity audit for small and medium-sized enterprises was launched. It enables the conduct of a free and automated cybersecurity test and generation of a report with information on website vulnerabilities to cyber attacks and key cyber threats. The report also contains recommendations on possible actions to attenuate the identified threats. This not only improves the security of business clients, but also supports PZU's sales of policies providing insurance cover against cyber risks.



Coping with the challenge of climate change [IIRC]



“We are a leader in the Polish economy. That means we bear a special responsibility. We should care about the natural environment and mitigate the adverse consequences of climate change. And through our management approach and business activity we should support the state which is keen on the appropriate type of prevention”.

Joanna Gorczyca, Director of the Sustainable Development Department

[GRI 102-15]

Climate change currently poses one of the biggest global challenges to sustainable development. In January 2021, in its “Global Risks Report”¹ the World Economic Forum warned that as many as five out of ten key risks in terms of impact and four out of ten key risks in terms of the probability of materialization were related to environmental factors. Back in 2012, a similar list contained only one environmental risk.

The PZU Group is fully aware of the fact that the need to prevent climate change and adapt to the new conditions requires coordinated efforts by decision-makers, businesses and the financial sector. It actively participates in initiatives pursued in its industry, gets involved in public consultation processes and shares its opinions on draft legislation related to climate protection. The risks related to climate change, both physical ones and those related to transformation, will require an increasingly more consistent and comprehensive inclusion in the management of the PZU Group, because their impact on financial performance will become more and more substantial.

According to the IPCC² a further increase in greenhouse gas emissions, unless historical trends are halted, would lead to an increase in global temperature by 1.5 degrees Celsius in 2030-2052, which would trigger permanent changes in all elements of the climate system and irreversible consequences

¹ http://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2021.pdf
² <https://www.ipcc.ch/> Intergovernmental Panel on Climate Change, an intergovernmental organization operating under the auspices of the United Nations to support climate science-related activities in various countries

for humans and ecosystems. The need to take urgent steps to limit climate change was upheld in the Paris Agreement³ signed in 2015, which provided for a global action plan to put a cap on global warming to below 2°C.

Meanwhile, the scale of catastrophic events in Europe is on the rise. According to data published by Klimada⁴, the total value of losses caused by strong winds and floods is much greater than the value of losses caused by earthquakes. Globally, this trend has been confirmed by the observations recorded by reinsurers – their analyses reflect a growing trend in both the frequency of natural disasters and the value of damage caused by them.

It is expected⁵ that the adverse consequences of climate change for Poland will be chiefly manifested by floods, torrential rains, landslides and droughts. Also expected is a greater frequency of regionally occurring strong winds. From the perspective of national-level events, floods are the most severe events due to material losses they cause.

[GRI 103-2, GRI 103-3]

As a member of the Polish Insurance Association (PIU), the PZU Group is involved in analyzing the impact of climate change on the insurance sector in Poland. The purpose of these analyses is to support the regulatory authority in developing stress test methodologies. In PIU’s opinion, stress tests conducted by the European Insurance and Occupational Pensions Authority (EIOPA) or local regulatory authorities may be a better tool than ORSA in terms of taking into account a forward-looking approach based on standardized scenarios, whereas the respective national authorities should encourage insurers to develop scenarios and facilitate their access to data and sources of valuable information and research results.

As one of the largest financial institutions in 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.

The PZU Group’s environmental standard “Green PZU” developed in 2018 defines the key assumptions pertaining to its governance approach to environmental issues. It takes into

³ 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
⁴ <http://klimada.mos.gov.pl/adaptacja-do-zmian-klimatu/globalne-procesy/>
⁵ Resolution of 13 December 2011 on the adoption of the 2030 National Zoning Concept, Official Journal of the Republic of Poland (Monitor Polski) of 2011 No. 137, item 252

Future outlook – strategic challenges of the future

account, among other aspects, a high level of environmental protection, principles of sustainable development, inclusion of environmental protection elements into business policy and strategy, and partnerships of the Group's members in joint environmental protection initiatives. The PZU Group's activities are aimed at curtailing adverse environmental impact by reducing the amount of pollutants and the depletion of natural resources. The PZU Group is a partner of green transformation of the Polish economy by offering financial products to enterprises that use low-emission energy sources. By virtue of the scope and boundaries of its business, the Group strives to support clients at every stage of development and transformation towards low-emission operations. A comprehensive approach to the management of climate impact will be formulated in parallel with the Sustainable Development Strategy (ESG).

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 2040, the National Reconstruction Plan containing reforms in pursuit of climate-neutral and circular transformation (currently undergoing the public consultations process), and the National Energy and Climate Plan 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

Responding to the evolving guidelines concerning reporting and growing requirements and expectations of stakeholders in terms of transparent information policy addressing preparation for climate change, this report contains information regarding direct and indirect environmental impact. In accordance with EU guidelines pertaining to non-financial reporting and the Supplement concerning the reporting of climate-related information (2019/C 209/01), the disclosures in this report meet the double materiality perspective, namely, it contains information regarding the climate's impact on the PZU Group's business and the Group's impact on the climate. In particular, in accordance with the general and additional guidelines for financial institutions, this report provides a detailed description of climate-related risks, processes enabling their identification and management, and an analysis of the impact of these risks under two scenarios.

The need to take urgent action to curb climate change was highlighted in the Paris Agreement of 2015⁶ and in the United Nations agenda adopted in the same year, setting sustainable development goals (SDGs)⁷. In recent years, the European Union has been taking comprehensive steps to encourage a low-carbon economy and sustainable development, for instance by implementing the European Green Deal⁸ 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 factors that directly affect its financial performance. By taking proper action, the Group seeks to align its business with current trends in this area, including:

- shaping and offering products that contribute to slowing down climate change and those that increase resilience and facilitate adaptation to climate change [3.1 BUSINESS IN THE FACE OF CLIMATE CHANGE](#);
- taking climate change into account in the risk measurement and assessment process [6.1 CORPORATE GOVERNANCE AND RISK MANAGEMENT, GIVING CONSIDERATION TO ESG AND CLIMATE FACTORS](#);
- disclosure of data related to climate impact and measures taken to adapt to climate change [3.1 BUSINESS IN THE FACE OF CLIMATE CHANGE](#) and [3.2 DIRECT AND INDIRECT IMPACT ON THE NATURAL ENVIRONMENT](#).

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.

⁶ 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
⁷ Transforming our world, The 2030 Agenda for sustainable development, A/RES/70/1, United Nations
⁸ U. von der Leyen, A Union that strives for more. My agenda for Europe. Political guidelines for the next European Commission 2019–2024, https://ec.europa.eu/clima/policies/strategies/2050_en

Defining risk factors is the first step towards managing them effectively. This process is accompanied by the following activities:

- assessment of their impact on business and assessment of materiality;
- identification of potential action scenarios;
- development of response plans;
- roll-out of regular monitoring.

The European Commission's Guidelines on non-financial reporting, providing for the disclosure of detailed climate-related data and TCFD recommendations 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 long-term risk (rising sea level). Transition risk is the risk related to the economy's transition to a low emission economy resistant to climate change and encompasses risk related to policy and legal, technological, market and reputational risks.

A similar approach was proposed in April 2019⁹ by The Network of Central Banks and Supervisors for Greening the Financial System (NGFS), an organization bringing together central banks and regulatory authorities. Based on the conviction that climate-related threats are a source of financial risks and that it is the duty of central banks and regulatory authorities to ensure the financial system's resilience to such threats, six recommendations were formulated for central banks, regulators, decision-makers and financial institutions to ramp up their role in "greening" the financial system and managing the environment and climate risks.

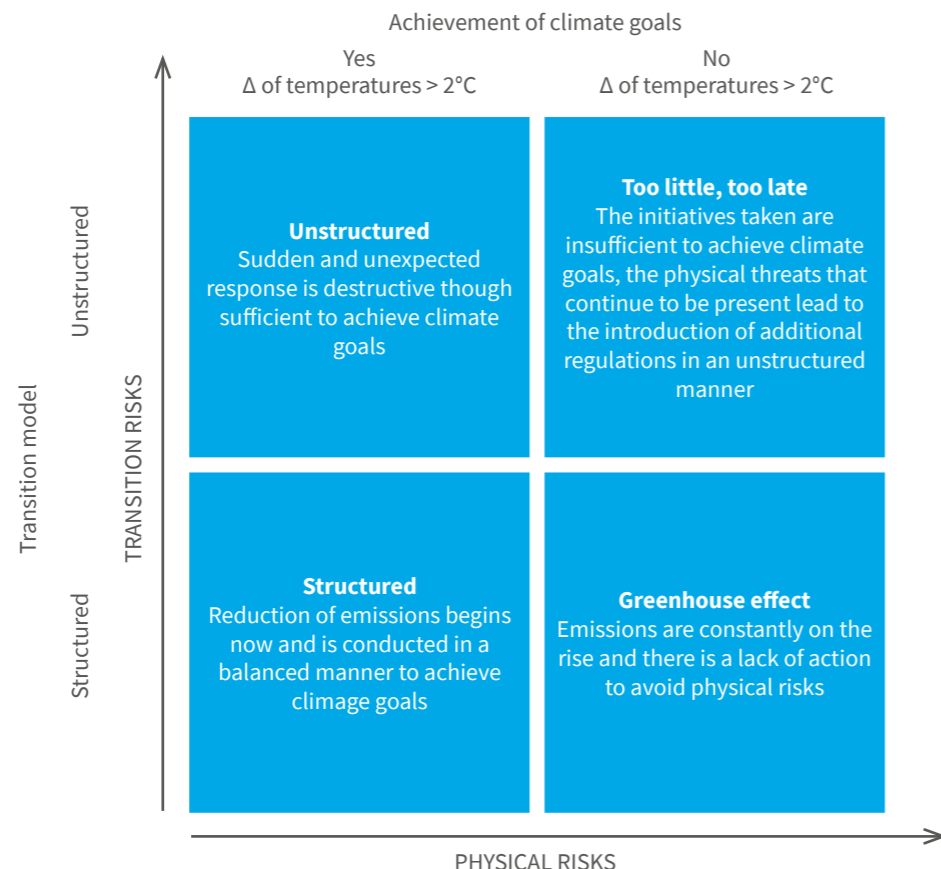
In the PZU Group's opinion, the probability that the risk related to the global economy transformation will materialize is much higher, especially in the short and medium term, than the probability that the most extreme physical risk related to the climate change will materialize. The Group takes measures aimed to limit the probability that the transition-related risk will materialize through investments for 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.

⁹ A call for action; Climate change as a source of financial risk, April 2019

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. The need for the conduct of analyses related to climate change by insurance undertakings was also highlighted in an EIOPA consultation document¹⁰. The scenario structure proposed by the NGFS was adopted as the starting point for the analyzes conducted by the PZU Group. The scenarios are structured according to the degree of attainment of the climate goals and the transition pattern. In turn, in its document, EIOPA assigned two long-term scenarios of temperature increase (above and below 2 degrees Celsius) to the four global pictures defined by the NGFS.

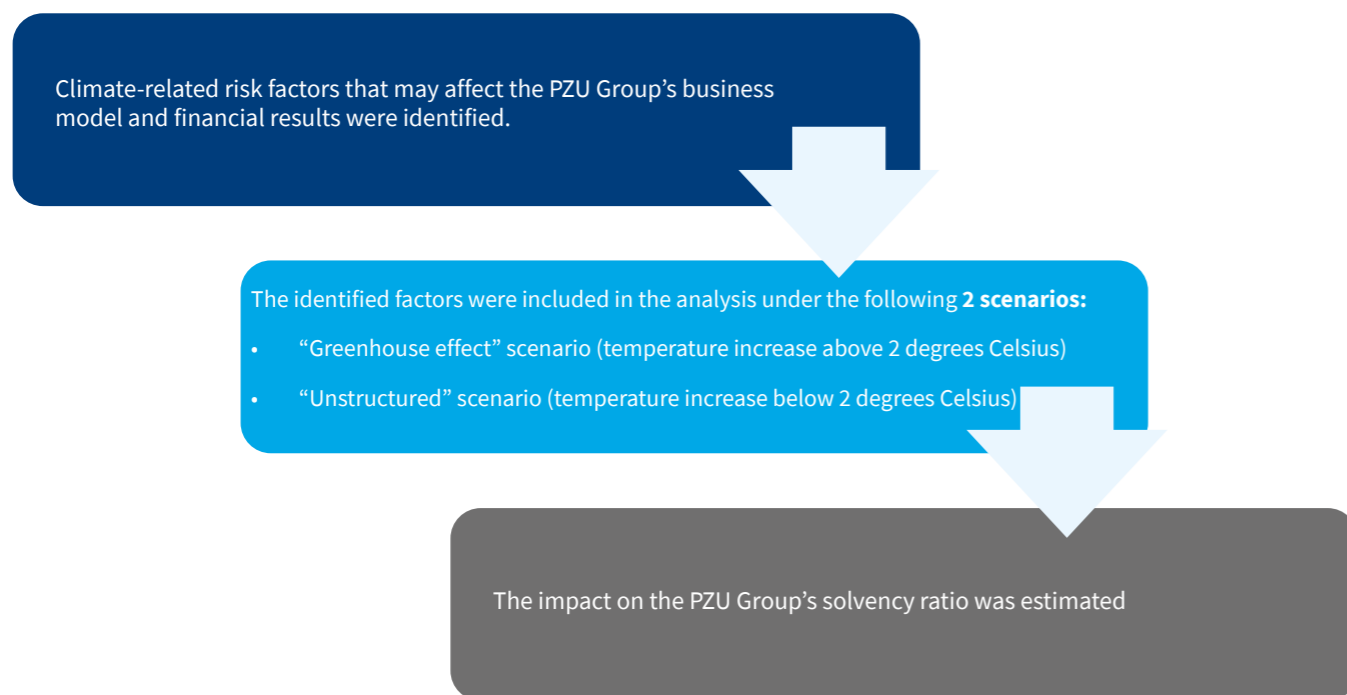
¹⁰ Consultation on the draft Opinion on the supervision of the use of climate change risk scenarios in ORSA (<https://www.eiopa.europa.eu/content/consultation-draft-opinion-supervision-use-climate-change-risk-scenarios-orsa>)

Structure of scenarios



Source: A call for action; Climate change as a source of financial risk (April 2019)

Climate-related risk factors analysis



The PZU Group conducts regular stress tests and sensitivity analyses under its annual analysis of own risk and solvency assessment (ORSA) and stress tests consistent with the requirements of the regulatory authority. In particular, risks related to climate change are analyzed in terms of physical consequences risks and transition consequences. This process facilitates risk analysis in the medium-term and identification and assessment of emerging risks.

As a result, climate-related risk factors that may affect the PZU Group's business model and financial results were identified. They may be broken down into risk factors resulting from transition and physical risk factors of climate change.

The factors were included in the analysis under two scenarios for which the starting point is the structure of NGFS concepts. The PZU Group examined the "greenhouse effect" scenario and the "unstructured" scenario. According to the outcome of the analysis, the impact on the PZU Group's solvency ratio would be greater if the "greenhouse effect" scenario materialized. However, the anticipated impact of the scenario is long-term in nature. For detailed outcomes of the analysis, please refer to section [6.1 CORPORATE GOVERNANCE AND RISK MANAGEMENT, GIVING CONSIDERATION TO ESG AND CLIMATE FACTORS](#)

In compliance with the Regulation of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector, PZU Życie has prepared disclosures from which it results that both PZU Życie and the PZU Group are considering the deployment, at some point in the future, of an in-depth assessment of the impact of risks to sustainable development on the organization's activities, and are considering the inclusion, in their analysis, of additional risks related directly to ESG elements, including the climate, with a view to further improving their risk assessment process and investment decision-making process. Having regard for the rising materiality of sustainable development and climate change and their significance to the financial industry, the PZU Group intends to adopt a sustainable development strategy that takes into account ESG risks.

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 [Accounting Act]

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

“Offering the best-in-class customer service standards at every stage when clients interact with our company establishes our competitive edge. We want to accompany clients in every moment of their lives and offer them the relevant financial and insurance support. Our actions will focus on effectively caring for clients’ future and satisfy their needs comprehensively when it comes to life, health and property insurance and their finances.”



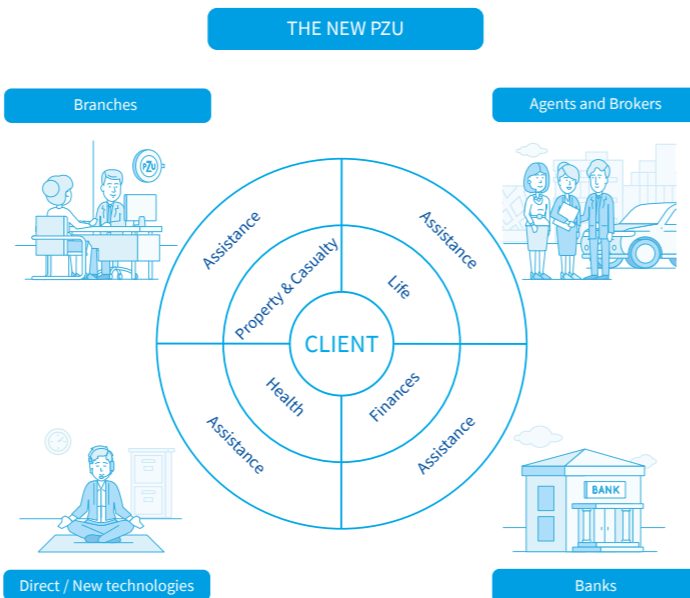
Michał Świdorski, Managing Director for Retail Sales, PZU Group

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.

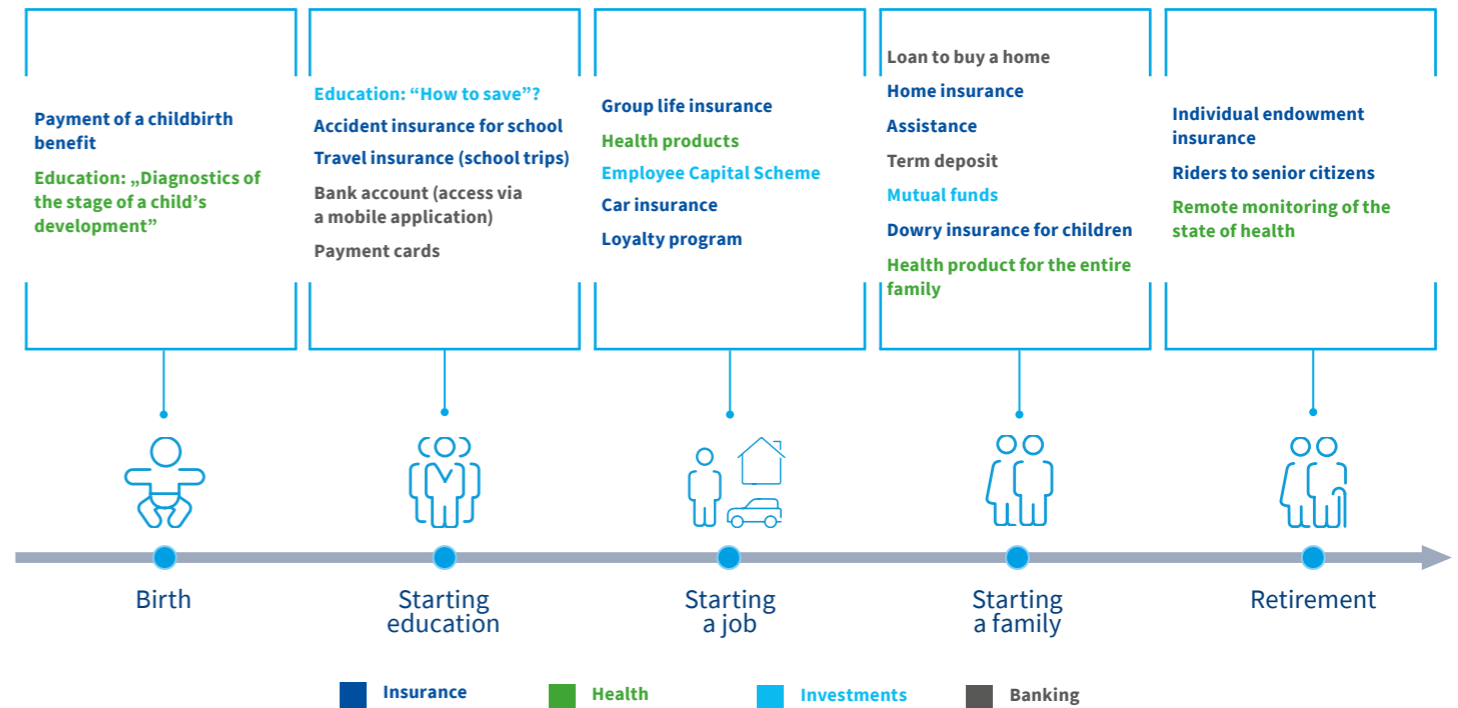
The strength of the #newPZU strategy was in technological support spanning the field of innovation and encompassing nearly all the Group’s operating areas. Multi-dimensional data analysis makes it possible to gain a better grasp of client needs, offer more efficient client service and provide for easier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

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.

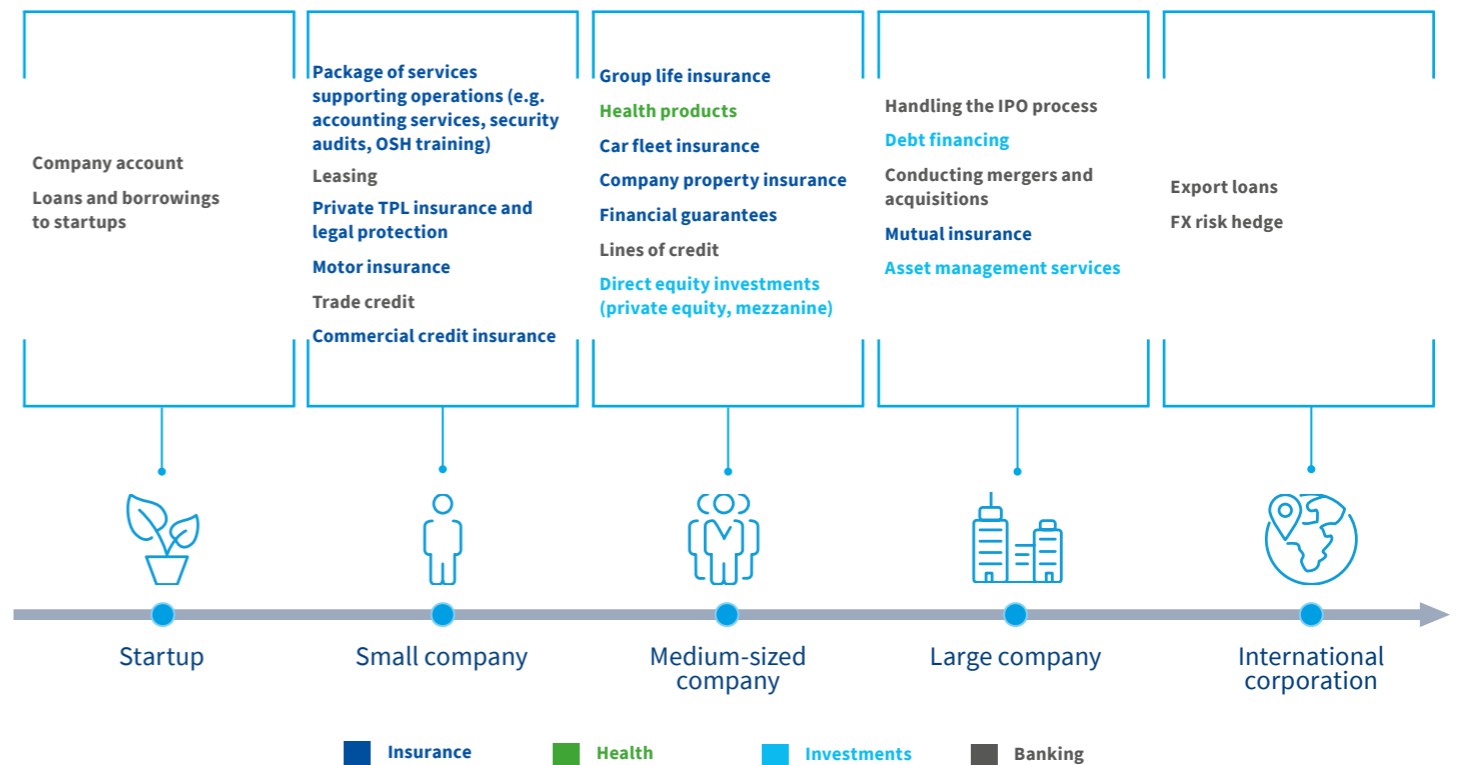
The new PZU’s business model adopted in parallel with the #newPZU strategy brings together all of the PZU Group’s types of business and integrates them in a client-focused manner: life insurance, non-life insurance, health insurance, investments, pensions, health care, banking and assistance services. This approach drives the transformation of insurers from focusing primarily on valuation and transfer of risk toward being an advisory and service company (utilizing the technological know-how). Achieving a high level of quality and number of client interactions calls for creating an approach in which the core is client knowledge and the skill of building



We are a long-term partner for our clients

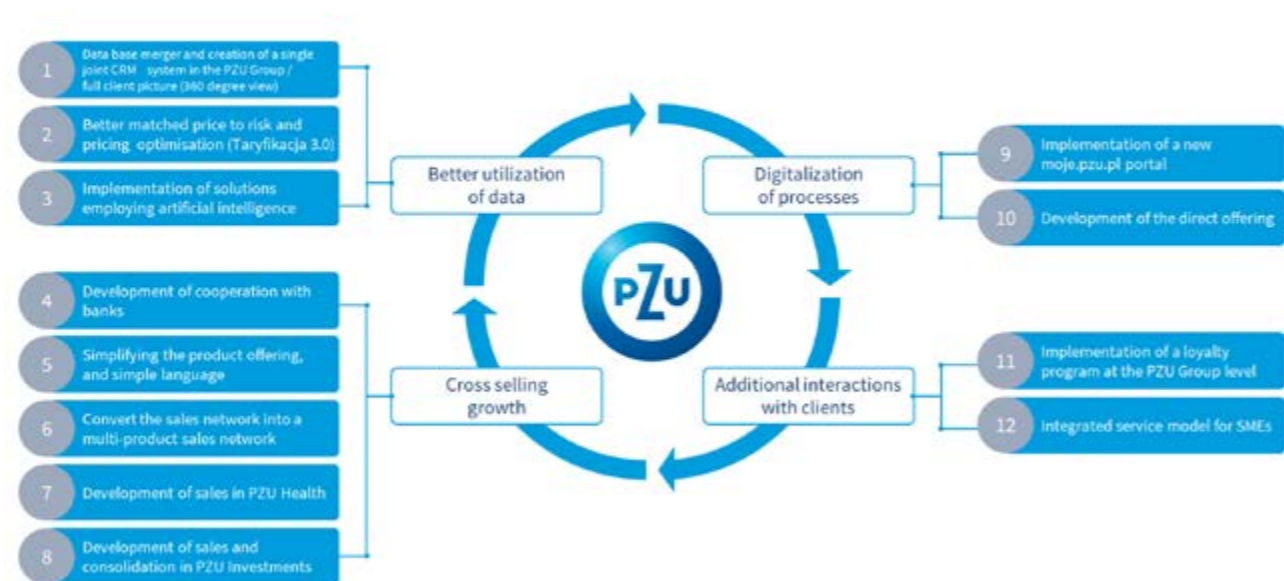


We help companies grow by offering them a wide array of products supporting their growth



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

#newPZU 2020 strategic initiatives



Mindset toward 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 [Accounting Act]



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. The guidelines for handling all complaints reported to PZU and PZU Życie have been compiled in the „Rules for handling client complaints”. Several hundred employees are involved in this process. Dedicated Complaint Handling Teams have been established to handle complaints and grievances. Some complaints may be dealt with by employees who handle claims and benefits. The complaint process in place is largely based on the Act on Complaints Handling by Financial Market Participants and on the Financial Ombudsman.

Also other PZU Group companies have implemented documents and procedures assisting in the management of client satisfaction.

PZU CO has in place the „Regulations for handling complaints/grievances reported to PZU CO regarding the Company's agency activities”. PTE PZU has adopted a set of rules and regulations for examining complaints, procedures for handling

correspondence and rules and regulations for using external services.

At PZU Pomoc, the following documents are in place:

- „Customer service quality policy”;
- „Customer experience management policy”;
- Guidelines for accepting and examining complaints.



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. TFI PZU has also adopted the „Policy for acting in the best interests of clients and funds”, which defines TFI PZU's principles and activities aimed at generating the best possible results for the funds and the clients through the provision of professional services.



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

PZU has in place the „Policy for managing proactive client initiatives at PZU – Closed Improvement Loop”. It applies to all PZU employees who have a direct or indirect impact on client experience



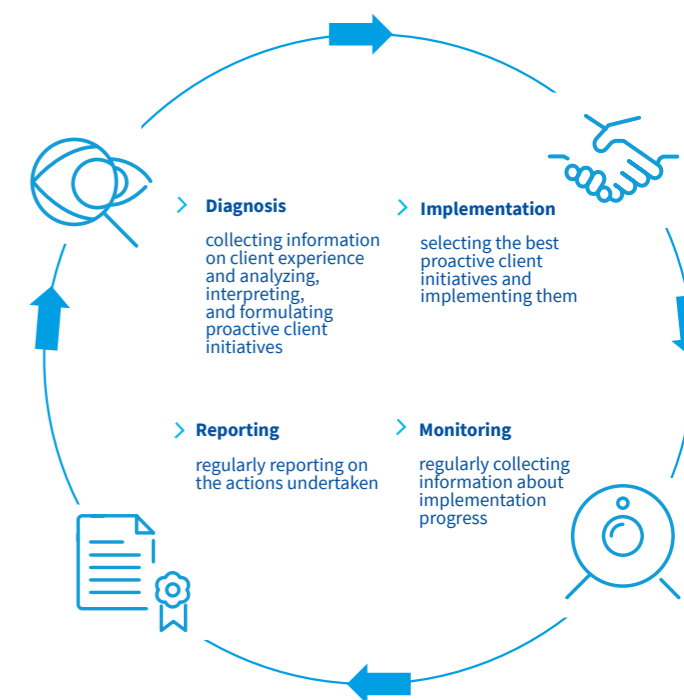
A procedure has been rolled out in PZU Zdrowie describing the rules for the workflow, records and examination of complaints by the Client Relation Section and PZU Zdrowie branches. It also defines responsibility in this process and the method of reporting complaints. Also in place is the

„Patient Handling Standards Book”, which contains non-medical service standards dedicated to various professional groups in medical centers. Also adopted has been the „Medical safety regulation package”. It contains the rules governing the supervision of drugs, medical records, medical equipment, hygiene plans, etc.

Ratio of complaints handled within 30 days in 2019-2020

	2019	2020
Group	92.2%	84.9%
PZU and PZU Życie	98.0%	98.5%
Bank Pekao	77.2%	71.4%
ALIOR BANK	91.5%	74.2%
PZU ZDROWIE	97.7%	98.6%

Closed Improvement Loop:



Client at the center of attention

The Closed Improvement Loop is a model adopted by the PZU Management Board that depicts how PZU defines, implements and monitors 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. The Closed Improvement Loop process also includes the promotion of appropriate attitudes and behaviors among PZU employees, in particular by involving them in active participation in the process of managing proactive client initiatives.

All PZU employees exert a tangible impact on the design of client experiences, which is why it is imperative that they look at things through the client's eyes, in other words: by placing the client at the center of attention. For the purpose of supporting employees in building relationships with clients, a unique „Focus on the Client” training has been held in the form of microlearning. It includes attractive video materials, podcasts, a variety of graphics, exercises and quizzes with prizes. The training is aimed at educating employees in the areas of client experience and employee experience and, additionally, at boosting a client-focused organizational culture. The training explains the secrets to designing a positive client experience and, above all, teaches the participants how to use the acquired knowledge in their day-to-day work. During the training, experts demonstrate how important client experience is and how it affects business.

Every PZU employee, serving either external or internal clients, is eligible to take part in the training. After completing all modules and providing correct answers to quiz questions, the training participants also receive a PZU Client Experience (CX) Ambassador certificate.

In 2020, the CX Academy was established. Its members are 355 CX Ambassadors who have already completed the „Focus on the Client” training and received a Certificate. A special event was held under the auspices of the Academy, attended by over 100 participants who had the opportunity to expand their knowledge in the CX area, talk to experts and exchange their ideas with other Ambassadors. Moreover, three webinars on Client Experience and Employee Experience were held, attended by an average of over 320 participants.

The „Focus on the Client” training was also rolled out and adapted to the needs of PZU agents. It was completed by 230 agents, 72 of whom became CX Ambassadors.

In the future, we are planning to:

- deliver a new edition of the „Focus on the Client” training and supplement it with new topics
- make the „Focus on the Client” as a compulsory training course for all new PZU employees.

BEST PRACTICE



Client experience management plan

The client experience management plan is a long-term strategy aimed at developing the best possible client experience at all points of contact with PZU. The tool enabling effective management of the plan is the „Policy for managing proactive client initiatives in PZU – Closed Improvement Loop”.

Within the framework of the Employee Experience initiative, the „Recipe for good cooperation” program has been rolled out to promote cooperation and kindness in contacts between PZU employees. Also, proactive client initiatives are proposed and deployed for the purpose of improving client experience and satisfaction. These initiatives result from studies, market analyses, reviews of complaints and grievances, and observations of the operation of processes and products at PZU.

The initiatives pertain to:

- the area of communication with clients – such as recommendations to modify the wording of renewal letters and messages on mojePZU;
- the area of electronic channels – such as the deployment of the mojePZU evaluation tool targeted at users who have just visited the website;
- the customer service area – such as changes in the methods of disseminating information about the degree of coverage with medical insurance, simplification of the complaint form, etc.

In 2020, in the client experience area, we managed to roll out proactive client initiatives related to the wording of messages on mojePZU and in the complaints area.

BEST PRACTICE

Customer Journey and Employee Experience Map in the complaints handling area

For PZU, the client's perception of activities undertaken for the benefit of external and internal clients is of great significance. In an attempt to find out as much as possible about what is important to the client and what experience the client has with the PZU brand, a number of tests were conducted, in which one of the tools applied for analyzing processes from the client's perspective was the Customer Journey.

The Customer Journey is a tool that describes all events and experiences of the client in his or her interaction with the brand. The Customer Journey map depicts the client along with his or her objectives, fears, specific questions, doubts and emotions. The tool lets us know what the client feels and thinks and what choices he or she makes at each stage of contact with PZU. There are many such points of contact, including advertising, leaflets, employees, the website, the app, Contact Center consultants, the offering, agents, opinions of other people. Each action taken by the client and the accompanying emotions are depicted on the Customer Journey map.

The tool helps us eradicate the causes of negative experiences and design new ones that are better. To create the map, a 360 analysis is applied, looking at the aspects concerned through the eyes of the client, employee, agent and service providers. This in-depth analysis enables the deployment of a 'quick wins' solution that promptly brings the desired effect. It allows us to devise products that better meet client expectations, improve systems and applications used by the clients, introduce improvements in



communication, process and documents, etc. The map helps us focus our employees' attention on the clients and their feelings, understand the clients, their motivations, expectations and selection paths and engage employees to try harder while keeping the clients in mind.

- The actions we take as part of the Customer Journey include:
- regulating activities and business responsibilities within in the firm;
 - rollout of a data collection and initiative management tool;
 - reporting the status of proposed initiatives (as part of the management information report for senior management);
 - workshops with operational employees – in selected business areas (following a review of complaint volumes) and developing initiatives within the workshop formula;
 - constant monitoring of proposed initiatives and keeping in contact with business units responsible for implementing the changes.

W In December 2019, the Client Journey and Employee Experience Map projects were completed. During their execution, a number of recommendations and initiatives were developed. In 2020, they were forwarded for the conduct of detailed reviews. On this basis, specific solutions and methods of their deployment were developed. An exchange of communication within the organization was also carried out pertaining to recommendations resulting from the projects, developed and implemented initiatives and planned follow-up activities. One of the objectives for 2021 is to change the complaints handling process to improve its perception by clients and to make it easier and friendlier for employees involved in handling client notifications.



Due to the COVID-19 pandemic, the PZU Group implemented solutions and processes to minimize the risk of infection and spread of the COVID-19. Insurance branches and agencies, bank outlets and medical centers

remained open, adapting to all applicable legal limitations and sanitary restrictions. Above all, they were equipped with hand disinfectants, masks, sanitizers and protective plexiglass at direct service workstations. The sales, service and claims handling processes were adapted to the new requirements

to ensure business continuity and, at the same time, safe customer service.

The tools enabling remote customer service, such as mojePZU, which were deployed in recent years, turned out to be of key significance. Out of concern for the health of our clients, the following new solutions were rolled out to help maintain social distance:

- remote identity authentication on the mojePZU platform and in online and mobile banking channels of the PZU Group banks;




Client at the center of attention

- remote inspection of apartments and vehicles via a smartphone and video-inspections along with the calculation of damage based on photographs and telephone calls;
- Door to Door service, enabling the collection of a damaged vehicle from the client, its subsequent repair and delivery to the specified address, without the client having to contact the vehicle repair shop;
- process of opening a bank account for contactless payment of claims;
- payment of amounts due to business partners and contractors within a maximum of three days;
- greater use of remote contact channels and the mojePZU app.

BEST PRACTICE


PZU Remote – campaign promoting remote forms of contact with PZU during the pandemic




Our of concern for the health of our clients and their relatives, PZU launched a comprehensive campaign on television and the Internet to promote remote contact with the insurer without leaving home. A special website was set up with a description of all possible forms of remote contact, and nearly 3.5 million PZU clients received a text message with information about the availability of this form of contact. Under the campaign, we managed to reach 6.1 million individuals in the target group and approx. 25.5 million people across the population.

BEST PRACTICE

inPZU - an online platform for selling and handling investment funds and pension products



 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 PZU Group to build the first offer of low cost index funds in Poland.

- two new pension products were launched for sales and handling: individual retirement accounts and individual pension security accounts based on index funds and five new lifecycle funds;
- a new MIFID survey was added to study the target market of investment funds with the presentation of the outcomes of the survey on the website;
- the main page of the website was modified to accommodate the sales of other TFI products and the new „Knowledge base” tab;
- a road map for the development of the inPZU portal for 2021-2023 was developed.

Highlights in 2020:

- the platform had over 22.5 thousand active users handling their ECS accounts, investment portfolios, individual retirement accounts and individual pension security accounts;
- over 1.7 million views were logged, and over 3.2 million since the launch of the platform
- TFI PZU's clients executed over 62 thousand purchase transactions of inPZU SFIO fund participation units;
- building the image of TFI PZU as an innovative, modern and low-cost brand was solidified;
- the effectiveness reaching clients through a new sales channel (online) was enhanced.

In 2020, the following work was completed on inPZU:

- the second stage of the employee portal for managing ECS accounts was launched;
- the product offering of index funds was extended by adding three new funds, including two in cooperation with Goldman Sachs Asset Management and one in cooperation with the Warsaw Stock Exchange;
- „500 for 500” investment promotion campaign was conducted (PLN 500 for regular transfers of savings to inPZU) and an investment promotion campaign for ECS participants was rolled out;
- the English version of the website was made available;

BEST PRACTICE

#mojePZU - all services in one place

Through the mojePZU portal, PZU Group clients may handle numerous matters under the same roof:

- buy a home or travel policy;
- make an appointment with a physician;
- collect a referral for examination or an e-prescription;
- check their medical records;
- invest savings
- report a claim.

Launching the mojePZU portal is a way of fundamentally modifying client interactions. This is a one-of-a-kind dashboard enabling clients to check their policy coverage at any time, manage their medical coverage and appointments and their investments.

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 mobile app. At the end of 2020, the mojePZU portal was used by 1.6 million users.

MojePZU is the most comprehensible platform available on the insurance, financial and health markets. It is continuously developed and upgraded with new functions. In 2020, we expanded it by, among others, the possibility of verifying the identity using mojeID (myID) and mObywatel (mCitizen), which significantly expedited the portal registration process. In addition, we made it possible to set up a portal account through an activation link. As of 2020, an account can be opened also by persons who report a claim from the perpetrator's TPL policy but are not PZU Group's clients. Other functionalities introduced in 2020 included, among others, proposals of automatic renewals for clients who have a PZU Auto TPL policy 15 days before the end of the insurance, handling of reimbursement of incurred costs in PZU Zdrowie.

MojePZU also includes initiatives aimed at improving safety. From November 2020 the users of the mojePZU mobile app receive information about the launch in Poland of the lost child search procedure under the international Child Alert system.

MojePZU comprises also the PZU Pomocni Club. It is a loyalty program through which clients obtain attractive discounts and rebates. The club gives them bonuses, for example for leading a healthy lifestyle.

In 2020, the mojePZU portal was awarded the „Simple Polish Language Certificate” by the Institute of Simple Polish at the University of Wrocław.

It is important for PZU that the tools provided to our clients are simple and intuitive. To this end, in Q4 2020, a study was launched using a UX¹ (re-design sprint) methodology, the purpose of which was to have users evaluate the mojePZU portal and develop directions for its growth on the path related to medical care in line with the expectations of our clients.

As part of the work in this area:

- 23 in-depth interviews with mojePZU users were conducted;
- over 20 people involved in designing changes in the portal were engaged in the review of client needs;
- 6 workshops were conducted over the course of 3 days;
- 70 screen proposals (for desktop computers and mobile devices) were prepared for the path of making medical and check-up appointments.

The study resulted in the preparation of specific recommendations for changes and directions of growth for the mojePZU portal along the path of making a medical appointment, e.g. ready-to-deploy models of specific screens.

In the future, a gradual rollout of these changes is planned in the app and in the portal.



¹UX, User Experience – the totality of the user's experiences during his or her interaction with the product

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 a **Relationship manager**, who stays in contact with the injured party for the duration of the claims/benefits handling process.

While handling the claim, the relationship manager keeps the client informed about the progress of the case. Depending on the needs, the relationship manager may also provide support to clients, act as their advisor offering specific solutions in a difficult situation. The relationship manager can also 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. Relationship managers acquire competences for various substantive lines of business, making them versatile. This ensures that different cases of the same client may be handled by the same relationship manager, even though the cases may concern different lines of business (separate competences) or even other companies.

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 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, 85% 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. Owing to the deployment of the **Relationship manager** role, 96% of decisions in simple cases may be made based on the first contact with the client, and in more complex cases – almost 75%.

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 substantive claims handling;
- provision of items of key significance to the persons in need, such as tarpaulins, cleaning products, foils, foodstuffs and potable water.

Catastrophic events, which occurred in 2020, caused damage of significant scale. From 7 June to 31 July, 52,737 property claims and agricultural claims were reported. The steps that were taken and the improvements that were made allowed to quickly handle those claims. The implemented simplifications allowed to determine the amount of claims paid without the need to draft a detailed cost estimate. The implementation of robots allowed to automatically disburse the advance payment or the claim already on the first business day following the date of reporting the claim. In voivodships most affected by disasters, we operated mobile offices which handled a total of almost 800 cases. A team of experts was appointed, which followed weather reports and media publications on potential hazards. In addition, as part of pre-claims handling process, PZU consultants were calling the insureds who lived in areas at risk of inundations to check whether they needed any help.



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. Accordingly, the PZU Group wishes to 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 a solution 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. The Before-You-Call Service is dedicated to clients who have experienced an unpleasant random event in which their property was damaged.

After the occurrence of an insurable event, such as a fire, gas explosion or tornado, an attempt is made to identify the client based on information obtained from publicly available sources, including the Internet or radio. In cases where the injured person is positively identified as a PZU client, 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.

Data for 2020:

- 54 registered events;
- 36 events in which PZU clients were injured;
- 283 injured PZU clients;
- 152 persons we managed to contact
- 283 registered assistance cases, including 4 registered claims.



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

BEST PRACTICE

Professional service and sales handling indicator



The customer service standards in the PZU sales networks among tied agents, field agents, life agents of the Agency Sales Department and multiagents, as well as in branches and office agencies are permanently verified by Mystery Shopping audits.

These audits are an important operating tool for the departments that are managing the sales networks, and allow them to monitor the quality and standards of services offered to clients by sellers. Thanks to quarterly Mystery Shopping audits, we can diagnose a systemic problem that may occur in a particular area of the agent's or the center's operations, and then rectify this problem with appropriate communication and training.

Already in 2018, the audits were bolstered through implementation of the professional service and sales handling indicator (PRO) which simplified the Mystery Shopping measurement method in PZU branches.

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

By assumption, the audits are carried out on-site, however, due to the COVID-19 pandemic, an online form of audits was also launched, which includes tied agents, field agents and interns. On the other hand, Mystery Shopping audits in branches, office agencies and multiagencies were put on hold several times.

The average PRO for 2020 was 97%.



Client at the center of attention

BEST PRACTICE

Client satisfaction survey in PZU



Client satisfaction with quality of obtained services and products is a key factor for building a long-term relationship with the client. The information on what clients need

enables PZU to develop and set new goals. PZU has been carrying out client satisfaction surveys for many years. Each year, it broadens their scope, deploys new methods and improves the reporting process, thanks to which we are able to better respond to the clients' needs.

The results of client satisfaction surveys are distributed to the business units responsible for customer service on the given stage and discussed during the results presentations.

They allow us to, on an ongoing basis:

- identify the sources of client dissatisfaction with a product or service;
- compare the level of client satisfaction across products or areas;
- take action in case of declines in client satisfaction;
- introduce remedies in the customer service process to improve client satisfaction.

PZU reports key Customer Experience indicators such as:

- Customer Satisfaction Score (CSS);
- Customer Effort Score (CES);
- Net Promoter Score (NPS).

PZU has also deployed a permanent benchmark audit to compare client satisfaction with products, services and customer service provided by PZU and insurance industry competitors.

Client satisfaction indicators are also included in the goals prescribed for the employees at various levels. These indicators are directly connected with the employees' responsibilities, and the employees have a real impact on them through the quality of their work.

In a quarter, PZU carries out more than 20 audits and conducts on average 20 thousand client interviews. We conduct regular meetings with business units responsible

for the product and the service process – to present the audit results and discuss the areas that need improvement.

In 2020, we managed to:

- introduce, in the area of claims handling and benefits, three new permanent audits in the text message form, which gave us a faster feedback on the level of client satisfaction and ability to respond more quickly;
- introduce new sales goals on the basis of client satisfaction indicators;
- popularize the client's perspective in the organization through publication of the „Client Pulse”, i.e. a one-page dashboard summary of key client satisfaction audit indicators.

BEST PRACTICE

Segmentation of claims



LINK4 puts the client in the center of interest at every stage of the product. This is made possible thanks to, among other things, introduced innovations. One of them is an advanced

analytical model that utilizes machine learning algorithms to send 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 severity of the loss, taking into account the solution that is the most optimal to the client, shortens the claim handling time and reduces the client's involvement in the whole process.

BEST PRACTICE

PZU's client ombudsman



PZU clients can count on the assistance of the Client Ombudsman in difficult, multi-faceted cases that require a tailored approach, who acts as a liaison between a client and a PZU

employee should an ambiguous situation occur.

Clients directly contact the Ombudsman 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 Ombudsman intervenes in cases that, in his or her opinion, require a non-standard approach. The ombudsman also acts as an educator, since many questions forwarded to him/her pertain to the insurance product's functioning. More than 1.5 thousand notifications were filed with the Ombudsman in 2020. Due to COVID-19 pandemic, no in-person visits were available. The accepted standard calls for closing a case within five business days.

Scope of notifications forwarded to the Client Ombudsman in 2020:

motor insurance	43%
non-life insurance	14%
life insurance	35%
other	8%

PZU's Client Ombudsman also verifies the cases forwarded to the Management Board of PZU and PZU Życie, and mediates before the Financial Ombudsman and in the Polish Financial Supervision Authority.

The Client Ombudsman has established cooperation with the National Association of the Deaf (PZG) to best align insurance products with the needs of deaf and mute clients. In collaboration with PZG, we managed to make a film showing how deaf and mute persons can use PZU road assistance service. The film has been posted on PZG's website.

Going forward, the activities of the Client Ombudsman are intended to be continued, with greater emphasis placed on its educational function and continued collaboration with the National Association of the Deaf through educating and assisting deaf people in using insurance products.

BEST PRACTICE

LINK4 Client Ombudsman



LINK4 Client Ombudsman was appointed on 28 May 2020.

His/her tasks include supporting the clients who completed the complaint procedure in LINK4 and are still disagreeing with how their case was resolved. He/she handles difficult and complex cases that require additional attention, analysis and broad perspective. The client may use the Client Ombudsman's support before forwarding the case to the court or filing a complaint with a state institution such as e.g. the Financial Ombudsman or the Office of Competition and Consumer Protection.

In 2020, the Client Ombudsman received more than 100 requests for intervention. It considered 23 client cases. Nine cases were resolved in client's favor.

BEST PRACTICE

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



Alior Bank monitors the level of client satisfaction on 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 2020 was at 32 (29 a year earlier).



BEST PRACTICE

Health Ombudsman



To better understand the patients' needs and strengthen relationships with them, in December 2020, PZU became the first insurer in Poland to appoint the Health Ombudsman.



The Health Ombudsman's primary responsibilities include listening to patients, assisting them in finding the best solutions and supporting them on every stage of interaction with health care operators – from the moment of purchase to visits or examinations in a medical center. The Health Ombudsman's duties also include educating clients and promoting healthy lifestyle, preventive medical testing and physical activity. Close contact with patients will allow to have real impact on the development of new solutions and health products.

The clients may contact the Health Ombudsman through the online form or e-mail.

In the near future, the Health Ombudsman will continue the activities that have been undertaken and commence new prophylactic initiatives.

"PZU Zdrowie is one of the key operators on the medical services market. I believe that we have achieved that position through building positive relationships with patients, which is a priority to us. Appointment of the Health Ombudsman confirms the strategic importance of healthcare in our Group's operations. Especially now, when all of us are paying particular attention to health, we want to provide our patients with an additional form of contact and support"



Anna Janiczek, President of the Management Board of PZU Zdrowie

2.1 Innovations



"The COVID-19 pandemic significantly accelerated the digitalization of the financial industry. The clients, who until

recently preferred a direct conversation with a consultant or agent, have become convinced to remote channels. It is a safe and quick way of providing services which, at the time of risk of being infected with the virus, is able to provide the required safeguards. It is very important to us that our clients be able to handle more and more cases efficiently and without leaving home. Remote access to services or artificial intelligence are permanently changing the insurance industry. PZU is continuously deploying modern technologies and state-of-the-art solutions. Thanks to such approach, we are among the European leaders of innovation in the financial industry."

Marcin Kurczab, Director of Innovation in PZU and PZU Życie

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. The emergence of new entrants and trends associated with development of new technologies, including operators of big databases, insurtechs and fintechs,¹ increasingly drives changes in the insurance and banking sectors. In similar fashion, the MedTech i HealthTech² solutions market is developing faster than ever before.

[GRI 103-2] i GRI [103-3]

Innovation is one of the key values for the PZU Group. PZU. The #newPZU Strategy 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.

¹ Fintech - sector of economy encompassing companies operating in the financial and technological industries. Fintech companies most often provide financial services using the Internet. It is also a term for all types of technological or financial innovations. Insurtech is one of the areas of the fintech industry encompassing new technological solutions in insurance
² MedTech, HealthTech - segments of the medical technology market which aim at improving prophylactics, diagnostics, treatment, and protecting and improving human health and life

[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

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**

Client at the center of attention



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. In 2018 – 2020, we were able to analyze approx. 3000 startups and ideas and conduct approx. 40 pilot projects of which 27 were positively evaluated and approved for deployment. The estimated profits from the implemented projects will amount to approx. PLN 80 million. In recent three years, PZU received a dozen or so industry prizes. In 2020, they included Celent Model Insurer, Master of Innovative Transformation ICAN, The Innovation Eagle of Rzeczpospolita Daily.

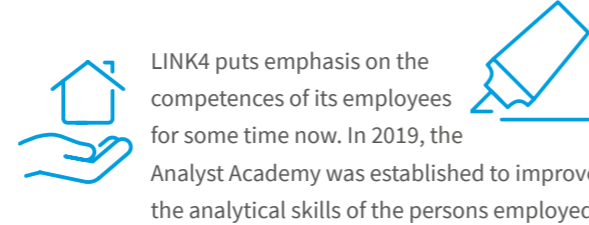
Since 2018, the Idea Generator has been operating under the auspices of the Innovation Lab. It is an internet portal where the PZU employees may submit their ideas for innovative solutions. On regular basis, on average once per quarter, a new edition of the contest for the best ideas in a specific topic is launched. In 2020, the Idea Generator delivered ideas:

- for solutions improving the quality of life of the oldest clients – the „Senior 2.0” project;
- to improve the claims handling process;
- to improve the claims handling process, „SDG (Sustainable Development Goals) Challenge contest, i.e. how PZU may stimulate sustainable development?”

Every portal user is able to not only submit the ideas but also vote for his/her favorite ideas and post comments. Three best ideas from each edition will receive financial prizes, and their authors will have the opportunity to get involved in the implementation of the proposed solution. From the beginning of the Generator, in 8 editions, nearly 600 ideas for internal

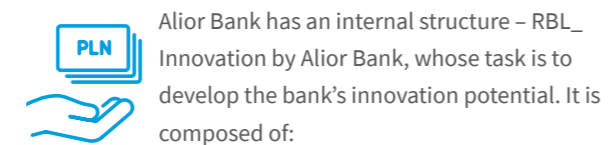
improvements and brand new innovative solutions were submitted.

BEST PRACTICE



LINK4 puts 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. In 2020, the program was continued. The Analyst Academy significantly supports the entire process of transformation of LINK4 into a Data Driven Company, i.e. a company where business decisions are made on the basis of data and in certain business processes the decisions are made by the forecasting models. It 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, which executed a number of innovative projects allowing to generate measurable business benefits. The Company made a milestone in terms of using the data processing and analysis capabilities. A modern Data Lake was built, which allows for efficient creation of Machine Learning models and business analyses. In addition, technologies were implemented to make it possible to process huge volumes of unstructured data which so far were not available for broader analyses. The data were used to better understand the client needs and address them in the form of an appropriate scope of insurance and price.



Alior Bank has an internal structure – RBL_Innovation by Alior Bank, whose task is to develop the bank's innovation potential. It is composed of:

- The Innovation Department and RBL Innovations, responsible for prototyping, UX tests and service design;
- The Open Banking team and the Blockchain Competence Center, grouped together in the Design Department and RBL_Innovation;
- The Fintech and e-commerce Technology Department, which supports the development of the bank's external innovation ecosystem.

In 2019, more than PLN 271 million was designated by the PZU Group for innovative projects³. In 2020, financial expenditures amounted to PLN 210 million, with the largest share – over PLN 90 million spent by PZU and PZU Życie.

The COVID-19 pandemic accelerated several processes involving new technologies, whose deployment under normal circumstances would take several years. The lockdown of

³ CAPEX i OPEX

BEST PRACTICE

Remote authentication



For several years, PZU has been developing the mojePZU portal and upgrading it with new functions. It is the most comprehensive platform available on the insurance, financial and health markets. In 2020, it was expanded

by, among other things, the possibility of verifying the identity using mojeID (myID) and mObywatel (mCitizen). Thanks to this, the clients may register on the platform remotely without the need to come to the PZU branch and confirm their identity. In addition, we made it possible to set up a portal account through an activation link. As of 2020, an account can be opened also by persons who report a claim from the perpetrator's TPL policy but are not PZU Group's clients..



In 2020, Alior Bank launched a new remote authentication solution. In Q1, the Photo ID client identity verification method was implemented which does not require a client to visit a branch. It was designed and deployed by Alior Bank employees. It allows to verify the identity in no more than five minutes

The next effort focused on remote client identification was the cooperation with Polska Wytwórnia Papierów Wartościowych. One of the areas of cooperation is the use of an e-ID, which supports a remote client identity verification. Thanks to the eDo App, with an e-ID clients can confirm their personal data and may freely use Alior Bank's products and services. Thanks to the eDO App it is possible to prevent

the economy and the restrictions imposed in 2020 forced the transition to distance work and significantly affected how the financial institutions provide their services to clients. These factors accelerated the digitalization and the use of advanced technologies, especially in the insurance sector. Remote forms of sale, inspection and claims handling became popular relatively rapidly. The process of healthcare digitalization rapidly accelerated. The role telemedicine significantly increased.

the practice of criminals using stolen or forged identity cards. The app is integrated with login.gov.pl, therefore it may be also used to communicate with public administration units and government offices.

In 2020, a significant project was Alior Bank's investment in the Polish fintech Autenti offering a platform for electronic signing of agreements and digital document circulation.

In 2020, Alior implemented remote service for all corporate banking products through:

- broad utilization of qualified signatures, Autenti e-signature and Photo ID;
- launching the option to apply for new transaction products in the BusinessPro online banking service;
- centralization of as much as 45 after-sales processes.

In 2020, Bank Pekao launched authentication of clients who have the digital banking identity PekaoID using the mojeID service (PekaoID) and the Trusted Profile using the so-called eIDAS National Junction, i.e. an administrative HUB, to which already over 100 authorities, including state administration bodies, are connected. Thanks to it, the utilization of the commercial mojeID (PekaoID) service was expanded in the context of public administration – using a single tool the bank's clients may authenticate their ID in the platforms of both commercial and public entities. In 2020, the number of clients using PekaoID exceeded 230 thousand.

BEST PRACTICE

Cyber SME

The COVID-19 pandemic significantly accelerated the digital transformation process and forced many SME sector companies to transfer their operations online. This, in turn, exposed the companies to cybersecurity risks to greater extent than before. Therefore, PZU developed a free tool – Cyber SME which is a platform that scans the websites of small and medium-sized enterprises and verifies the strength of their cyber-attack safeguards. A company, which decides to take advantage of that service, will receive a free report drafted by PZU, which covers the website security, assessment of the reputation risk as well as potential attractiveness to hackers. The report will also include recommendations which, when implemented, will improve the company's cybersecurity. The report's formula is simple, straightforward and transparent. It was designed to be understandable not only to IT specialists.



BEST PRACTICE

Tele-rehabilitation



Since December 2020, the PZU Zdrowie Medicus Medical Center in Opole has been conducting a pilot project of a solution that will allow the patients to perform rehabilitation exercises at home by using controllers connected to a personal computer.



BEST PRACTICE

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

In 2020, PZU continued collaboration with the startup accelerators: MIT Enterprise Forum CEE and RBL_Start (Alior Bank's accelerator). In the first one, solutions were searched associated with three key areas: Big Data, digitalization, and new client interactions. MIT Enterprise Forum CEE accelerator is a chance for robust development of technological startups in Poland and Central and Eastern Europe. The accelerator operates under the patronage of the Massachusetts Institute of Technology (MIT) – a renowned research center which for many years has been actively supporting young companies in their development and expansion to new markets, and it has been setting the direction for discourse and development of the entire modern technologies industry. As part of RBL_Start accelerator, PZU and Alior Bank implemented the #COVID19 Special Initiative to identify innovative solutions aiming to counter the COVID-19 pandemic and its repercussions. The initiative was met with tremendous interest – from among several hundred received submissions, experts thoroughly analyzed a few best of them and ultimately decided to implement one of them as a pilot project. The solutions put forward under these programs enjoyed interest from selected business areas – in both programs 5 pilot projects were launched in the two programs.

Participation in the accelerator carries a lot of benefits for startups, including, among other things, in the area of business model development, expert support (e.g. legal) and broadening the industry networks of contacts. Moreover, they made contacts with corporations and obtained financing for shared pilot projects.



BEST PRACTICE



Through innovations, PZU Zdrowie intends to set new standards for medical care. Innovations deployed in the facilities are an important element of creating a positive patient experience.

In 2020, PZU Zdrowie launched or developed the solutions allowing the patients to, among other things, set up or cancel an appointment online, download referrals and results of medical tests through mojePZU portal, and conduct telemedicine consultations and appointments.

The Communication Broker was implemented, which integrates the calendars of the partner chain centers and own centers of PZU Zdrowie on mojePZU portal. On the other hand, remote medical consultations and purchase of prescribed medicines in a selected pharmacy is possible thanks to Virtual Clinic, and the EDM (Electronic Medical Documentation) project implemented electronic medical documentation in own centers of PZU Zdrowie. The medical hotline was upgraded to include the Voice Bot virtual assistant service who sets up and cancels patient appointments by phone.

Innovations in Varso

In 2020, PZU Zdrowie opened its most state-of-the-art medical center. It is located in the Varso modern office complex at ul. Chmielna in Warsaw. The Warsaw Chmielna PZU Zdrowie Medical Center is unique in terms of its innovative medical equipment as well as services provided to the patient.



The medical center features several innovative solutions such as:

- examination with **StethoMe electronic stethoscope**, which identifies and augments the sounds of the lungs and the heart. After connecting the electronic stethoscope to a tablet, the physician may use medically certified artificial intelligence algorithms. This is the first solution of its kind in the world, which supports the physician in the diagnostic process of lung diseases in children and adults;
- painless and safe blood draw thanks to state-of-the-art **AccuVein vein visualization**. The device employs laser to visualize the patient's veins to reduce the pain during blood draw;
- medical examination with **LUMIFY handheld ultrasound device**, connected directly to a tablet. A physician may use it to perform a high-quality ultrasound examination in any location and precisely administer an injection e.g. to the knee;
- monitors and tablets in the physician's office, on which the physician displays the **visualization of the medical problem which is being discussed**, during the appointment, which allows to include the patient in the diagnosis process and provide him/her with better understanding of recommendations;
- **electronic consents with a biometric signature**, which improve documentation circulation and are more environmentally friendly through elimination of hard-copy forms.

BEST PRACTICE

Development of mobile payments



In Q3 2020, Alior Bank launched the MoBilet system allowing the clients to use mobile payments for public transportation services and parking meters throughout Poland. In November, the „Auto” area was additionally expanded to include the Autopay service, thanks to which the clients may make mobile payments with the Alior Mobile

app for motorways throughout the country. In addition, Bank Pekao launched the Autopay service thanks to which selected motorway sections can be paid for automatically, without the need to wait in the lines at the toll gates. The service can be activated from the PeoPay app and the Pekao24 online banking platform.



Client at the center of attention

BEST PRACTICE

Innovations in insurance may rescue clients' life and health



PZU GO is a state-of-the-art solution guarding the driver's safety while behind the wheel. This small device pasted to the car's windshield communicates with the app in the driver's phone and detects dangers. In the event of an accident, PZU GO immediately notifies the PZU Emergency Center of its occurrence and location. PZU immediately contacts the driver to check if he or she needs any assistance. Unless the driver answers the phone, PZU notifies the emergency services and provides them with the last location obtained from the device's GPS.

As of May 2020, PZU GO has been available throughout Poland in all sales channels.

According to the client satisfaction survey conducted in December 2020, 93% of respondents declared that they were either satisfied or very satisfied with PZU GO. According to their opinions, the best features included automatic accident detection (57%) and driving style verification (24%).

In 2021, we are planning to improve the accident detection algorithms and analyze the options for expanding the app to include additional features.

PZU GO was named „Innovation of the Year 2019” in the Mobility Trends competition. In 2020, PZU GO users traveled more than 7.5 million kilometers. Nine accidents occurred, where immediate assistance could be provided to the victims after the device detected the accident. In addition, there were 28 justified help calls activated by pressing the SOS button, after which the client received assistance.

Cash Back is an innovative program where the holders of LINK4 motor insurance may generate bonuses for safe driving. The analysis of driving style includes driven distance, smoothness of driving and the area where the

driver was driving. From April 2017 to December 2020, the program was utilized by more than 58 thousand LINK4 clients who drove a total of more than 146 million kilometers.



To become an active participant in the program, the client should drive his/her car with a switched-on NaviExpert navigation and the LINK4 Cash Back module for at least 200 kilometers a month, and he/she should start the app during at least 5 different days and drive at least 10 kilometers on the given day. After each monthly period, the driver is assigned with a summary grade which allows to classify him/her in a relevant profile, which in turn serves as a basis for determining the amount of the financial bonus. After one year, the LINK4 insureds may exchange the sum of those bonuses into reimbursement of up to 30 percent of the insurance premium.

Each participant decides on his/her own whether to earmark the bonus generated at the end of the agreement term for reduction of insurance price after policy renewal or whether he/she would prefer to have the funds transferred into his/her bank account.

In December 2020, the value of safe driving bonuses generated under the program exceeded PLN 3 million. The largest bonus amounted to PLN 1.2 thousand. However, the program's greatest value is prevention and promotion of safe driving on Polish roads.



BEST PRACTICE

Non Stop Assistance

In 2020, Non Stop Assistance, a brand owned by the PZU Group, expanded the scope of mobility services and products to include a Polish-wide pilot project of pre-purchase car verification service. This service is a structural element of a comprehensive ecosystem of services for drivers in PZU.



As part of three bundles of services, the clients may select verification of a vehicle sale advertisement, verification of the vehicle's technical condition or verification at a diagnostic station in any location in Poland. Verifications are performed by experienced motor vehicle experts from the PZU Pomoc partner network (a total of more than 300 experts throughout Poland).

The first step involves online selection of a relevant service bundle (Komfort, Optimum, Premium) and sending a completed form on the basis of which the Non Stop Assistance experts commence their work. The specialists will verify the vehicle sale advertisement in detail, contact the seller and check the key information over the phone. Next, they will inspect the car on-site and verify its technical condition according to a 200-item checklist. The vehicle may be inspected in a workshop or in a diagnostic station. The entire process takes up to two business days.

The Non Stop Assistance service is distinguished by Mobility Protection in case of failure. It is available under the Optimum and Premium scenario. Under this coverage, the client of a newly purchased car is provided with the Assistance bundle which is valid for 90 days. In case of a breakdown of a car which was verified by the Non Stop Assistance experts, the client will be provided with towing services up to 150 kilometers and a replacement car for the duration of the repair. Coverage also includes the costs of workmanship in the partner workshop up to PLN 4 thousand.

Robotics

Robotics is a tool that allows full automation 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 conduit. The application of robotics makes 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 implementing a systemic change, and the solution itself generates lower costs than would be required if additional employees were to be hired.



In 2020, 24 business processes were implemented at PZU and PZU Życie, including 12 in the area of claims handling. The processes supporting foreign, subrogation and corporate claims handling were robotized. In April

a process supporting the processing of clients' legal queries in connection with the COVID-19 pandemic was launched.

In November 2020 the first robotized process using smart OCR was launched for claims handling pertaining to hospitalization. In the process a robot supplies medical documentation to the OCR tool which reads the client's personal data, illness code and duration of hospitalization from the hospitalization card. Then the robot supplements the claim in the claims handling system (SLS) with specified data.

In addition, in 2020, technical processes were executed to verify the potential and profitability of robotization. As a result of the completed actions, on average robots process 7 million operations per annum

Effectiveness of the robots implemented in 2020:

- they effectively add information from hospitalization cards in approx. 600 cases a day. Automatic data capture shortens the claims handling time and reduces the risk of error;
- they verify the correctness of added corporate entities and supplement powers-of-attorney on average in 40 thousand claims, which directly translates into more efficient communication with clients;
- they verify approx. 12 thousand claims a month for accuracy of assignment, thanks to which claims with a repair network workshop are immediately assigned to an appropriate handling unit;



- they add an order for technical approval of the claim in all high-value motor claims, as a result of which the claim settlement approval control process is 100% tight
- they provide vehicle details and photographs on average from 12 thousand claims a month to the PPO system which facilitates the operation of the GreenParts process;
- they analyze accounting data (provisions and costs) on average in 32 thousand claims a month.

The actions implemented in 2020 generate average annual savings of approx. PLN 2.5 million in the claims handling area.

In 2021 robotization of further processes is planned, among others:

- further improvement of communication with clients through implementation of autodetection of emails received at kontakt@pzu.pl;
- use of smart OCR to automate the claims handling process regarding birth of child and death;
- development of a comprehensive solution for claims handling in MOD insurance and hospitalization benefits.

BEST PRACTICE

Samoobsługa szkód



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 vehicle damages sustained during the insurable event permits automatic calculation of the proposed amount of compensation.

In the case of ADD claims and benefits, the client personally marks the nature of their injuries on an intuitive human figure, which makes it possible to calculate the benefit amount. The client may accept or reject the proposed amount.

BEST PRACTICE

Artificial intelligence (AI) in claims handling



PZU as a leader of digital transformation constantly works on innovations increasing customer service quality. AI in claims handling is a solution utilizing artificial intelligence, analyzing damage photographs and cost estimates from the car repair shops. PZU handles over 500 thousand motor claims per year. Bulk of them are handled by repair shops. Most claims comprise mass photographic and technical documentation. A lot of it requires additional in-depth analysis. These activities require trained and highly qualified experts. The implemented artificial intelligence solution has improved their daily work. The artificial intelligence algorithms implemented by PZU are able to analyze the photographs documenting a motor loss. They are also able to name a specific part of a vehicle, assess the extent of the damage and classify a part for repair or replacement. Before using artificial intelligence algorithms most cases handled by repair shops had to be analyzed manually. Thanks to implementation of this solution experts receive for analysis only selected cases while the remaining ones, which do not raise any doubts, are approved automatically or semi-automatically. The implementation translates into significant financial savings and improvement of client satisfaction.

The project received a number of awards in 2020, among others in the contest organized by the ICAN Institute and MIT Sloan Management Review Polska – Champion of Innovative Transformation, and the prestigious Celent Model Insurer title in the category entitled “Data, Analytics and AI” for the break-through implementation of artificial intelligence in motor claims handling.

„This is one of the most successful projects using artificial intelligence we have implemented at PZU. The project improved the customer service process and, at the same time, brought savings in the range of millions of zlotys.”



Marcin Kurczab, Director of Innovation in PZU and PZU Życie

BEST PRACTICE

Artificial intelligence (AI) in diagnostics



PZU Zdrowie has implemented in its diagnostic network a pilot program for diagnosing stroke in computed tomography tests. The solution is based on artificial intelligence algorithms and is one of the first in Poland to have found application in commercial operations.

The solution implemented in diagnostic labs supports the radiologist through automatic detection of life-threatening change lesions. The algorithm generates a tentative diagnosis and marks the tests with a special marker. Thanks to that it is possible to nearly instantly undertake the treatment process which reduces the probability of heavy brain damages and increases the patient's chances of surviving.

Thanks to this solution, the time needed to prepare a description whenever a stroke is detected has been reduced from several hours to just a few minutes, which allows patients to be assisted quickly.

The AI module has been developed by a Polish startup BrainScan using data from 40 thousand computed tomography tests of the head carried out in the PZU Zdrowie diagnostic network. Then it was tested by radiologists in day-to-day tests to confirm its effectiveness. It has been confirmed that the consistency of the radiologist's description with the diagnosis of the AI module is approx. 98%. The software has a medical certificate and continues to be developed. PZU Zdrowie intends to use it in nearly 40 imaging diagnostic labs.

BEST PRACTICE

Wireless stethoscopes



These innovative AI-based devices make it possible to remotely test the lungs and heart. Following the physician's instructions, the patient puts the stethoscope to specified spots on the body and the physician remotely receives immediate readout using an online platform. The test does not require direct contact with the patient and eliminates the risk of infecting the doctor or medical personnel. At the same time it provides constant monitoring of the patient's condition. TUW PZUW handed over the modern wireless stethoscopes to hospitals as aid in the struggle with the COVID-19.



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 PZU Group is an insurance leader in Poland which offers comprehensive protection to clients in key areas of life and business.

We are a modern company that is changing with our thoughts concerning the millions of Poles who have placed their trust in us and entrusted their most important affairs to our care. We do not want to lose their trust. That is why in our communication we endorse the most important brand values such as safety, professionalism and trust. These are the fundamental values that inform our marketing efforts”.

Michał Lutostański, Director of Marketing

PZU Group's policies [Accounting Act]

[GRI 103-2]

Product liability in the PZU Group assumes an exceptional form: the priority in every offer 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. In accordance with the “PZU Group Code of Best Practices”, we apply transparent rules in communication, keep our undertakings and the client can always rely on us.

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

All Group products and services are meticulously checked by experts before they 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.



The transparency of the Group's insurance products is ensured by the provisions of the Insurance Distribution Act of 15 December 2017 which entered into force in 2018 and was later amended. 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).



PZU has in place a „Procedure for developing, modifying and withdrawing products supervised by the Mass Product Department”. The procedure stipulates that the product manager prepares draft General Terms and

Conditions of Insurance (GTCl) and rate tariffs which he/she agrees on, together with the resolutions introducing them, with relevant units, according to the legislative process in place in the company. Then, based on the agreed GTCl, the product manager drafts or modifies the document containing key information on the product (IPID, Insurance Product Information Document), taking into account the product complexity and client type (requirement from Article 8 of the act on insurance distribution) for all PZU products.

PZU Życie, in turn, has a „Procedure for developing, implementing and modifying individual protection and unit-linked products and individual and group insurance-based investment product managed by the Product Development Department”. The Product Development Department (BRP) prepares and consults the detailed scope of product information. Then, in accordance with the provisions of law, guidelines and recommendations of the regulatory authority, the GTCl are prepared together with the so-called product card, i.e. objective information on the product. Thanks to it, clients can make more considered decisions and purchase insurance cover that best corresponds to their requirements. In the cases when this is required by the „Procedure for review and amendment of Key Information Documents” also a document with key information on the product, i.e. KID is prepared.

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. Therefore the company fully satisfies the norms of the Commission Delegated Regulation (EU) 2017/653 of 8 March 2017 supplementing 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 (PRIIPs) through establishing regulatory technical standards regarding presentation, content, review and change of documents comprising key information and the conditions for satisfying the requirements regarding provision of such documents. That is why the company 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.



TUW PZUW carries out regular reviews of the existing products and services (including those offered by third parties) to assess whether they still bring benefits to consumers or have negative effects. In the first quarter

of each year, TUW PZUW prepares collective information on satisfaction of clients' expectations regarding individual products, analyzing in detail complaints, if any, processing problems and drawbacks involving lack of precision and clarity in the contracts. Monitoring is the basis for preparation of an assessment of adequacy and introduction of increasingly better solutions. This is also supported by the annual analysis of complaints from the perspective of the product and service and the applied procedures, and the findings and recommendations are reflected in a comprehensive report. On this basis TUW PZUW works out and regularly implements solutions aimed at further improvement of quality. The obligation to offer products responsibly in TUW PZUW is laid down in the scope of duties of the company's Management Board.



In Bank Pekao, key regulations pertaining to this area as regards compliance risk assessment are: “Policy for New Product Implementation Process at Bank Pekao S.A.” and “Rules for developing marketing communication at Bank

Pekao S.A.”

BEST PRACTICE



Alior Bank has in place the „Policy of preventing dishonest sales” intended to counteract the practice of misselling. The document lays down the rules that must be applied in the process of designing and distributing products. The product shelf has been reduced and selected offer elements

may be distributed only by authorized channels (e.g. Private Banking) and employees who have the appropriate knowledge and experience. The sales processes are subject to regular monitoring for the threat of misselling. There are defined rules of handling identified misselling cases.



Client at the center of attention

Also all foreign companies have appropriate procedures in place. AAS Balta, operating in Latvia, in addition to guidelines regarding communication with clients, applies a policy for identification of client needs and management of product changes and development. Lietuvos Draudimas in Lithuania, in turn, has a procedure for managing the launch of new services.

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 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 2020, 107 complaints-related initiatives were developed (i.e. those that were reported based on requests derived from client complaints). In 2020, on the basis of the recommendations obtained in the Customer Journey project in the complaints area, a number of initiatives have been prepared to facilitate the complaint handling process and work organization and engagement of employees processing complaints.

[GRI 417-2; GRI 417-3]

From 2018, 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



One of the values laid down in the “Best Practices of the PZU Group” is honesty. It means that “we follow transparent rules for client communication”. PZU is the only insurer in Poland that has as many as four “Simple Polish Certificates”. This is a quality certificate awarded by the Institute of Simple Polish of the University of Wrocław.



„Using clear and understandable language is a condition of effective communication and good relations with the clients. PZU is a market pioneer in this respect. We have

set up the Simple Language Department which makes sure that understandable language is a standard in our company. We simplify letters and client information, giving it graphically transparent form. Before sending an email or letter, our employees may check whether it has been written in accordance with the rules of simple language – everyone has access to a simple program which suggests an appropriate form. Also, we do not forget about training.”

Dorota Maciejka, Member of the PZU Życie Management Board

A survey carried out in September 2020 by Norstat Polska has shown that PZU’s clients declare more frequently than other clients that they can easily find the information they need in the correspondence they receive and that the information is written using understandable language. This is the result of PZU’s consistent efforts to ensure understandable, clear and transparent communication with clients. The importance that PZU attaches to this area is confirmed by establishing the Simple Language Department in 2020 in place of the earlier team.

The Department performs its tasks, introducing language standards in communication with clients and in internal correspondence. It also develops letter templates, conducts numerous training courses for employees and promotes the

principles of simple Polish during conferences, webinars and using internal communication channels: the PZU24 service, regular newsletters and the „Świat PZU” magazine. It is involved in external communication, promoting PZU as a company which attaches a lot of importance to ensuring that the information conveyed to clients is clear and understandable.

It cooperates with renowned academic centers: Institute of Simple Polish of the University of Wrocław and the Polish Language Institute of the University of Warsaw.

Tools and standards



PZU as the first insurer in Poland launched a special computer program „It is simple!” for analyzing texts from the linguistic perspective. Thanks to the program, PZU employees may check whether the texts they write do not

contain incomprehensible phrases or whether the sentence they use is not excessively complicated and too long.



Understandable communication is also supported by:

- „Simple language strategy at PZU”, i.e. a collection of universal rules applied in communication;
- „Standards of correspondence with clients”, which sort out the templates of official communication with clients;
- „Standards of internal correspondence”, which unify the existing form of communication within the company;
- „Effective communication management policy”, defining the principles of communication with clients and within the organization along with the methods of their implementation and monitoring. The document supports consistency of communication between channels, processes or products, conscious management of interactions with clients, building positive relations with clients, improvement of client experience, and building and maintaining linguistic competences among employees.

Training courses and conferences



As part of the simple language workshops run by the authors of the Polish effective communication model, in 2020 over 400 PZU employees were trained. During the workshops they simplified complicated contents full of incomprehensible phrases from the language of finance.

They prepared letter templates which are now used in communication with clients.

A record-breaking number of over 1,600 PZU employees gathered at the annual Simple Language Conference. Linguists from the University of Warsaw and University of Wrocław, and customer experience specialists shared their knowledge and experience. Attendees were shown survey results according to which 89% of Poles expect companies to convey simple and understandable information and PZU ranks better than other companies in this respect.

The webinars organized by the Simple Language Department to share practical linguistic knowledge were as popular as the conference. At one of them participants learned how to speak to be understood from a well-known journalist, holding the title of the Champion of Polish Speech, Przemysław Babiarz.

Promotion in the media



The initiatives of the Simple Language Department brought around one thousand publications in the media which informed readers about the importance attached by PZU to simple and understandable communication with clients.

Some initiatives were unconventional. PZU’s joking spot „Down with the official tone!”, in which the use of understandable language was promoted by a singing bass-baritone singer from the Grand Theatre – National Opera in Warsaw, was shown by „Teleexpress” and the popular breakfast television program „Pytanie na śniadanie” on TVP. The spot reached approx. one million viewers through YouTube.

BEST PRACTICE

The PZU Simple Language Department, in cooperation with the Polish Language Institute of the University of Warsaw, undertook work on the publication of the „Encyclopedia of Simple Polish”. The prestigious publication will contain a dictionary of terms from the business and official language, prompt synonyms replacing the incomprehensible words and provide knowledge about simple Polish. The objective of the project is to promote PZU as a company which attaches a lot of importance to communicating with clients in a comprehensible manner.



Client at the center of attention

Also cooperation with the popular YouTube channel „Matura to Bzdura” addressed mainly to youths was an innovative project. Its authors asked respondents in a street survey how much of the corpo-speech they understand and to what extent they can use simple language themselves. The episode created in cooperation with PZU entitled “How well do Poles speak Polish” had nearly 330 thousand views.

[GRI 417-1]

Internal requirements concerning the labeling of products and services and information regarding them



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 regulation 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.

[G4-FS13], [G4-FS14]

Responsible network of salespersons

The PZU Group has created the geographically biggest financial services sales network in Poland. It also ensures high quality service.

The PZU sales and service network includes:

- 410 branches with convenient access across the country with 189 in small communities;
- 10 thousand tied agents and agencies;
- over 3.2 thousand multiagencies;
- nearly 1.1 thousand insurance brokers;
- electronic distribution channels.

The PZU Group's clients in Poland have also access to Bank Pekao's distribution network (713 branches) and Alior Bank's distribution network (674 branches, including 180 traditional branches, 7 Private Banking branches, 13 Corporate Banking Centers and 474 partner centers; additionally, at yearend 2020,

Alior Bank had 51 branches in Romania). Both banks have professional call centers and mobile and internet banking platforms.

When it comes to bancassurance and strategic partnerships, the PZU Group collaborates with 13 banks and 21 strategic partners. The PZU Zdrowie network has approx. 2,200 partner and 130 own centers.



Cooperation with the banks within the PZU Group (Alior Bank and Bank Pekao) forms an additional platform for PZU to build lasting client relations. At the end of 2020, more than 9 thousand banking advisors (5.3 thousand in

Bank Pekao and 4.1 thousand in Alior Bank) received the KNF license and had qualifications to sell PZU's insurance products.

Structure of PZU branch network

The network of 410 standardized PZU branches is evenly distributed across Poland in carefully selected locations. PZU branches are the only distribution channel ensuring in each outlet comprehensive sales and aftersales service of PZU Group's non-life, life and pension insurance and investment products. The offering in PZU branches is targeted at individual clients as well as businesses from the small and medium-sized enterprise (SME) segment.

Structure of the PZU tied agent network

Improvement of the professionalism and quality of customer service in the agent's offices, and increasing their physical presence in the field are the priorities of the network development. Attractive equipment and marketing signage of the offices, training on service quality standards, substantive support for the sales teams and even financial support from PZU – all this helps agents to attain the highest level.

It is also important to universalize agents who sell the products offered by the PZU Group. They become professional advisors at each stage of the client's life. As a result, clients may insure their property, buy medical and life insurance and take care of their pension – all from a single agent. Already now most agents running offices offer comprehensive client service regarding the products of the entire PZU Group and their offering is constantly expanded.

The leasing offering of the tied agents in cooperation with Pekao Leasing in 2020 was expanded by another PZU Group

company – Alior Leasing. Agents offer car and property leases for machinery and equipment for the SME segment.

Agents offer also Individual Retirement Security Accounts (IRSA). In 2020, clients paid in over half a million zloty under agreements concluded via tied agents. Tied agents also take part in acquisition of Employee Pension Schemes. In 2020, they entered into nearly six thousand ECS management agreements for PZU TFI in Polish corporates.

Tied agents started to offer new products: PZU Cover for Farmers and PZU Thinking about Life and Health. Tied agents also obtained the possibility of insuring the entire family on a single policy.

In 2020, thanks to agents, over 380 thousand clients opened accounts in the mojePZU service, which is a convenient remote service tool. Agents may send an insurance offer to the client who will accept it, enter into a contract and pay for it without the need to meet in person.

Already more than 20 thousand clients of tied agents use the innovative solution PZU GO. PZU is the only insurance company in the Polish market which offers this type of solution. This is a modern tool which cares for safety while driving a car. It is fixed to the windshield and, using Bluetooth, communicates with the PZU GO app installed in the insured's phone. If it detects danger on the road, e.g. collision or accident, it informs the PZU Emergency Center and the center dispatches emergency services to the site.

As at the end of 2020, PZU had 1.5 thousand tied agent offices in Poland. However, over 3 thousand out of approx. 5.5 thousand tied agents had authorizations to sell PZU and PZU Życie products.

BEST PRACTICE

Portfolio Development Teams



Sales Area.

The tied agent channel actively participates in all changes being introduced. To support these activities, two-person Portfolio Development Teams were appointed in each



POLICY



COVID-19

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.

Development training

The restrictions introduced due to the pandemic determined also the way in which agents were trained – all workshops were held remotely. In total, in 2020, nearly two thousand agents participated in 325 development training courses, including 82 courses organized for 480 persons as part of the Academy for Adepts.

Support during the pandemic



In 2020, due to the COVID-19 pandemic, agents received from PZU additional support which ensured safety both to agents and to their clients. PZU equipped their offices with Plexiglas screens, 7 thousand liters of disinfectant, 55 thousand facemasks and 168 thousand disposable gloves. Thanks to intensive promotion of the mojePZU portal, agents were well prepared for effective sales using this tool, which was particularly important in the initial phase of the pandemic.

BEST PRACTICE

PZU develops and promotes the agents' online presence:

- it sets up their websites, which we then put up on the www.agentpzu.pl website;
- prepare Google “business cards”;
- from 2020, PZU has also been offering Facebook profiles, co-managed by PZU.

The visit statistics and information from agents confirm that these efforts help them reach a broader group of clients.



INSURANCE



HEALTH



INVESTMENTS



BANKING

Complaints and grievances

The „Principles for accepting, recording, examining and reporting the grievances submitted by clients”, together with guidelines determining the organization of the complaint handling process, are define precisely the whole procedure. These principles are an element of the product management system at PZU.

Complaint handling stages:

- immediate examination of the circumstances of the case;
- assessment of the viability of the issues raised;
- taking a position;
- taking actions to rectify identified omissions, if any;
- replying the client and external institution if the institution lodged a complaint on the client's behalf.

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. In cases that are particularly complicated this timeframe is extended but does not exceed 60 days. 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.



144 grievances were submitted to PZU in 2020 against agents. 23 of them were recognized in full and 22 were recognized in part. These grievances pertained to improper employee conduct, giving incorrect information and the organization of an agent's work. PZU Życie, in turn, received 37 grievances. 6 of them were recognized in full and 5 were

recognized in part. These grievances pertained predominantly to failure to provide proper information on product characteristics and giving incorrect information.

Information about the causes of the grievances is analyzed also by the persons responsible for the areas to which they pertain. This is aimed at taking actions which may eliminate the causes of the complaints and their sources in the future. This applies in particular to product offer development, sales, distribution channels, external partner network (including cooperation with service providers and contractors), customer service, claims handling and marketing.

Responsible marketing communication



The PZU Group attaches a lot of importance to proper shaping of the brand image and the advertising message associated with the product offering. Consequently, it advertises its products and services responsibly, in

accordance with the rules laid down in the “PZU Code of Ethics in Advertising”. The Code is a collection of additional standards, independent of the provisions of law and the guidelines of the Polish Financial Supervision Authority. All actions covered by the provisions of the Code should be compliant with the law and good practices, based on social responsibility, and consistent with the principles of fair competition.

The main rules in the Code:

- advertising does not contain discriminatory contents, respects human dignity and does not challenge animal rights;
- the message is not misleading and does not take advantage of the clients' ignorance;
- the data presented are true and documented.

BEST PRACTICE

PZU Code of Ethics in Advertising



The recipient of a proposal delivered as part of direct marketing has the possibility of identifying that the proposal is advertising. PZU

does not present proposals which can be easily mistaken for a bill, invoice or similar document.

The Code also regulates the event sponsoring rules. It clearly stipulates that they may not infringe good practices, expose facilities of historical or artistic importance to harm, or exert negative impact on the natural environment.

BEST PRACTICE



The marketing activities are subject to opinions of 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). 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.

BEST PRACTICE

Action synergy



Caring for better understanding of the users' purchase path, the number and quality of interactions with the PZU brand, products or services, and aiming to adapt the communication more effectively to the user, PZU implemented a new analytical and media platform. Thanks to the platform, all activities conducted as part of direct marketing are centralized. Data on the effectiveness of the advertising channels are collected in one place thanks to which they can be easily compared. Implementation of the platform make it possible to build user segments and create a communication strategy with an appropriate advertising message to specific segments.

Responsible marketing communication is also supported by:

- „Marketing Policy” which defines the aims, standards and principles of conducting marketing activity in the PZU Group. It focuses on ensuring consistency of all marketing activity and the message, as well as compliance with the prevailing provisions of law, in particular with the regulations on protection of competition and consumers and fighting unfair competition, as well as the guidelines of public authorities;
- The „Rules for giving opinions on marketing activities and activities in internal and corporate communication”, which regulate the procedure for issuing opinions by the Compliance Department on marketing materials from the perspective of the compliance risk.



In Bank Pekao, key regulations pertaining to the marketing as regards compliance risk assessment are: „Policy for New Product Implementation Process at Bank Pekao S.A.” and “Rules for developing marketing communication at Bank Pekao S.A.”

BEST PRACTICE

Grab the Internet by the horns



In this unique year of 2020 marked by the COVID-19 pandemic, Bank Pekao as a leader of banking digitization, decided to launch an exceptional social marketing campaign entitled “Grab the

Internet by the horns” aimed at building a new virtual dimension of social relations. The campaign, addressed to older persons and senior citizens, highlighted the possibilities and convenience offered by using the Internet and provided interesting informational and educational contents, including on the use of electronic banking.

The aim of the campaign was to educate and activate older clients (aged over 55) and engage their relatives in actions aimed at improving clients' safety through, among others, making payments using online banking, using cashless transactions and limiting visits in bank branches.





In accordance with the prevailing laws, PZU Group companies are obligated to provide reliable and timely information regarding policies, events and claims paid in motor insurance to the Insurance Indemnity Fund.

Due to an amendment of the act on mandatory insurance, Insurance Guarantee Fund and the Polish Motor Insurers' Bureau, as of 13 November 2017, an obligation was introduced to send data on concluded TPL/MOD insurance contracts during the activity (~on-line) to the Insurance Indemnity Fund. Being aware that such data are used both in the company's internal processes (among others for prevention of insurance fraud using an anti-fraud system), and in market solutions successively built using such data (among others integration with the Central Records of Vehicles and Drivers (CEPiK), analyzing the continuity of TPL or persons who are not insured), the PZU Group pays special attention to the quality, completeness and timeliness of transfer of the information in order to draw maximum business benefits and care for its image.

The efforts of PZU Group employees are appreciated. For five years PZU has been ranking first in the IIF ranking of Insurance Companies.

In 2020, the ranking was divided into categories depending on the size of the company. PZU ranked first among companies which report high volumes of records (over 2 million) and second in the Leader Ranking with the ultimate ratio of 92.18% (increase from 90.80% in 2019). LINK4, in turn, with 90.82%, ranked second in the group of companies reporting a medium volume of records to IIF (from 280 thousand to 2 million records). The ultimate ranking is the function of, among others, the quality and completeness of the data, and timeliness of data transfer, and may amount up to 100%. The minimum acceptable level in the ranking is 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 that make it possible to identify the person. The regulations of the personal data protection law apply to every work position and all information systems which employees use. Access to such data is provided only to persons who need it on account of the work they do.”



„Taking care of clients' data is one of our priorities. Due to the pandemic, we attached even greater importance to the confidentiality of the information we processed. As a Group, we care for the best possible relations with clients and for their trust and we respect their privacy. Therefore, we constantly take measures to improve the security of the personal data made available to us, which includes following the highest standards of information system protection.

Rafał Jeż, Director of the Security Department in PZU and PZU Życie

In 2020, we managed to prevent:

roughly 23 thousand potential infections

more than 305 million attempts of making a connection to send malicious e-mails;

more than 900 thousand high risk attacks

references to **more than 6.1 million** dangerous resources

Additionally:

more than 1.4 million malicious e-mails were blocked

33 thousand analyses were carried out

851 initiatives were opened

216 manual safety tests were conducted

340 thousand vulnerabilities to threats were detected,

including **12 thousand** critical cases

PZU Group's policies [Accounting Act]

[GRI 103-2]

As the issues of IT security are very important for the PZU Group, it places great emphasis on them and treats them with particular thoroughness. Appropriate policies, procedures and detailed requirements are in place in all companies in order to ensure an adequate level of protection for clients' information and data. A comprehensive multiple-layer system to protect against cybersecurity threats functions in PZU and PZU Życie and is being constantly developed. To meet high information security standards, the cybersecurity management system in operation complies with the requirements of the ISO 27001 standard, which is the highest Information Security Management System standard renowned and recognizable all over the world.

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). In addition, security is planned to be improved through the launch of the Threat Hunting process, and new anti-phishing campaigns are scheduled to be conducted along with other forms of education for PZU employees and agents.



The PZU Group ensures the security of the processed data and the protection of the personal data of its clients. It understands the complexity of the obligations following from 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 responsibility for the area of security in PZU and PZU Życie rests on the Director of the Security Department who answers directly to a Management Board member. Moreover, the Director for Information Protection and the Data Protection Officer (DPO) have been appointed in PZU and PZU Życie. Security structures for the processing of information, including personal data, have been established within the Security Department, which support the performance of the tasks of the Data Protection Officer (DPO).

PZU and PZU Życie act with all diligence in taking care of information security and data protection. Therefore, they have committed to implement and follow the highest data protection standards and to that end they have, among other things, initiated processes ensuring the compliance with the provisions of Articles 5 and 6 of the GDPR. All personal data collected and processed by PZU and PZU Życie is obtained in a manner compliant with law and transparent, with the express consent of the data subject. The processes of obtaining consent guarantee that personal data be processed in compliance with Article 6 (Lawfulness of processing) of the GDPR. Client personal data is collected, processed and transmitted in PZU and PZU Życie in compliance with law. Data which is subject to insurance secrecy is made available on the basis of Article 35 of the Insurance and Reinsurance Activity Act which provides the list of the entities and institutions to which data may be made available. External entities are entrusted with personal data processing on the basis of an agreement for entrusting personal data. Where third party entities are provided with protected information, it is a standard practice to enter into a confidentiality agreement. The content of such an agreement includes, among other things, an undertaking to implement at least the same measures to ensure the protection of information, as well as a provision guaranteeing a possibility of conducting an audit.

Audits of processors are conducted in PZU and PZU Życie on a periodic and an ongoing basis (the business partners which PZU has entrusted with personal data processing). During an audit it is verified whether the processing of the entrusted personal data by the processor complies with the GDPR and the agreement for entrusting personal data processing. PZU and PZU Życie also conduct audits of the processors in the case of which security incidents have occurred. Recommendations for changing processes or systems for particular business owners are issued on the basis of audits.

BEST PRACTICE



Internal regulations are in place in PZU and PZU Życie which support the effective management of information security and of personal data protection. Their purpose is to minimize the risk of security incidents and reduce their effects. The addressees of these regulations are the employees, Management Board members and associates of PZU and PZU Życie.

Security policy

The purpose of the „Policy” is to ensure the security of protected information, including personal data, as well as to ensure their physical security, the security of the IT systems and the continuity of operation. The Policy is also aimed at counteracting insurance crime, money laundering and the financing of terrorism, as well as at ensuring occupational safety and health.

Information security procedure

Activities in accordance with the information security procedure are aimed at, inter alia, providing protection each piece of information in conformity with the relevant security level, ensure information access control and the integrity and availability of information, and to prevent theft and unauthorized outflow of information. The document defines the rules for protecting and sharing information protected by law and for managing security risks.

Personal data protection procedure

The purpose of the regulations is to ensure the protection of the personal data processed by PZU and PZU Życie. The document defines, in particular, the rules for handling requests from data subjects, responding to security incidents, assessing and reporting breaches and selecting and auditing processors, as well as the role and tasks of the Data Protection Officer.



Risk assessment and personal data protection impact assessment procedure

The procedure describes the rules for conducting a risk analysis for personal data protection, including the privacy by design assessment and the assessment of the likelihood of the high risk of infringements of the rights and freedoms of natural persons, and a data protection impact assessment (DPIA).

In addition, the following procedures and rules are in place in PZU and PZU Życie:

- IT process security management procedure;
- IT security risk management procedure;
- Rules for classifying IT system criticality;
- Personal data retention rules;
- Rules for secure personal data processing;
- Instruction for the secure transmission of protected data outside the PZU Group;
- Recommended template information security documents;
- Information classification and security levels
- Rules for managing the IT infrastructure vulnerabilities and security tests.

BEST PRACTICE



Fulfilment of the duties of a personal data controller (PDC) and a data protection officer (DPO) set forth by law, monitoring of information security incidents, in particular relating to personal data and breaches reported to the President of the Personal Data Protection Office (PUODO), periodic data reporting to the Management Board of PZU and PZU Życie

Having regard to the security of processed personal data and in order to guarantee the compliance with the GDPR, a practice of periodic data reporting to the Management Boards of PZU and PZU Życie has been established, encompassing data concerning information security incidents, in particular relating to personal data and breaches reported to PUODO. The ongoing data monitoring, analysis and reporting guarantee the transparency and accountability of the process. With the use of the established mechanisms, the areas requiring the implementation of changes are identified and recommendations concerning the improvement of personal data processing security in these areas are issued.

The obligations imposed on the personal data controller and the data protection officer are complied with in the daily activity, which ensures compliance of the personal data processing with the laws.

The PZU Group works on a continuous basis for the strengthening of the functioning data protection system. In view of the above, steps will be taken in the future to maintain the quality of the carried out processes.



Client at the center of attention

Tests of IT systems

Rolling out and selling products and customizing the offer to evolving client needs is an enormous challenge for the Group's information systems. For these changes to proceed smoothly and not to disrupt client service, the organization has crafted a recurring information procedure embracing a broad set of tests and verification methods. This procedure guarantees early detection of threats and possible problems and supports the appropriate management thereof.

In order to monitor and respond to cyberattacks and data breaches on an ongoing basis, PZU and PZU Życie use systems of the following classes: SIEM, IPS/IDS, FW, Web Security

Gateway, Email Security Gateway, Sandbox, DNS Firewall, AV, EDR, WAF, DAM, PIM, Anty DDoS, VA.

Vulnerability assessment tests are conducted by the Group on the company's systems. Infrastructure vulnerability detection is an ongoing and automated process in which dedicated Vulnerability Assessment solutions are used. Security tests form part of the change, release and project management processes.

BEST PRACTICE

Data protection impact assessment (DPIA)

Following the obligations set forth expressly in the GDPR, processes have been implemented in PZU and PZU Życie which guarantee a documented process relating to the carrying out of the provisions of Article 35 (Data protection impact assessment) of the GDPR, requiring companies to assess the data protection impact in order to estimate, in particular, the source, nature, specifics and seriousness of the risk.

With a view to complying with the GDPR, the following procedures have been introduced: Rules for personal data processing risk management in PZU and PZU Życie and the Instruction (methodology) for identifying and assessing personal data processing risks in PZU and PZU Życie. Moreover, periodic reporting to the Management Boards of PZU and PZU Życie has been introduced, encompassing data concerning the conducted DPIA analyses. Processes are monitored on an ongoing basis and the fulfilment of the issued recommendations is checked. With the use of the established mechanisms, the areas requiring the implementation of changes are identified at the stage of protecting data in the design phase (privacy by design) and at the stage of data protection by default (privacy by default) and recommendations concerning the improvement of personal data processing security in these areas are issued. DPIA analyses are conducted also for the existing processes and the changes made and their impact on the personal

data processing are checked on a periodic basis.

The undertaken measures have made it possible to establish, with the use of the Jira system, a regulated and tightened DPIA analysis process imposed on the controller under Article 35 (Data protection impact assessment) of the GDPR. Project product assessments in terms of the impact on data protection have been introduced for the Jira system. Having regard to data security, the implementation of topics which have not been assessed for compliance with the GDPR is blocked. A multi-track assessment of the impact of processing on data protection ensures the compliance of personal data processing with laws. 996 elements of processes were assessed in 2020, which includes the assessment of 565 initiatives/topics, 416 sub-topics, 6 Proof of Concept operations, 11 analyses of ongoing processes and 33 full DPIA tests.

In the future, the activities undertaken by the PZU Group will be oriented towards, among other things, conducting ongoing privacy by design and privacy by default analyses and an ongoing DPIA analysis on the basis of reported incidents. Update status checks will be conducted on the documentation regulating this process.



BEST PRACTICE

Process of issuing opinions on matters (including initiatives, documents, agreements, processes etc.) in terms of compliance with the applicable personal data protection laws, policies and procedures in place in PZU and PZU Życie and best market practices.

The implementation of the process of issuing opinions in PZU and PZU Życie contributes to ensuring the compliance of data processing with laws, accountability and the implementation of the privacy by design principle. It allows to identify irregularities at an early stage and to adapt actions to the standards in force.

The implemented process of issuing opinions encompasses all initiatives, documents, processes, agreements etc. in which a personal data related element is or may be present. For this process to be carried out in the best possible way, a dedicated e-mail box has been set up to which queries from business units are sent. Matters are assigned to employees specializing in various data protection areas; the issuing of an opinion ends with giving a recommendation which takes into account the applicable laws, the existing recommendations of the Personal Data Protection Office and best market practices. All matters on which opinions are issued are entered in a register in order to ensure accountability.

In 2020, opinions were issued in PZU and PZU Życie on more than a total of 1700 matters. The process of issuing opinions enables the identification and correction of irregularities, if any, and contributes to raising awareness of personal data protection and personal data processing security among employees.

Information security and cybersecurity are not just efficient systems and adequate procedures. Threat awareness and the knowledge of rules among employees and associates are of no less importance. Therefore, newly employed persons participate in onboarding training during which they are acquainted with security principles and then undergo obligatory e-learning training. Refresher training courses are also conducted on an ongoing basis, along with internal information campaigns on information security, personal



data protection and cybersecurity. These issues are most frequently raised jointly, as they complement one another. In 2020, dedicated refresher training courses on these issues were conducted for employees and agents of particular units, mainly in the form of webinars. Their participants were, among others, employees of branches, exclusive agents, and operation centers and centers for handling claims and benefits (i.e. persons involved in collecting, storing, processing and managing data). In spring 2020, where the organization started to shift to remote work as a result of the COVID-19 pandemic, employees were reminded of the principles of work outside the office and in May an information campaign was organized, entitled „Don't be taken by surprise – be cyber-alert!”. As part of the campaign, in addition to the publication of articles and advice, an on-line meeting with an external expert was held. It was devoted to cybersecurity, in particular threats faced during the pandemic and while working outside the office.

In 2020, training courses for employees on the special training platform called GoPhish (launched in 2018) were continued. The platform explains in an easy-to-understand way the threats following from messages, among others, containing malicious elements and prompting people to open suspicious pages, and raises employee awareness in this respect.



Procedures to manage the security of information processes were implemented in PZU and Pekao Group companies as well as in several foreign companies. The “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 KNF (Polish Financial Supervision Authority) concerning the management of areas involving information technology and ICT environment security in universal pension fund management companies. In Bank Pekao, in order to ensure that comprehensive actions are taken in the area of personal data protection, a number of internal regulations have been implemented related to the various areas of the bank's business. They include, among others, the “Information Security Policy along with Information Security Policy Documents”, the security policy for the Bank's applications, the procedure to be followed by the Bank when examining requests from data subjects under the GDPR, the procedure for managing personal data protection breaches at the Bank, as well as provisions concerning the protection



Client at the center of attention

of electronic information. Stringent security procedures ensuring confidentiality, integrity and availability of processed information are also in place throughout the Alior Bank Group. The security policy in place and all procedures in this area are updated on an ongoing basis in response to the changing market circumstances in the cybersecurity area as well as new requirements and guidelines issued by the regulatory authorities. Alior Bank, as a key service operator, pursuant to the Act on the National Cybersecurity System (implementing the requirements of the European NIST Directive), meets the high cybersecurity requirements following from the provisions of law and the recommendations of KNF. Additionally, the systems monitoring and protecting clients' financial assets in mobile banking (e.g. the FDS and Malware Shield - a proprietary solution developed by the bank's experts dealing with cybersecurity) were expanded in 2020.

[GRI 418-1]

In 2020, 400 personal data protection breaches in the PZU Group were reported to the President of the Personal Data Protection Office (PUODO), of which 212 breaches were recorded in PZU, 143 in PZU Życie, 21 in the Alior Group, 11 in the Pekao Group, 7 in LINK4 and 6 in PZU Zdrowie.



In 2020, the number of complaints filed against the activities of PZU by external entities with the supervisory authority was 17 and 4 complaints were filed against PZU Życie. In 2019, 8 complaints were filed against PZU and 2 complaints were filed against PZU Życie. In one of these cases in 2020, the supervisory authority issued a reprimand to PZU for a breach of Article 6(1) of the GDPR. In the remaining cases, the supervisory authority refused to allow the request or discontinued the proceedings, or has not taken a decision yet.

BEST PRACTICE

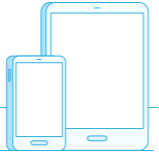


Two training campaigns were conducted in 2020 in which employees who accidentally clicked the link in a specially prepared e-mail were shown a training video produced by the Security Department presenting information on how to avoid such threats in the future. Additionally, employees had an opportunity to participate in a number of training courses, workshops and conferences and obtain the following new certificates (SANS:GIAC Certified Detection Analyst (GCDA), 210-250 SECFND - Understanding Cisco Cybersecurity Fundamentals, Mile2 - Certified Information Systems Security Officer C) ISSO, Certified Professional Ethical Hacker C)PEH, AttackIQ Academy Survey: Foundations of MITRE ATT&CK.

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 43% clicked on the link and 30% provided their login details. In 2020, special e-learning training was developed under the name Phishing quiz, showing how to distinguish between safe and unsafe messages.

In 2020, the following were conducted:

Training	Number of training courses	Number of participants
 Onboarding training for newly employed persons	50	809
Refresher training	43	3,568

E-learning training	Number of participants (who completed the training)
 Information security, cybersecurity and counteracting crime for newly employed persons	873
Phishing quiz	1,407



3. Environmental and climate 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.”



“We are apprehending increasingly better how our decisions affect the natural environment. There is no doubt that the future of subsequent generations depends on our

decisions and choices. Investors, regulatory authorities, governments and public opinion expect companies to take actions consistent with the principles of sustainable development. We see the special role that financial and insurance industry companies play in this process. The products offered by us may contribute to a great degree to the green transition of the economy. And that is the goal we want to start with in the subsequent decades of the 21st century”.

Dorota Macieja, Member of the PZU Życie Management Board, the scope of her duties covers sustainable development, among other areas

3.1 Business in the face of climate change

The PZU Group is aware that both its direct operations and the insurance products it offers, as well as its banking and investment business, are areas through which companies may affect the behavior of their clients and, as a consequence, their approach to the natural environment and climate change.

[GRI 102-12]

PZU is a signatory of the United Nations Environment Programme Finance Initiative established between the United Nations Environment Program and the financial sector. The global partnership between the United Nations Environment Programme and the financial sector serves the purpose of mobilizing the financial and insurance sectors to act towards the achievement of sustainable development goals. By joining this initiative, the PZU Group has become one of more than 350 organizations committed to making their business decisions consciously with a view to contributing to a favorable impact on people’s lives and the quality of the natural environment.

The PZU Group participates in the dialogue on sustainable development and sustainable finance. A PZU representative chairs the Task Force on Sustainable Finance at the Polish Insurance Association (PIU). PZU also participates in the work of the Financial Market Development Council for Sustainable Finance. The PZU Group is also involved in the work of a task force established by PIU, the Polish Bank Association (ZBP) and the Polish Association of Listed Companies, striving to develop a uniform approach to the performance of obligations under the Sustainable Finance Disclosure Regulation (SFDR) on the disclosure of information related to sustainable development in the financial services sector. The task force endeavors to increase the transparency of reporting and ensure the comparability of data between companies and institutions providing financial products. The purpose of these efforts is to attain the primary objective of increasing the transparency of companies and providing end investors with information about the ways in which market participants approach risks to sustainable development.

The PZU Group keeps monitoring the activities and initiatives undertaken by financial institutions and international organizations, specifically the United Nations (UN), the Organization for Economic Cooperation and Development (OECD) and the European Commission (EC). In taking steps to disclose information and manage risks related to climate

change in the financial sector, the PZU Group observes the provisions of the climate agreement entered into by 195 countries in Paris in 2015. A document of major significance as a guideline for action 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”. While working on solutions aimed at tackling environmental and climate change challenges, the Group also takes heed of activities carried out by the Polish government and the objectives of “Poland’s Energy Policy until 2040”.

The PZU Group takes a number of actions in support of the energy transformation process. This is a response to the expectations that the financial sector will provide increasing support to various sectors of the economy, especially power generation, transport and industry, in reducing climate change caused by greenhouse gas emissions.



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 fossil fuels, clients from this group also develop their activities in the area of renewable energy sources. Moreover, the PZU Group is fully aware that the transformation process of the Polish economy towards carbon neutrality will require commitment and investment by commercial undertakings currently operating in the power sector. To enable a successful and orderly transformation, financial products, including loans and insurance policies, must be available to entities doing business in this sector.

The PZU Group gradually expands its range of products designed to help reduce the adverse environmental impact, while taking into account the specific features of the Polish economy. The Group’s product offering includes solutions for retail, corporate and institutional clients. In respect of large



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clients, 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.



Banks also take action to minimize environmental risks. Bank Pekao, along with the assessment of creditworthiness and credit risk, carefully examines all transaction-specific risks, including environmental and climate

risks and the risk of the client's failure to comply with the rules of corporate social responsibility. In its lending policy, Bank Pekao takes into consideration climate, environmental and social risks arising from the transition to a low-carbon economy that will be resilient to climate change and the threats stemming from the physical risk of climate change, among other factors. The issues of financing the power sector are included in Bank Pekao current credit risk policy. According to the provisions of this policy, Bank Pekao supports a gradual and orderly transition to a low-carbon economy, curtailing the funding of coal mining and energy generation from fossil fuels (oil and coal) and increasing the funding of energy generation from renewable sources (water, wind and the sun). The Bank supports clients and projects aiming to slow down climate change, reduce the emission of pollutants and support sustainable social development. Infrastructural investments characterized by low CO2 emissions and resistant to climate change and disasters are considered desirable by the Bank.



TUW PZUW, a company operating in the insurance segment for corporate clients, medical operators and public institutions, takes climate issues into account in its offering in a comprehensive manner. The specific

nature of business insurance provided by a mutual insurance company involves the execution of insurance contracts by way of negotiation based on an individual risk assessment, with insurance programs attuned to the individual needs and expectations of its members.

TUW PZUW:

- **supports the decarbonization process of the Polish economy** – by providing insurance cover to entities operating in the broadly construed power and coal sectors that have initiated or are in the process of changing their energy mix, with particular emphasis on those business areas that seek to develop generation capacity from renewable energy sources, such as wind farms, photovoltaic farms and a network of hydroelectric power plants and biogas-fired plants;
- **supports enterprises operating in the segment that uses low-carbon energy sources** based on natural gas (including Gaz System, PLNG and new Baltic Pipe investment projects). According to materials published by the Ministry of Energy, as early as in 2040 the volume of electricity generated in Poland from natural gas will exceed the volume generated from coal;
- **supports new environmentally friendly investment projects** in the power sector that satisfy stringent environmental requirements imposed by the EU and replace less environmentally efficient assets;
- **creates and promotes its own fire safety standards** in an attempt at reducing the number of fires in business entities, thus contributing to a decrease in the emission of toxic pollutants into the atmosphere and surface and ground waters;
- **carries out regular risk analyses and issues recommendations for improving safety** – recommendations issued by PZUW's risk engineers for enterprises classified as Large Risk Establishments (ZDRs) and Increased Risk Establishments (ZZWs) to reduce the risk of industrial failures and minimize their impact on humans and the natural environment.

TUW PZUW prepared and disseminated an offering to waste management firms, designed in particular to promote environmentally friendly waste management methods, including the construction of highly efficient waste processing plants, such as those that turn waste into fertilizers, recover heat from thermal treatment or produce alternative fuels.

BEST PRACTICE

Environmental guarantee

Offers a form of protection to companies whose activities may exert an adverse impact on the environment, e.g.:

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

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).



Most of companies operating in Poland belong to the category of small and medium-sized enterprises (SMEs). The PZU Group is aware that involving these firms in environmental protection efforts has the potential of

generating significant benefits. For this reason, the offering of **PZU Advisor** targeted at the SME segment is focused on protecting the assets of these companies. The insurance cover protects the following installations and devices:

- photovoltaic installations, including photovoltaic farms;
- wind farms (windmills);
- biogas-fired plants – devices for generating gas energy from biomass;
- sewage treatment plants.

Moreover, the insurance cover protects third party property used by the insured company to render services and may be purchased by firms that install photovoltaic panels for retail customers. Such cooperation supports rapid sales of photovoltaic installations, but above all protects users against any damage to their equipment. The offering targeted at SMEs also includes third party liability insurance for damage to the natural environment (e.g. covering the costs of removing leaked substances from soil).



Alior Bank has prepared a loan offering called EKOFIRMA, intended for the purchase and installation of photovoltaic panels by SMEs. It is addressed specifically to prosumers of renewable energy, that is commercial

undertakings willing to generate electricity from the sun in a micro installation with a capacity of up to 50 kW to satisfy their own demand for energy.



The PZU Group also offers a broad range of environmental products for retail clients. Even the most basic scope of PZU Dom property insurance offers comprehensive protection of equipment used in and around the home to save energy or protect the environment.

This insurance covers:

- photovoltaic installations;
- solar installations;
- “smart home” installations (designed to save electricity);
- heating installations: electric, gas, heat pump (air heat pump, ground-water heat pump);
- recuperation unit (to minimize energy losses);
- home sewage treatment plant;
- rainwater recovery installation.



TUW PZUW has taken another step towards supporting environmentally friendly initiatives of its members, offering an insurance product that promotes the repair of a broken device instead of purchasing a new one. It is designed

to generate financial savings for the client and helps to protect the environment by reducing waste. These benefits are provided through assistance insurance at TUW PZUW. Owing to their cooperation with TUW PZUW, power companies support their clients in emergency situations, offering them the tradesman product, ensuring assistance in arranging and performing repairs of home equipment and devices.

It is a response to the changing trends, growing awareness among consumers, the need to protect the environment and demand for comprehensive professional home assistance services. Under this offering, customers of power companies may take advantage of professional support in the event of a failure of their:

- electrical devices (electronics, household appliances, computers), heating and air conditioning systems;



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- internal electricity, gas, water and sewage installations, doors, locks, etc.

BEST PRACTICE



The PZU Group endeavors to reduce the environmental impact of its products not only in the process of their creation and offering, but also throughout their lifecycle,

in particular during the claims handling process. Within the framework of the claims handling process under third party liability and motor own damage insurance, an innovative process called Green Parts has been launched to handle the management of waste generated during the repair of damaged vehicles. It adheres to the following three universal values:

• Responsibility

PZU covers the manufacturing costs of approximately four million vehicle spare parts per year. It assumes responsibility for managing the remains of damaged vehicles (parts replaced with new ones) in accordance with the requirements of generally applicable laws.

• Care for the natural environment

Improper disposal of damaged vehicle parts creates an environmental hazard. That is why partners of the Green Parts program who collect the remains of damaged vehicles after the repair are firms with experience in the disposal of motor vehicles and their replacement parts. They hold all the required permits. Their professional approach and reputation for integrity guarantee that each part collected by them is handled in compliance with the applicable legal requirements and the best environmental standards.

• Safety

The technical condition of damaged vehicle parts may pose a threat to human health and lives. In collaboration with a network of qualified partners, we make efforts to ensure that all parts (qualified for replacement due to damage) are replaced rather than refurbished. Our actions in this area are also aimed at reducing the volume of trade on the secondary market for salvage that has lost its safety features.



Bank Pekao offers an express loan for environmental purposes under its “Care for a good climate” campaign on preferential terms (APR of 8.3% and 0% fee, for between PLN 5,000 and PLN 50,000, repayable over a 10-year

term). 80% of the loan value must be spent on the purchase or installation of one of the following environmental purposes:

- renewable energy sources: solar collectors, photovoltaic panels/cells;
- central heating boilers (except for coal-fired boilers);
- heat pumps;
- windows, doors and home insulation materials;
- electric or hybrid cars, electric motorcycles and electric scooters.

The PZU Group is fully aware of the fact that the need to prevent climate change and adapt to the changing climate requires coordinated efforts by decision-makers, businesses and the financial sector. The PZU Group conducts a scenario analysis of climate change in accordance with the structure proposed by The Network of Central Banks and Supervisors for Greening the Financial System (NGFS). In the PZU Group’s opinion, the probability that the risk related to the global economy transformation will materialize is much higher than the probability that the most extreme physical risk related to the climate change will materialize. In accordance with the scenario analysis presented in SECTION 6.1 CORPORATE GOVERNANCE AND RISK MANAGEMENT IN CONSIDERATION OF ESG AND CLIMATE FACTORS, the Group’s impact would be greater if the ‘greenhouse effect world’ scenario materialized, under which greenhouse gas emissions would continue to increase and no actions aimed at avoiding physical risks would be taken. However, the range of the PZU Group’s product offering and activities is twofold: the offering includes products that are designed to help reduce greenhouse gas emissions, including those that diminish the likelihood of materialization of risks related to transformation through investments in a low-emission economy and those that increase the ability of clients and the environment to adapt to the changing climate.

ditional activities aimed at counteracting climate risks and boosting adaptation capacity

Counteracting climate risks	Other examples of actions taken by the PZU Group
<p>Reducing greenhouse gas emissions</p>	<ul style="list-style-type: none"> • Offering insurance products for renewable energy source (RES) installations – the PZU Group is the insurer of Poland’s largest wind farms and hydroelectric power plants. • Insurance programs for townships which co-finance RES installations – the selection of residential and SME insurance products on offer is updated with new solutions covering alternative energy sources, such as photovoltaic modules, solar collectors and heat pumps. • 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 collaborates with ElectroMobility Poland and other companies that are currently installing or intend to install quick chargers for electric vehicles.
<p>Adaptation: better understanding of risk factors</p>	<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 – under 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. • Annual introduction of changes in the frequency and scale of catastrophic events and their occurrence in the design of the reinsurance protection program.
<p>Adaptation: customizing the product offer to the risk factors</p>	<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 and SME 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, in practice, 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. • As part of its cover against lost profits, PZU protects businesses whose profits decline, for instance as a result of damage to their assets caused by fire, flood, cyclone or other random events. • Extended clauses for businesses holding third party liability insurance to cover 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, construction companies, utilities, wastewater treatment plants and waste management companies.



Counteracting climate risks	Other examples of actions taken by the PZU Group
Adaptation: innovations to protect the future	<ul style="list-style-type: none"> • Advisory services for farmers on new climate-resistant varieties of crops. • 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. • 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.

3.2 Direct and indirect impact on the natural environment

PZU Group's policies [Accounting Act]

[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 the natural environment 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".

Implementing suitable procedures and governance systems allows the PZU Group to meet all the ecological legal and formal requirements. The Group does not confine itself to performing mandatory activities, but extends the extent of its initiatives in this area. 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, which was rolled out to ensure more efficient and improved efforts aimed at reducing the Group's adverse environmental impact.

The PZU Group's environmental standard defines 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 of pollution and its elimination at source;
- inclusion of environmental protection elements into the business policy and strategy;
- partnership – the requirement for all PZU Group entities to take joint environmental protection actions.

Moreover, the Group has policies and documents in place that emphasize the significance of environmental protection efforts in day-to-day business practice.



The ISO 14001 Environmental Management System has been implemented and certified in the units of the subsidiary of PZU Zdrowie (POLMEDIC Radom). Companies operating in the health area have implemented in their selected

medical centers and been certified under the ISO 9001:2015 quality management system. They also have in place a waste management procedure which defines, in particular, the rules for dealing with medical waste.



The environmental policy of Latvian-based AAS BALTA defines the company's duties in the environmental protection domain. It also describes the environmental protection principles and defines the framework within

which the company is required to adhere to these principles and thus achieve its objectives.

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.



The Pekao Group has in place the "Policy on optimization of energy consumption at Bank Polska Kasa Opieki Spółka Akcyjna". The policy defines the standards and guidelines for the optimization of energy consumption at the

Bank in line with environmental protection considerations. It is rooted in a commitment to proper monitoring and, to the extent possible, preventing any harmful environmental impact of the Group's business. The duty of care for natural resources rests on the shoulders of all Bank employees, regardless of their position, seniority, place or extent of working time. For this reason, the pertinent provisions dealing with the protection of natural environment have been defined in the "Code of Conduct in the Pekao Group".

Armatura Kraków has adopted a comprehensive "Quality Policy" which covers, among other issues, the principles for reducing the company's adverse environmental impact.

[GRI 307-1]

In 2020, the PZU Group recorded no breaches of any environmental laws or regulations and incurred no environmental penalties.



POLICY



COVID-19



INSURANCE



HEALTH




INVESTMENTS



BANKING

Environmental and climate impact


The PZU Group seeks to reduce its direct environmental footprint in all areas of its business. Numerous initiatives are pursued by the Group with a view to minimizing this impact in activities related to real estate and the vehicle fleet. The objective is to reduce the consumption of commodities, materials and electricity in the Group's business. An increasing number of procurement decisions are made in consideration of the need to minimize the Group's indirect environmental impact exerted across the value chain.

 In addition to the adoption of various documents, the Group also makes efforts to minimize adverse environmental impact in its day-to-day business. The employees of the Real Estate Department and of the Administration Department undertake comprehensive activities to generate tangible effects provided for in the PZU Group's environmental plan.

Direct environmental footprint of the Group:

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



 The Real Estate Department's ecological plan:

- curtailing the consumption of utilities;
- conducting rational waste management;
- installing air conditioning with an ecological refrigerant;
- preferring environmental and social aspects when choosing space for rent;
- running educational campaigns among employees in terms of pro-environmental behaviors.

Activities in the administration area aimed at reducing adverse environmental impact:

- curtailing the consumption of office supplies;
- reducing the volume of hard-copy documentation;

- recycling of used assets;
- collaboration in the area of asset disposal with companies that have adopted the highest environmental protection standards;
- environmentally friendly activities in the car fleet management policy;
- conducting rational waste management;
- running educational campaigns among employees in terms of pro-environmental behaviors.

BEST PRACTICE

Heating savings



This was another year when PZU and PZU Życie continued the work associated with thermal modernization of buildings – insulating walls and roofs, replacement of window joinery and central heating installation. Depleted heating boilers were replaced 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.

The program is a form of an environmental management system providing for the regular deployment of environmentally friendly solutions to the PZU Group's operations.

In 2020 the consumption of energy generated and purchased by the PZU Group decreased by 10.2%, and the consumption of energy generated from non-renewable resources dropped by 16.1% while consumption of purchased energy dropped 6.3% y/y. This was caused by the pandemic and the resulting reduction of the use of the properties by the Group companies, and a number of efforts focused on reduction of raw material and energy consumption, and thermal modernization of the properties, modernization of the heat sources and replacement of lighting. A factor partly balancing these reductions, in particular consumption of purchased energy, was the further development of PZU Zdrowie and consolidation of two companies from the imaging diagnostics area which use energy-intensive devices, such as MRI, computer tomography and X-ray machines.

BEST PRACTICE

[GRI 302-4] Energy savings



Implementation of the PZU Group's "Green PZU" Standard

In 2020, the Real Estate Department continued its endeavors focused on reducing the consumption of heat and electricity, the emissions of gasses and expanding the volume of waste collected separately in real properties owned or used by PZU and PZU Życie. This way it implements the assumptions of PZU Group's "Green PZU" Standard.

Completed activities:

- thermal modernization of 8 PZU and PZU Życie properties was carried out;
- power compensators were installed in 7 properties;
- the contracted power in 5 properties was reduced;
- internal LED lighting was installed in 21 properties;
- 14 image walls with LED lighting were installed;
- the heating installation or heating source in 10 properties was modernized and modified and thermal power in 2 properties was reduced;
- 7 heating boilers were replaced;
- 18 air conditioning devices using the environmentally friendly refrigerant R32 were installed.



In 2020, Bank Pekao continued to implement environment-friendly solutions, with special focus on those which limit electricity consumption and reduce the negative impact on the environment. These include primarily:

- implementation of the energy-saving LED lighting technology;

- optimization of energy consumption (reduction of the so-called contracted power);
- replacement of obsolete UPS devices with new ones with higher maximum efficiency;
- liquidation of redundant back-up power supply;
- installation of air conditioning systems with improved indicators, with special focus on solutions in the highest energy efficiency classes;
- replacement of air conditioning systems using refrigerants that have adverse impact on the environment with devices using a mix of environment-friendly gases;
- analyses leading to installation of devices compensating the reactive power (leading to elimination of unnecessary energy expenditures);
- switching electronic devices in the evening to standbymode.

In comprehensive modernizations of its properties the Bank uses modern solutions, e.g. energy-saving LED lighting systems or faucet aerators, leading to reduction of water consumption.

Energy Regulatory Authority (ERA) white certificates

Armatura Kraków obtained white certificates from ERA, which confirm the modernizations aiming at improving the energy efficiency and resulting in energy savings. Based on the obtained Energy Certificate No. PL 6589/4/F/69182/2021, the value of the certificate is: 705.641 toe, i.e. 29,544 GJ on average per annum for the next 7 years. The project was completed in October 2020 so its results will start to be fully visible in 2021.

[GRI 302-1]

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

Table A	2019	2020
Natural gas [GJ] ¹	179,858	144,208
Heating oil [GJ] ²	18,475	13,554
Petrol [GJ] ³	187,699	174,859
Diesel oil [GJ] ⁴	66,177	46,954
Total consumption [GJ]	452,209	379,574

[GRI 302-1]

PZU Group's total consumption of purchased energy

Table B	2019	2020
Electricity [GJ]	443,233	418,405
Thermal energy [GJ]	231,048	213,360
Total consumption [GJ]	674,281	631,765

PZU Group's total consumption of energy from non-renewable fuels and purchased energy

Table A + B	2019	2020
Total energy consumption (GJ)	1,126,490	1,011,339

PZU and PZU Życie's total consumption of energy from non-renewable fuels

Tabela A'	PZU		PZU Życie	
	2019	2020	2019	2020
Natural gas [GJ] ¹	20,992	20,624	9,052	10,305
Heating oil [GJ] ²	4,452	2,451	632	338
Petrol [GJ] ³	82,930	55,186	28,308	19,355
Diesel oil [GJ] ⁴	301	270	18	118
Total consumption [GJ]	108,675	78,531	38,010	30,115

¹ Calorific value of natural gas at 36.54 MJ/m³ in 2020 and 36.62 MJ/m³ in 2019
² Calorific value of heating oil at 43 MJ/kg in 2020 and 2019
³ Calorific value of petrol at 44.3 MJ/kg in 2020 and 2019
⁴ Calorific value of Diesel oil at 43 MJ/kg in 2020 and 2019

Total consumption of energy purchased in PZU and PZU Życie

Table B'	PZU		PZU Życie	
	2019	2020	2019	2020
Electricity [GJ]	57,201	51,063	16,287	14,555
- including energy from renewable sources	0	42,361	0	9,056
- share in electricity (%)	0%	83%	0%	62%
- including energy from non-renewable sources	57,201	8,702	16,287	5,499
Thermal energy [GJ]	59,724	50,741	26,708	19,634
Total consumption [GJ]	116,925	101,804	42,995	34,189

PZU and PZU Życie's total consumption of energy from non-renewable fuels and purchased energy

Table A' + B'	PZU		PZU Życie	
	2019	2020	2019	2020
Total energy consumption (GJ)	225,599	180,336	81,005	64,304

The conversion of fuels into energy is based on the calorific values published by KOBIZE (National Centre for Emissions Management).

BEST PRACTICE

Electricity from renewable sources



In 2020, over 80% of the electricity contracted and purchased by PZU and over 60% of the electricity purchased by PZU Życie came from renewable sources (RES⁵).

Additionally, in 2020, in 12 properties PZU and PZU Życie installed photovoltaic panels – their total power was 248.05 kWp⁶.

Currently the process of connection of the installations to the power grid and implementation of the system monitoring the quantity of generated electricity is under way. This will enable the PZU Group to analyze on an ongoing basis the data on the energy generated from photovoltaics.

The use of electricity from RES, in addition to the economic aspect, has an important impact on climate protection through reduction of CO₂ and other greenhouse gas emissions. It leads to reduction of scope 2 emissions through reducing the demand for energy and, as a consequence, reduction of the use of fossil fuels for production of energy from high-emission sources. The cost savings regarding the electricity consumed for 12 properties in which photovoltaic panels were installed are in the range of 25%.

⁵ RES - total resources used for production of electricity and heat whose long-term use does not cause a significant deficit or which are renewed over a short time. These sources include: wind power, solar radiation power, geothermal power, hydropower, wave power, tidal power, salt gradient and flow power, power obtained from biomass, biogas and biofuels

⁶ kWp - defines the efficiency that can be achieved by photovoltaic panels if they work in standard measurement conditions – how much electricity (1 kWh) the given panel or the whole photovoltaic installation is able to produce

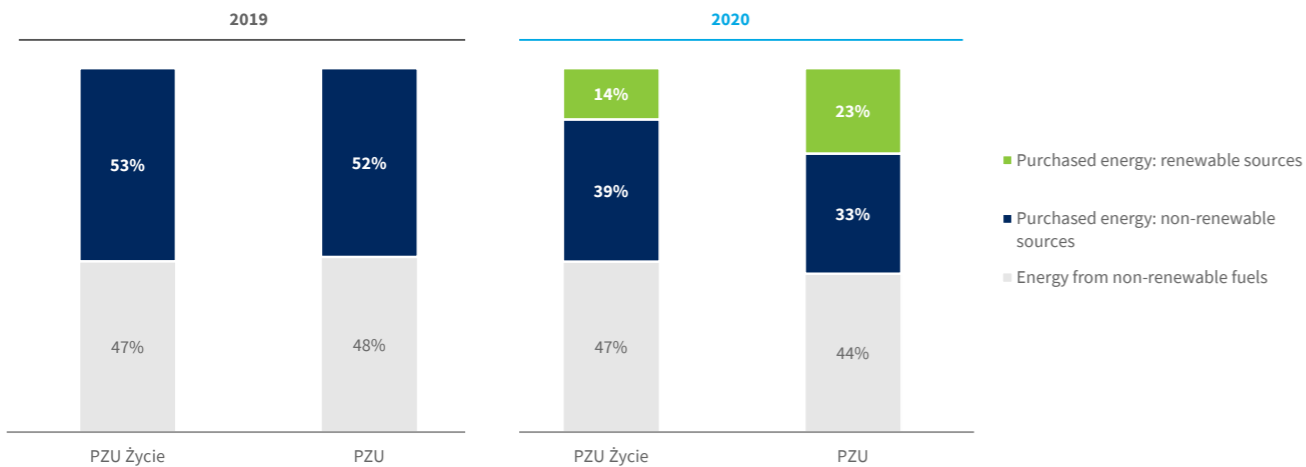
Environmental and climate impact



Thanks to the purchase of electricity with certificates of origin by PZU and PZU Życie, its share in total energy consumption (purchased energy and energy from fuels) amounted to

23% and 14%, respectively. In the years to come, further use of RES and increase in the share of green energy, subject to its availability in the market, is planned.

The share of renewable sources in total energy consumption at PZU and PZU Życie



CO2e emissions in the PZU Group

Below are the data on the total direct and indirect emissions for the whole PZU Group and for the main insurance companies: PZU and PZU Życie. The calculations of the carbon footprint were made in accordance with the international GHG Protocol Corporate Accounting and Reporting Standard. 2018 was selected as the base year.

In 2020 the PZU Group took multidirectional measures aimed at reduction of its emissions in scope 1 and 2, among others through purchase of energy from renewable sources and purchase of energy from suppliers characterized by lower emission rates. To illustrate the impact of these measures on the Group's total emissions, the data on scope 2 (indirect emissions) were enriched by a calculation of the emissions using the market-based method, which more fully reflects the impact of the actions taken, thanks to the use of emission rates specific to respective electricity sellers. In addition, the scope of emissions reporting in all scopes was expanded in the PZU Group companies, i.e. outside PZU and PZU Życie.

BEST PRACTICE

Reduction of CO2 emissions



PZU and PZU Życie took actions aimed at reducing scope 1 greenhouse gas emissions associated with combustion of fuels. To this effect, in 2020, the companies expanded

their fleet by 24 hybrid and electric cars. It is estimated that this will translate into reduction of the annual CO2e emissions by 42.3 tons* in 2021.

For 2021, actions are planned to contribute to further reduction of indirect emissions:

- development of the sustainable business travel model;
- use of the services of transport companies with electric and hybrid fleets;
- cooperation with hotels that offer high environmental standards.

*For the needs of measuring CO2e emissions, the fuel consumption (liters) was adopted and then CO2e converted to tons.

[GRI 305-1]

Total direct emissions (scope 1) in the PZU Group

CO2e ⁷ (in tons)	2018				2019				2020			
	PZU Group	PZU	PZU Życie	Other companies	PZU Group	PZU	PZU Życie	Other companies	PZU Group	PZU	PZU Życie	Other companies
Total	31,400	9,229	2,322	19,849	30,506	8,093	2,927	19,486	25,793	5,416	2,122	18,255
Refrigerants	1,945	1,919	26	-	1,241	827	414	-	1,213	249	177	787
Fuels ⁸	29,454	7,310	2,295	19,849	29,264	7,266	2,512	19,486	24,580	5,167	1,945	17,468

Emissions (scope 1) 2020 vs. 2019

Total direct emissions in scope 1 in the PZU Group reached 25.8 thousand tons of CO2e, compared to 30.5 thousand tons of CO2e in 2019, down 15.4% (-4.7 thousand tons y/y). The decrease resulted largely from lower fuel consumption as a result of the restrictions introduced due to the state of epidemic in Poland. The lockdown and travel restrictions, and transitioning to remote work translated into lower utilization of company cars and lower consumption of utilities in operating activities. In particular, emissions associated with consumption of petrol, natural gas and heating oil were reduced. Numerous initiatives aiming to reduce scope 1 emissions were conducted; among others the installations were modernized and heating boilers replaced. Additionally, already in previous years 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, 18 such air conditioning devices were installed. In PZU, PZU Życie and both PZU Group banks, the cars in the fleet were replaced with models which produce lower CO2e emissions.

The decrease in scope 1 emissions in 2020 occurred despite the change (expansion) of the reporting scope. From 2020, data are collected in all Group companies on the refrigerant leakages (from 2019 only in PZU and PZU Życie). Despite the broader reporting scope, emissions from this source dropped by 3.6% y/y. On comparable basis, the decrease in greenhouse gas emissions on account of refrigerants would amount to 66%

y/y, and the decrease in scope 1 emissions would amount to 18% y/y.⁹

Emissions (scope 1) 2020 vs. 2018

Total scope 1 emissions dropped 17.9% relative to the base year (2018), including emissions associated with refrigerant leakages were 37.7% lower, despite including additional PZU Group companies in the reporting, and emissions associated with fuels dropped by 16.5% compared to the base year. As in the 2019 report, the calculations were made for the facilities where consumption was measured. In the case of consumption of natural gas by PZU and PZU Życie (total), they pertain to approx. 90% of the surface of the properties used by these companies.

⁷ CO2e – carbon dioxide equivalent, universal unit used for measurement of greenhouse gas emissions which reflects their different global warming factor. It defines the concentration of carbon dioxide whose emission into the atmosphere would have identical impact as the concentration of a comparable greenhouse gas
⁸ The PZU Group collects data on the consumption of the following fuels: petrol, Diesel oil, natural gas and heating oil
⁹ emissions in the base year were not converted for consolidation as the adopted materiality criteria were not satisfied

[GRI 305-2]

Total indirect emissions (scope 2) in the PZU Group – market-based method

CO2e (in tons)	2018				2019				2020			
	PZU Group	PZU	PZU Życie	Other companies	PZU Group	PZU	PZU Życie	Other companies	PZU Group	PZU	PZU Życie	Other companies
Total	134,589	21,760	7,324	105,506	115,015	18,910	6,515	89,591	79,790	6,535	2,930	70,324
Supplied thermal energy	29,681	8,755	3,789	17,138	25,751	6,902	3,087	15,762	20,002	4,897	1,895	13,211
Supplied electricity – market-based	104,908	13,005	3,535	88,368	89,265	12,007	3,428	73,829	59,788	1,639	1,036	57,114

Emissions (scope 2 – market-based) 2020 vs. 2019

Market-based indirect scope 2 emissions reached 79.8 thousand tons of CO2e in 2020 compared to 115 thousand tons in 2019, which signifies a decrease by 30.6% y/y (-35.2 thousand tons). They resulted from lower emissions associated with supplied electricity (-33.0%, -29.4 thousand tons) and heat (-22.3%, -5.7 thousand tons).

For electricity, the decrease resulted largely from the purchase of electricity with certificates of origin (impact on emissions was estimated at -10.7 thousand tons) and from the purchase of energy from suppliers characterized by lower emission rates (-12.3 thousand tons). Other contributing factors included lower use of energy and lower emission rates of the remaining electricity suppliers. On the other hand, the increase in emissions was also attributable to further development of the PZU Zdrowie Group, in particular, consolidation of two companies from the imaging diagnostics area which use energy-intensive devices, such as MRI, computer tomography and X-ray machines (impact in the range of approx. 3 thousand tons).

Emissions associated with heat dropped by 22.3% (-5.7 thousand tons y/y). The decrease was related to lower utilization of heating energy (-7.7%) and reduction of total emission rates in Poland.

Additionally, the above trends were driven by the reduction initiatives undertaken by the Group in the area of own properties and such efforts as, for example, thermal modernizations, installation of power compensators, replacement of lighting with energy-saving solutions, and optimization of energy consumption through reduction of contracted power. Electricity and heat consumption was also reduced due to introduction of the state of epidemic in Poland, bulk of the employees working in the remote work system and shutdown of production plants of the PZU Group companies.

Emissions (scope 2 – market-based) 2020 vs. 2018

Total scope 2 emissions calculated using the market-based method dropped 40.7% relative to the base year (2018), including emissions associated with supply of heat were 32.6% lower, and emissions associated with electricity dropped by 43.0% compared to the base year. As in the 2019 report, the calculations were made for the facilities where consumptions are measured. In the case of PZU and PZU Życie (total) they pertain to approx. 90% of the surface of the properties used by these companies for electricity consumption and approx. 80% for heat consumption.

[GRI 305-2]

Total indirect emissions (scope 2) in the PZU Group – location-based method

CO2e (in tons)	2018				2019				2020			
	PZU Group	PZU	PZU Życie	Other companies	PZU Group	PZU	PZU Życie	Other companies	PZU Group	PZU	PZU Życie	Other companies
Total	122,107	21,098	7,108	93,901	113,935	18,408	6,363	89,164	97,128	14,512	4,635	77,981
Supplied thermal energy	29,681	8,755	3,788	17,138	25,751	6,902	3,087	15,762	20,003	4,897	1,895	13,211
Supplied electricity – location-based	92,426	12,343	3,320	76,763	88,184	11,506	3,276	73,402	77,126	9,615	2,741	64,770

Emissions (scope 2 – location-based) 2020 vs. 2019

Location-based indirect scope 2 emissions reached 97.1 thousand tons of CO2e in 2020 compared to 113.9 thousand tons in 2019, which signifies a decrease by 15% y/y (-16.8 thousand tons). The decrease is less pronounced than in the case of the market-based method, because the location-based method does not take into account certificates of origin or differences in the emission rates of individual suppliers.

The reduction of scope 2 emissions measured with the location-based method was attributable to reduced emissions associated with the lower consumption of electricity (-11.1 thousand tons CO2e) and heat (-5.7 thousand tons CO2e). In both sources, the lower emissions resulted both from the decrease of energy consumption and decrease of total emission indicators in Poland.

Emissions (scope 2 – location-based) 2020 vs. 2018

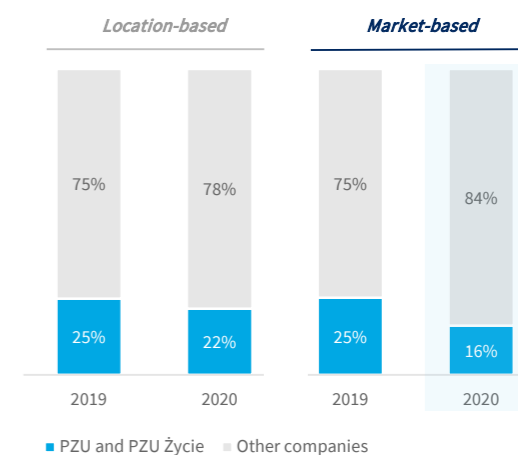
Total scope 2 emissions calculated using the location-based method dropped 20.5% relative to the base year (2018), including emissions associated with supply of heat were 32.6% lower, and emissions associated with supply of electricity dropped by 16.6% compared to the base year.

Emissions 2020 (scope) – location-based vs. market-based

Comparing the results obtained using the location-based and the market-based method, one can see the management approach to selection of suppliers due to emission rates and

purchase of energy from renewable sources. In PZU and PZU Życie, total scope 2 emissions (calculated using the market-based method) in 2020 stood at 9.5 thousand tons CO2e, which is two times lower than the result achieved without taking into account the emission rates of the suppliers and the energy from RES (location-based). The share of PZU and PZU Życie in the Group's total scope 1 and 2 emissions (calculated using the market-based method) dropped in 2020 by 9.1 p.p. y/y to 16.1%.

The share of PZU and PZU Życie in the Group's emissions of greenhouse gas (Scope 1 and 2)



[GRI 305-3]

Total of other indirect emissions (scope 3) in the PZU Group

CO2e (in tons)	2018				2019				2020			
	PZU Group	PZU	PZU Życie	Other companies	PZU Group	PZU	PZU Życie	Other companies	PZU Group	PZU	PZU Życie	Other companies
Total	24,936	4,372	1,293	19,270	23,008	4,073	1,313	17,622	18,102	1,734	708	15,660
Emissions associated with energy and fuels not covered by scope 1 and 2	22,944	3,977	1,130	17,836	21,043	3,685	1,147	16,211	16,758	1,562	627	14,569
Raw materials and services purchased (paper, water, sewage treatment)	1,736	202	99	1,434	1,711	191	109	1,411	1,281	142	72	1,067
Waste generated as a result of the operations	2	1	1	-	2	1	1	-	5	3	2	-
Business travel (airplane, train, taxi)	255	192	63	-	251	195	56	-	59	27	8	24

Emissions (scope 3) 2020 vs. 2019

Scope 3 (indirect) emissions in categories¹⁰ 1, 3, 5 and 6 (listed in the table above) by the PZU Group reached 18.1 thousand tons of CO2e compared to 23 thousand tons in 2019 (-21.3% y/y or -4.9 thousand tons). The decrease occurred predominantly in emissions related to energy and fuels in the value chain and was chiefly due to the purchase of energy with certificates of origin, which entails lower indirect emissions (impact of approx. 1.5 thousand tons) and a decrease in electricity consumption. Also emissions associated with purchased raw materials and services, in particular paper were lower and emissions associated with business travel, despite the expanded reporting on the emissions from this source, were reduced by 76.5%. This resulted mainly from the travel, including business travel, restrictions imposed. In the future, the scope of reporting is expected to cover more categories provided for in the standard and more PZU Group's consolidated companies.

¹⁰ in the accordance with the GHG Protocol methodology <https://ghgprotocol.org/>

Emissions (scope 3) 2020 vs. 2018

Scope 3 (indirect) emissions in selected categories dropped by 27.4% relative to the base year (2018), with the reduction of emissions associated with energy and fuels not captured in scope 1 and 2 being the biggest contributor to the decrease.

Calculation methodology

For the calculation of emissions in accordance with the GHG Protocol standard, for fuels, electricity (consumed in Poland), emission indicators or data from the National Center for Emissions Balancing and Management were used, while for heat (consumed in Poland) the indicator of the Energy Regulatory Office was used (based on the publication "Heating Energy in Numbers 2019"). The emission indicators for electricity consumed in foreign companies for 2020 were obtained from data published by the European Environment Agency (in previous years from the International Energy Agency), while those for heat energy were obtained from the UK Government's Department of the Environment, Food and Rural Affairs (DEFRA) database. For scope 2 emissions

calculated according to the location-based method, average emission ratios for the respective countries were used. The indicators for electricity from a specific supplier (market-based method) came from the websites of energy sellers (among others Enea, Energa, PGE, Innogy Polska, Tauron Sprzedaż, Tauron Sprzedaż GZE, Tauron Polska Energia, PKN Orlen, ENGIE Zielona Energia).

The emission indicators 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 following data sources were used: fuel, electricity and heat consumption came from the invoices for facilities where the consumption is measured. For PZU and PZU Życie, this pertained approx. 90% of the area of facilities for electricity consumption, approx. 90% of the area of facilities for natural gas and approx. 80% of the area of facilities for thermal energy. For the other PZU Group companies, according to the data reported by them. Consumption of raw materials, refrigerants, waste volumes and business travel was determined on the basis of internal registers. Data that are not collected from the remaining companies were marked in the table with a dash.

The greenhouse gas described in the emission indicators for fuels, electricity and heat in Poland is CO2. The other indicators included CO2, CH4 and N2O emissions as well as refrigerant gases. The volume of emissions released by each company was consolidated at the PZU Group level according to the operational control criterion.

Below are presented the greenhouse gas emissions taking into account the consolidated assets and number of employees.

As a result of the actions taken to reduce emission rates, reduce energy and fuel consumption and emission rates in Poland, the intensity of scope 1 and 2 emissions using the market-based method per employee dropped from 4.0 in the base year and 3.6 in 2019 to 2.6 tons CO2e in 2020. Emissions per million zloty of consolidated assets dropped from 0.51 in the base year and 0.42 in 2019 to 0.28 tons CO2e in 2020.

The PZU Group was on the list of climate leaders – the first ranking of Polish companies with the biggest reduction of greenhouse gases (GHG) organized by "Forbes Polska" and Statista, company specializing in market and consumer data. The aim of the ranking is to distinguish companies that are the most aware of their challenges regarding greenhouse gas emissions, showing at the same time respect for the environment.

[GRI 305-5]

Reduction of greenhouse gas emissions

The PZU Group, in particular PZU and PZU Życie, reduced emissions by 10.7 thousand tons CO2e in 2020 through purchase of energy with certificates of origin. The reduction was recorded in scope 2 and calculated as the sum of products of the purchased electricity from individual suppliers multiplied by appropriate emission indicators shown for these sellers.

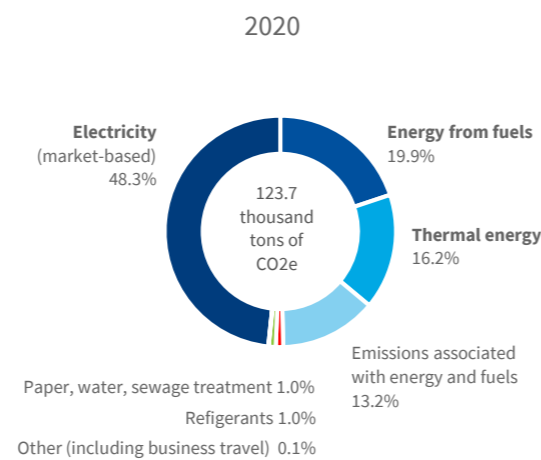
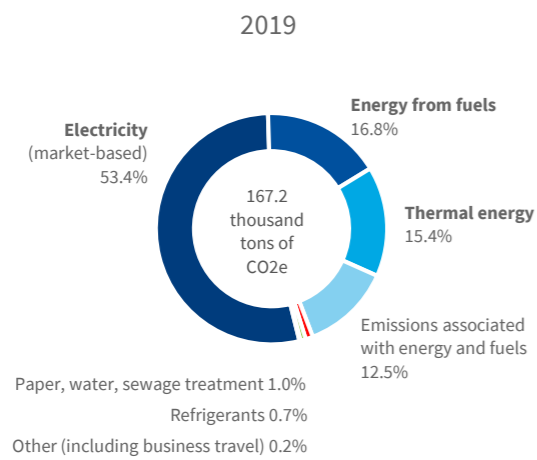
In addition, Armatura Kraków obtained white certificates from ERA, which confirm the modernizations aiming at improving the energy efficiency and resulting in energy savings. The value

[GRI 305-4] Intensity of greenhouse gas emissions

	2018	2019	2020
Number of employees	41,742	40,660	39,857
Consolidated assets	328,554	343,340	378,974
Emissions (scope 1 and 2 using the market-based method) per employee (tons CO2e / employee)	4.0	3.6	2.6
Emissions (scope 1 and 2 using the market-based method) per million of consolidated assets (tons CO2e / million of consolidated assets)	0.51	0.42	0.28

of the obtained Energy Efficiency Certificate 705.641 toe, i.e. 29,544 GJ on average per annum over the next 7 years. The project was completed in October 2020 so its results will start to be fully visible in 2021. This will translate into CO2e emission reductions by 1.6 thousand tons CO2 in scope 1 going forward.

Total CO2 emissions (Scope 1, 2 and 3) in PZU Capital Group by emissions sources



To further reduce the carbon footprint the PZU Group undertakes numerous initiatives aimed at limiting the consumption of raw materials in the company's current operations. Consumption of raw materials in the entire Group, and separately for PZU and PZU Życie, is presented in the table below.

[GRI 301-1]

Total consumption of raw materials in the PZU Group

PZU GROUP	2019	2020
Paper [t]	1,609	1,261

[GRI 301-1]

Total consumption of raw materials at PZU and PZU Życie

	PZU		PZU Życie	
	2019	2020	2019	2020
Paper [t]	171	133	105	71

BEST PRACTICE

Paperless in mass printing



PZU and PZU Życie strive to increase the volume of electronic mailing. Based on the granted consents, hardcopy communication with the client is replaced with electronic communication. During the year, the number of clients with whom the companies contact electronically increased by five times. The number of policy renewal emails in 2020 exceeded 1 million. This translated into savings estimated at 32.2 tons of paper per annum, i.e. 24.8 Mg equivalent of carbon dioxide.



In 2020 (December to January):

	Paperless	+17 p.p.
	Mail	+431%
	Letter	-19%

BEST PRACTICE

Optimization of purchase and consumption of office supplies



PZU and PZU Życie systematically reduce the purchase and consumption of office supplies, including paper, constantly reducing the number of printers used. 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. From 1 October 2020, only the environment-friendly paper with lower basis weight – Discovery Eco-Efficient 70 g/m² – has been purchased and used, and instead of the POL Copy 80 g/m² paper purchased in the past, the same change of paper type to a thinner one leads to an over 8% reduction of the weight of the paper consumed. Additionally, the Discovery paper is produced from the Tasmanian Blue Gum eucalyptus tree which, thanks to a different fiber structure, makes it possible to reach a ca. 37% reduction of the wood used for paper production in relation to the commonly used trees, such as maritime pine or paper birch. Additionally, PZU and PZU Życie started actions associated with the use of paper with FSC and PEFC certificates. At least 50% of the insurance forms in terms of the weight are prepared on certified paper.



Paper consumption at PZU and PZU Życie

Year	Paper in tons	Reduction*
2017	290.10	-
2018	276.75	4.6%
2019	275.85	0.3%
2020	203.95	26.1%

* The ordered quantity of paper depends strongly on the volume of sales of PZU products; 80% of the paper is consumed by the sales units. The pandemic caused an unnatural reduction of the number of printouts and hence paper consumption so 2021 may bring an increase in paper consumption relative to 2020.



Step 1: Increase of the share of suppliers offering paper with certificates for production of forms. In 2020, one more of the suppliers implemented an appropriate certificate;



Step 2: Specification of the product range which can be printed on certified paper. These are general terms and conditions of insurance, payment forms and bases, ordered by PZU in large quantities;



Step 3: Current monitoring of the share of certified raw materials among other printing materials.



BEST PRACTICE



Alior Bank introduced restrictions regarding document printout through optimizing the printing process. The use of company printers is possible only after the employee logs into the device, which prevents incidental printouts and improves the management of paper and toner consumption. Additionally, printers are set by default to double-side printing. Alior Bank consistently implements the “paperless bank” idea, which allows it to reduce paper consumption every year.



BEST PRACTICE

Armatura Kraków replaced radiator packaging from boxes to the so called “sides”. This effort brought savings in the range of **43 tons of paper per year**, which is nearly 26% of the annual consumption.



BEST PRACTICE



TOW “SOS Service Ukraine” implemented partly electronic document flow to minimize paper consumption. Actions were taken to reuse paper and recycle used paper. An agreement was signed with a company which supplies the offices with special boxes for collection and processing of paper.



In addition to reduction of raw material consumption and reduction of greenhouse gas emissions, the PZU Group takes actions reducing the number of printing devices used:

- withdrawal of printers with the least usage;
- printing via shared multi-function devices;
- introduction of printer sharing in the branches where the desk layout allows for that.

Reduction of the number of printers at PZU and PZU Życie

Year	Number of printing devices in use at the end of the calendar year	Reduction
2017	5,000	
2018	4,750	5.0%
2019	4,600	3.2%
2020	4,540	1.3%



PZU and PZU Życie apply a sustainable and responsible approach to disposal and reuse of assets following the “5 R” principle:

- Reduce;
- Reuse;
- Recycle (segregate and recycle);
- Recover (especially energy from waste);
- Renew.

This principle encourages employees to renew and repair older things to extend the time of their operation. The companies cooperate with firms offering the highest waste management standards, confirmed by pertinent environmental certificates. PZU and PZU Życie set an objective of increasing the share of recycling in the total number of liquidated assets from 33% at the end of 2018 to 40% at the end of 2020. This ratio was attained thanks to promotion of sale of assets to companies and external customers or donations. Additionally, collections of used mobile phones are held regularly and the devices are sold to a specialized company (recycling).

Potential benefits resulting from reduction of printing devices and reuse of assets:

- lower volume of generated e-waste;
- lower electricity consumption;
- lower inventories as a result of standardizing the consumables and printing device models used.

Achieved results:

The volume of used mobile phones and modems for recycling and sale to the company employees is as follows:

- 2018 – 2,602 pcs.
- 2019 – 2,030 pcs.
- 2020 – over 3,000 pcs.

Change of the water distribution method

Reduction of distribution of water in big plastic bottles in favor of water dispensers using water from the water supply system, use of running water filters or consumption of water directly from the tap in places where water is good to drink will result in:

- reduction of the number of plastic packages in circulation (to be disposed of);
- optimization of water use;
- limiting CO2 emissions due to reduction of transport;
- reduction of the quantity of energy and raw materials needed to produce big plastic bottles.

BEST PRACTICE



As part of waste management, Bank Pekao regularly hands over paper documentation, computer media, furniture, and white and brown goods for specialized disposal. When ordering new white and brown goods, the company takes into account the service involving collection and disposal of old goods. At the turn of 2019/2020 the bank started to install bottle, can and drink carton crushers. Current waste is segregated in five categories, according to the prevailing Regulation issued by the Environment Minister. The bank continued the employee information campaign on rules for segregation of waste in the head office and field offices launched in 2018.



[GRI 303-5]

Total consumption of water in the PZU Group

GRUPA PZU	2019	2020
Water [m3]	411,978	291,322



[GRI 303-5]

Total consumption of water by PZU and PZU Życie

	PZU		PZU Życie	
	2019	2020	2019	2020
Water [m3]	52,522	37,483	24,459	16,201



Environmental and climate impact

Planned reduction in the number of water dispensers and big water bottles*

Year (end)	Number of dispensers using big water bottles	Number of big water bottles	Reduction
2018	1,145	4,665	-
2019	916	3,732	20%
2020	733	2,986	20%
2021/2022**	40	163	94%

*In PZU locations in which the technical conditions allow for that, running water dispensers are successively installed. In the dispensers water from the water supply system is treated in a multi-level filtration process, after which it can be collected as cold, room temperature or hot water

** Due to the COVID-19 situation the agreement on the dispensers (big plastic water bottles) was extended by eight months till the end of February 2022. This extension will also allow for organizing a single tender procedure for the network dispensers nationwide.

BEST PRACTICE

Involvement of PZU and PZU Życie employees in environmental efforts and building sustainable development awareness



The PZU Group is one of the largest employers in Poland. It is aware that building responsible employee attitudes contributes also to reduction of the negative environmental impact. Regular activities are undertaken to encourage employees to save paper by

reducing the number of printouts in PZU outlets throughout Poland (back-office):

- stickers encouraging reduction of printouts with the slogan “If you don’t have to, don’t print. Green PZU”;
- reduction of printout of posters and leaflets in internal communication.

Communication and educational campaigns promoting environmental behaviors:

- black and white and double-sided printouts;
- reduction of printouts through messages: do not copy – scan, this does not cost anything, use the print view – avoid poor printout formatting, hold paperless meetings – use a projector;
- eco-driving (education on environment-friendly use of the car at the company car driver portal on PZU’s website);
- information campaigns pertaining to recycling of used mobile phones;
- educational campaign “you don’t need it – give it to others” encouraging hand-over of redundant office supplies to

other employees for use. Exchange spots were designated and sign-posted. The aim was to increase environmental awareness, reduce the volume of materials for disposal and reduce the cost of purchase of office supplies;

- additionally, in each issue of the internal employee newsletter “My PZU”, articles are published raising key environmental issues.



In 2020, on the occasion of the Global Day of Action for Sustainable Development, the “SDG (Sustainable Development Goals) Challenge” contest, i.e. how PZU may stimulate sustainable development?” was organized for employees to come up with innovative business ideas. The contest was carried out via the Idea Generator, a platform for exchange of ideas and comments by PZU Group employees. In this edition of the contest, ideas were sought for business initiatives which will support the execution of selected Sustainable Development Goals. PZU Group employees shared as many as 57 ideas responding to the contest challenge. These were often comprehensive solutions prepared by several employees. The organization of this edition of the Idea Generator contest is an example of not only effective cooperation between the departments and the innovative approach to supporting employees in development of competences that go beyond their daily duties, but also building sustainable development awareness. Based on specific criteria, the contest jury selected 10 best ideas, with the winning three receiving financial awards. The best ideas were handed over to business units for in-depth analysis.



4. Employee matters

PZU Group's policies [Accounting Act]

[GRI 103-2]

A 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 have been phased:

- new quality of corporate culture;
- promotion of entrepreneurship, innovation, team work and cooperation between business units;
- online forms and tools of human capital development and management.

Sustainable Development Goals, SDG



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

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] Data pertaining to employees and other persons working for the organization

At the end of 2020, the PZU Group had 39,857 employees (converted into FTEs); 26% of them were employed in PZU and PZU Życie, 5% in the health area, 19% in the Alior Bank Group, 37% in the Pekao Group and 7% in foreign companies.

In addition, topics related to managing employee issues have been captured in the “Best Practices of the PZU Group” that define:

- common values and rules for ethical management;
- competence development;
- occupational safety and health.



„The PZU Group, as one of the largest financial and insurance institutions in Central and Eastern Europe, offers great development opportunities to its employees. Our innovative projects and modern tools make the jobs we offer an extremely attractive opportunity in the labor market. In turn, the diversity of the Group's lines of business makes us an interesting place of work for years within a structure enabling our employees to climb the career ladder.”

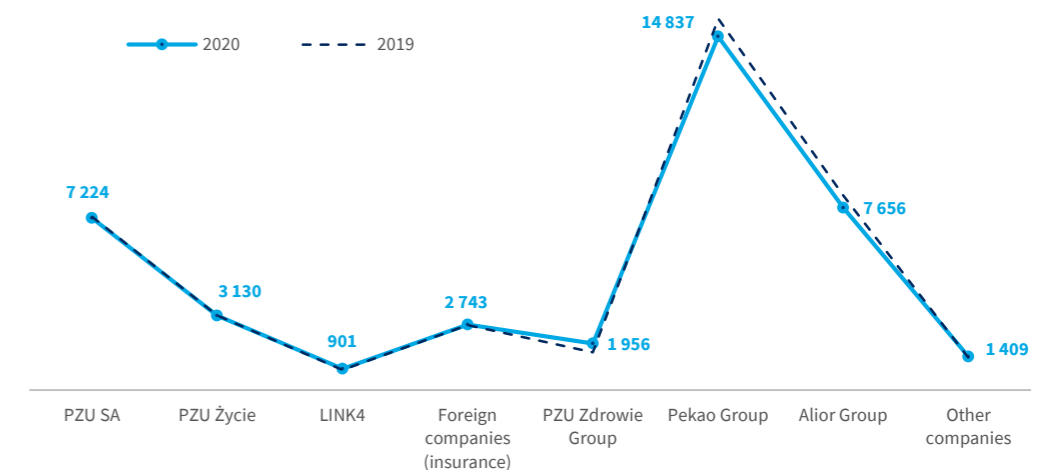


Anna Wardecka, Director of the HR Management Department at PZU

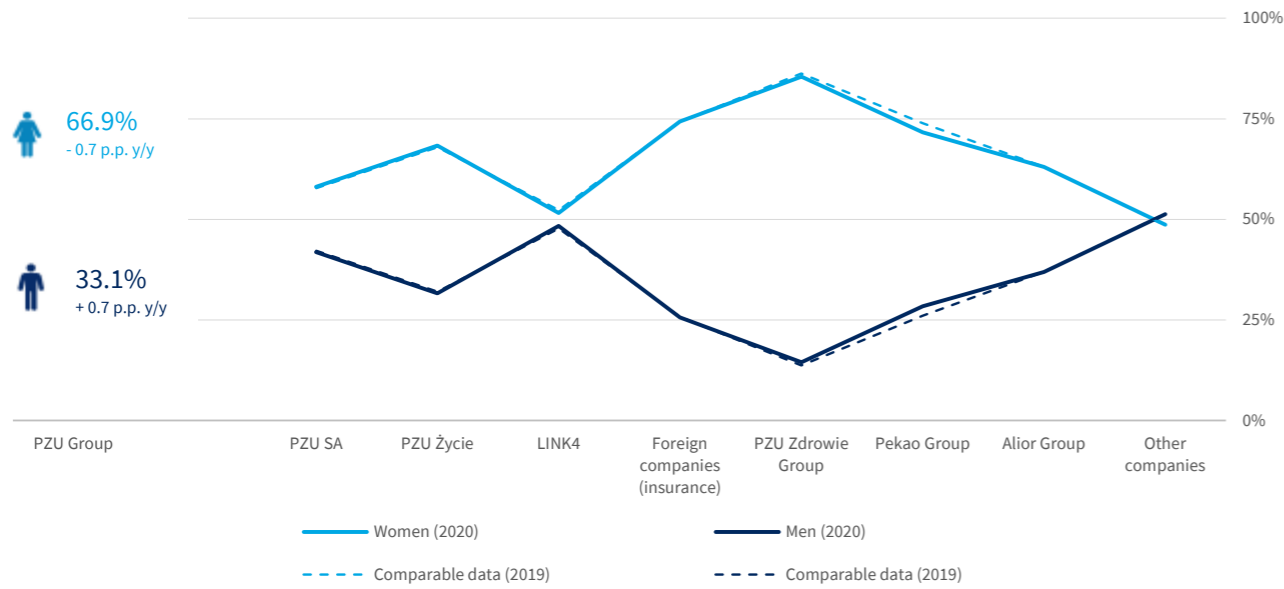
Total number of employees (converted into FTEs)

PZU Group

2020:
39.9 thousand
2019:
40.7 thousand



PZU Group employees by gender (converted into FTEs) in 2019 and 2020

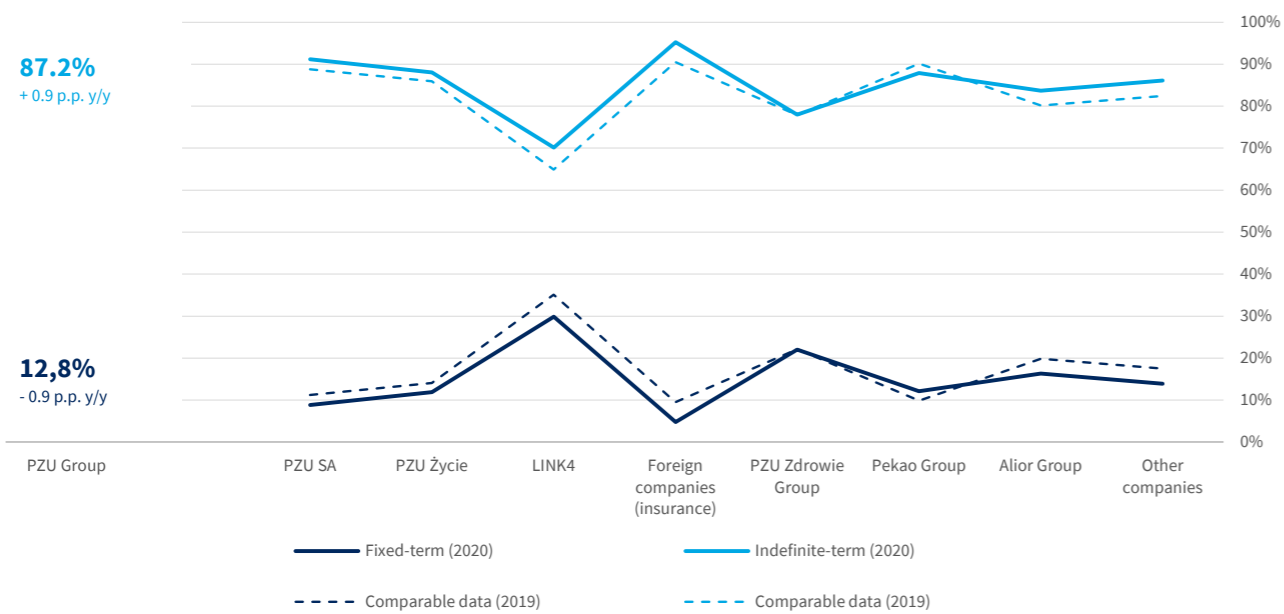


Women account for the majority of employees across the PZU Group (67%).

employed. This percentage is 72% in the Pekao Group. Women account for a vast majority also in our foreign companies, i.e. as much as 74%.

Women constitute the largest percentage of the staff of PZU Zdrowie and its subsidiaries: approx. 85% of the persons

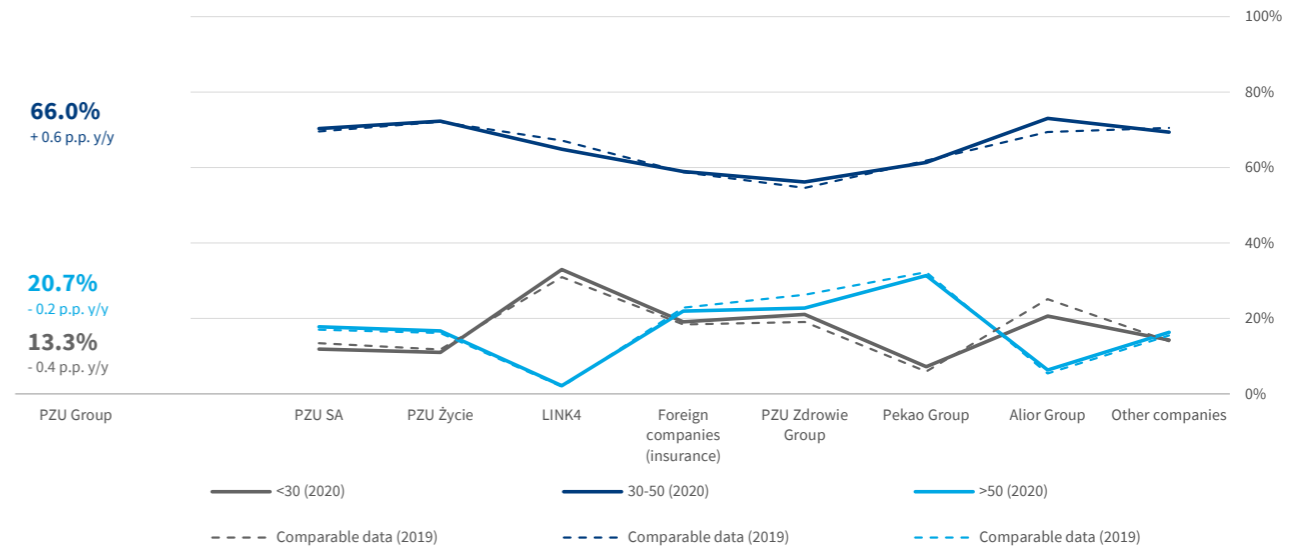
PZU Group employees by type of contract (converted into FTEs) in 2019 and 2020



In the PZU Group, 87% of employees work under employment contracts executed for an indefinite term. The highest percentage of staff (converted into FTEs) who work under

employment contracts for an indefinite term is in foreign companies (95%) and the lowest is in LINK4 (70%).

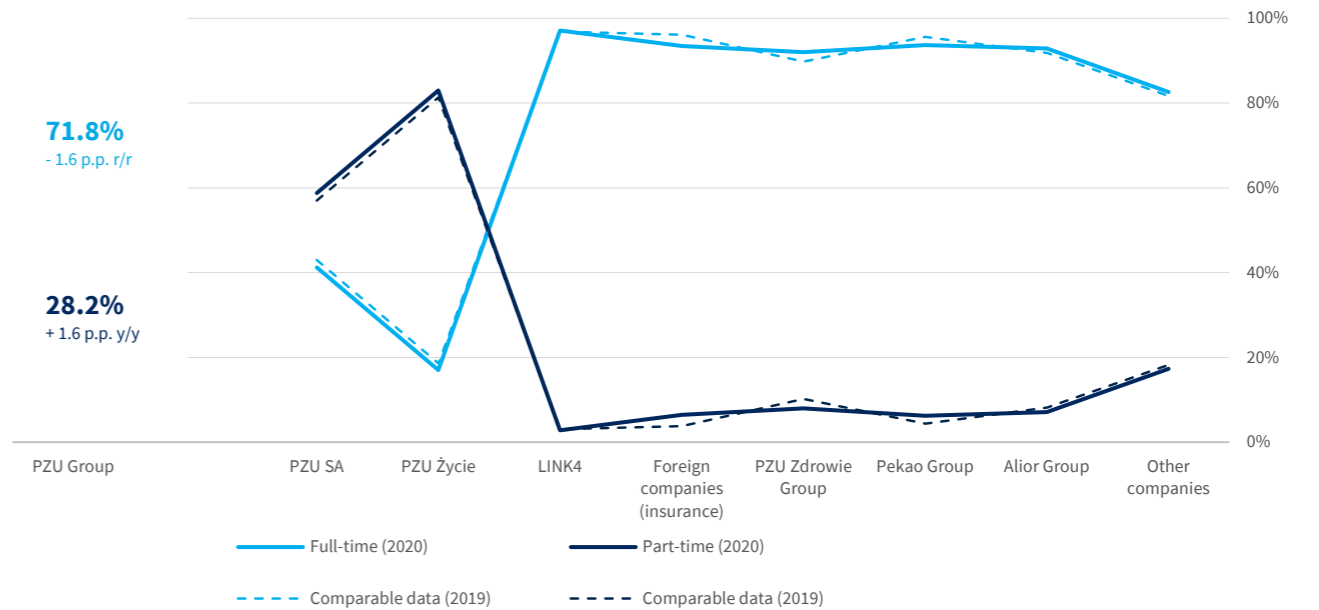
Total number of employees by age group (converted into FTEs) in 2019 and 2020



Among the three age groups identified above, the most numerous is the group of employees aged 30–50; it comprised 66% of employees in 2020 and 65% in 2019. LINK4 employs the

highest number of people under 30 (33% in 2020). Conversely, the Pekao Group has the highest number of employees over 50 (31% in 2020).

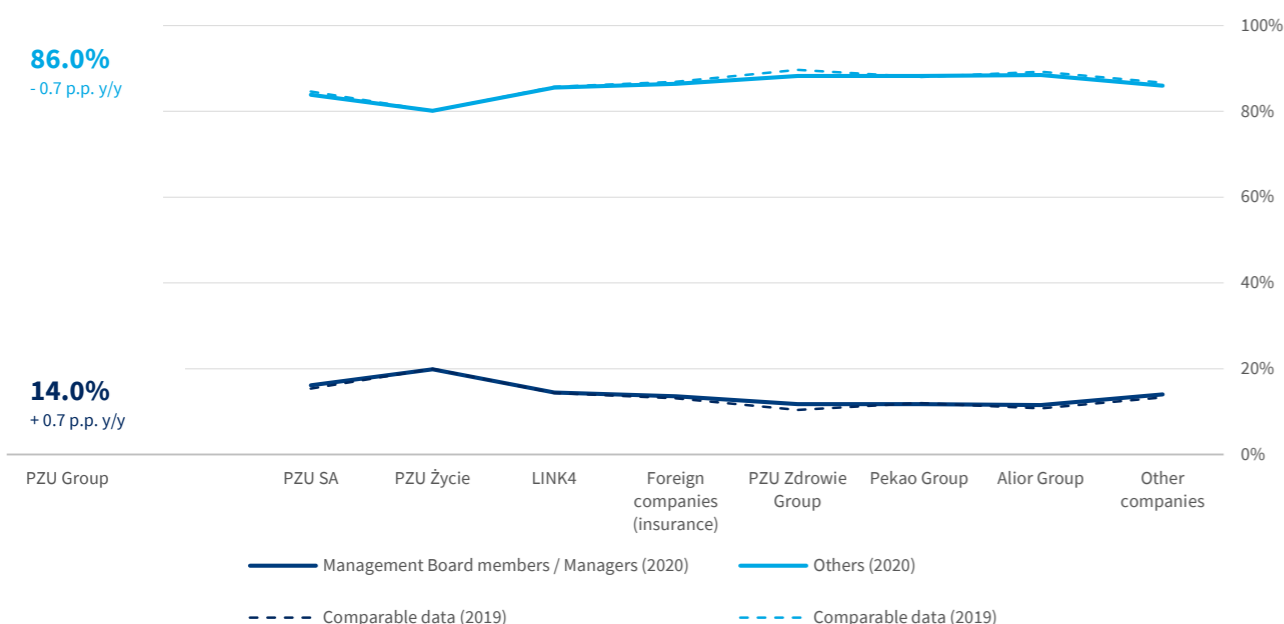
Employees by FTE portion (converted into persons) in 2019 and 2020



Most PZU Group staff are employed full-time: 72%. The highest percentage of the staff are employed on such terms in LINK4 (97%), while the lowest – in PZU Życie (17%).

The low percentage of people employed full-time at PZU Życie results from the fact that employment is often shared between PZU Życie and PZU.

PZU Group Employees by employment structure (converted into persons) 2019 and 2020



The employment structure did not change significantly in 2020 in the PZU Group. Persons employed in managerial positions accounted for 14% of the total, just as one year earlier (13%). In the Group, it is PZU Życie that has the highest percentage of persons holding managerial positions in relation to the

number of employees in the company (20%). In other PZU Group companies this ratio was respectively: in PZU 16%, in LINK4 14%, in the Pekao Group 12%, in the Alior Bank Group 12%, in foreign companies 14%.

[GRI 401-1]

Total number of newly-hired employees by gender (converted into FTEs)

Total number of employees by:	2019			2020		
	Number of employees	Number of newly-hired employees	Percentage of newly-hired employees	Number of employees	Number of newly-hired employees	Percentage of newly-hired employees
Women	4,196	390	9.3%	4,197	282	6.7%
Men	3,068	287	9.4%	3,027	182	6.0%
Total	7,264	677	9.3%	7,224	464	6.4%

PZU Życie

Total number of employees by:	2019			2020		
	Number of employees	Number of newly-hired employees	Percentage of newly-hired employees	Number of employees	Number of newly-hired employees	Percentage of newly-hired employees
Women	2,130	261	12.3%	2,140	183	8.6%
Men	1,005	167	16.6%	991	102	10.3%
Total	3,135	428	13.7%	3,130	285	9.1%

Total number of newly-hired employees by age (converted into FTEs)

PZU

Total number of employees by age:	2019			2020		
	Number of employees	Number of newly-hired employees	Percentage of newly-hired employees	Number of employees	Number of newly-hired employees	Percentage of newly-hired employees
<30	975	313	32.1%	858	210	24.4%
30-50	5,052	348	6.9%	5,081	246	4.8%
>50	1,237	16	1.3%	1,285	8	0.6%
Total	7,264	677	9.3%	7,224	464	6.4%

PZU Życie

Total number of employees by age:	2019			2020		
	Number of employees	Number of newly-hired employees	Percentage of newly-hired employees	Number of employees	Number of newly-hired employees	Percentage of newly-hired employees
<30	369	136	36.9%	344	105	30.7%
30-50	2,260	273	12.1%	2,263	173	7.7%
>50	506	19	3.8%	524	6	1.2%
Total	3,135	428	13.7%	3,130	285	9.1%

Total number of cases of attrition among employees by gender (converted into FTEs)

PZU						
Total number of employees by:	2019			2020		
	Number of employees	Number of cases of attrition among employees	Percentage of cases of attrition among employees	Number of employees	Number of cases of attrition among employees	Percentage of cases of attrition among employees
Women	4,196	364	8.7%	4,197	265	6.3%
Men	3,068	251	8.2%	3,027	206	6.8%
Total	7,264	615	8.5%	7,224	471	6.5%

PZU Życie						
Total number of employees by:	2019			2020		
	Number of employees	Number of cases of attrition among employees	Percentage of cases of attrition among employees	Number of employees	Number of cases of attrition among employees	Percentage of cases of attrition among employees
Women	2,130	211	9.9%	2,140	171	8.0%
Men	1,005	108	10.7%	991	108	10.9%
Total	3,135	319	10.2%	3,130	279	8.9%

Total number of cases of attrition among employees by age (converted into FTEs)

PZU						
Total number of employees by age:	2019			2020		
	Number of employees	Number of cases of attrition among employees	Percentage of cases of attrition among employees	Number of employees	Number of cases of attrition among employees	Percentage of cases of attrition among employees
<30	975	149	15.3%	858	131	15.3%
30-50	5,052	341	6.8%	5,081	245	4.8%
>50	1,237	125	10.1%	1,285	95	7.4%
Total	7,264	615	8.5%	7,224	471	6.5%

PZU Życie

Total number of employees by age:	2019			2020		
	Number of employees	Number of cases of attrition among employees	Percentage of cases of attrition among employees	Number of employees	Number of cases of attrition among employees	Percentage of cases of attrition among employees
<30	369	63	17.1%	344	55	16.0%
30-50	2,260	201	8.8%	2,263	178	7.9%
>50	506	55	10.9%	524	45	8.7%
Total	3,135	319	10.2%	3,130	279	8.9%

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

- w 2019 roku: 6,519
- w 2020 roku: 5,953

Turnover ratio (terminations, dismissals) among all PZU Group employees hired under employment contracts:

- in 2019: 15.9%
- in 2020: 14.9%

The ratio takes into account internal turnover, i.e. within the PZU Group.

[GRI 405-2]

Average base salary ratio of women to men: Gender Pay Gap (GPG)

	PZU i PZU Życie	PZU	PZU Życie
senior management	99%	98%	99%
management positions	95%	95%	96%
expert positions	95%	96%	95%
specialist positions	97%	96%	96%
all employees	96%	96%	96%

*population-weighted remuneration ratio in individual groups by location and evaluation level

Employee matters

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 are one of the largest employers: we employ about 40 thousand people in Europe. It is for them that we create a modern organization where an employee is put first. It is our priority to attract the best specialists in the market to the PZU Group. With their contribution, we can build a strong and stable enterprise trusted by millions of clients.”



Marcin Eckert, Member of the PZU Management Board

[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 discharges on a timely basis not only its financial liabilities to employees but also applies clear principles in the operation of our organization. It ensures safe forms of employment and employees make a contribution to streamlining the operation of the company.

The PZU Group provides its employees with equal opportunities for development to enhance their skills, being promoted and compensation, while having regard for employees' individual potential, their accomplishments and work performance.

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

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

opportunities to be promoted) to the termination of employment. [SECTION 6.3 DIVERSITY AND RESPECTING HUMAN RIGHTS](#)

BEST PRACTICE



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

The basis for determining an employee's base salary is the evaluation of the job in question, the competences held by an employee and his or her performance appraisal.



In 2016, PZU and PZU Życie adopted „Compensation Policies” which are subjected to annual reviews and, if needed, updated accordingly. Above all, the purpose of these documents 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, organizational cells or units in which they are employed.

Pekao Group companies have pay-related policies adapted 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 compensation policy.

The same applies to the PZU Zdrowie Group. In Armatura Kraków, „Remuneration Rules and Regulations” have been implemented.

BEST PRACTICE



The latest version of the Saba HRM software, which supports the so-called soft HR process management in PZU, was deployed in 2020.

This version has an attractive interface enabling personalization and adjustment of the displayed information to user needs. Apart from changes of technological components, new features have been added in the following areas:

- PZU's bonus system management;
- recruitment processes;
- delivery of classroom and e-learning training courses;
- support for professional training courses for agents.



The employees of PZU and PZU Życie may count on financial pay commensurate with the level of responsibility and a unique broad range of non-salary benefits tailored to their diverse needs. They include, among others:

- Employee Pension Scheme – 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;
- special terms of maintaining Individual Retirement Security Accounts (IRSAs) – no fee on employee contributions;
- rich medical care package – long list of specialist physicians and medical centers;
- insurance for medicine – gives the right to purchase prescription medicines from an extensive list with an 80% discount;
- supplement to reach 100% of employee remuneration in the case of special sickness absences (e.g. due to cancer);
- benefits from the Company Social Benefit Fund that exceed the standard, including:
 - loans for housing purposes;
 - employee holiday subsidy,
 - Christmas subsidy,
 - „cafeteria” system giving employees access to a recreational base in Poland and abroad and to 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 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, for the purpose of which employees can get two additional days off.

[GRI 102-41]


The company is in continuous dialogue with the trade unions. PZU and PZU Życie respect the right to unconstrained association and strike. They hold regular meetings with all social partners. On average, such meetings take place every other week. The schedule of such meetings along with the agenda is delivered to trade union representatives. Social dialogue is conducted by a section specially appointed for this purpose in the HR Management Department. Employees of the social dialogue team conduct talks and participate in dedicated meetings with trade unions and react to the needs of social partners on an ongoing basis. Social dialogue is inscribed into the company's organizational culture and forms one of the tools for strategic management.


The companies' trade union organizations represent employees in collective relationships (concluding agreements on working, pay and social conditions and approving rules and regulations) and individual matters (e.g. consulting employment contract termination, appealing against the imposed disciplinary penalty).

There are 12 trade unions operating in PZU and 6 – in PZU Życie. Agreements with trade unions vary in terms of their subjective scope. The largest group of eligible persons can be found in Employee Pension Scheme agreements or social agreements (Company Social Benefit Fund), since they cover all employees.



Trade unions	Division in each category in PZU and PZU Życie	
	PZU	PZU Życie
Number of unionized employees	1,839	981
% of unionized employees relative to the total number of the company's employees	19.4%	14.6%

 There are five trade union organizations operating in Alior Bank. They represent the employee interests provided for in the labor law. In Bank Pekao, there were eight such organizations in 2020.

 Most Group companies have internal rules and regulations of the Company Social Benefit Fund in place.

PZU and PZU Życie employees are covered by collective agreements, including the Company Pension Agreements. Employee Capital Schemes have been implemented in companies where there was previously no ECS to provide additional retirement security. The employees who will join these EPSS will receive their pension from additional source.

BEST PRACTICE

CASH

Cash is an innovative employee financial benefit platform created by PZU and Alior Bank. Employees of the companies collaborating with PZU Cash may quickly obtain a low-interest loan for any purpose via the online portal. The process of applying for a loan is fully remote – from the online completion of the application to the signing of the agreement and receipt of the funds. The employee receives the money on the business day immediately following the date of signing the agreement at the latest. The term of the loan is between 3 and 36 months and the maximum loan amount is PLN 50 thousand. Employees do not have to remember about the repayment date because the installments are deducted automatically from their remuneration, which is a convenient solution. The Cash portal combines the needs of both employees and employers while bringing mutual benefits. Employees can easily obtain extra cash from a safe source with no hidden costs or additional conditions. Employers, in turn, can offer additional financial benefits to employees.

The platform has been available to PZU Group employees since October 2019. In 2020, it was made available in other companies. At the end of 2020, several dozen thousand employees from nearly 30 work establishments were already able to use the Cash portal. It is a good example of synergy and leveraging the strengths of the two companies in the PZU Group, and implementation of an innovative business model responding to the market trends pertaining to financial well-being. The Cash Portal also follows the development of remote channels, making it possible to use financial products online, which is particularly important in the time of the COVID-19 pandemic.

BEST PRACTICE

Engagement building as a continuous activity based on a regular dialog with employees



2020 brought many challenges, including significant constraints on organizing workshops and meetings. The pandemic began at the time of communicating the results of the previous year's engagement survey.

Despite that in each organizational unit were held meetings to discuss the results of the survey – organized in an online or hybrid form in many areas.

At times of unexpected changes, it becomes more important to maintain regular communication with employees. Therefore, apart from the annual engagement survey, two additional, spring and autumn, pulse check surveys were introduced. Employee needs changed over the past year, which resulted, among others, from the fact that approx. 80% of employees shifted to remote work within a short time. During the COVID-19 threat, employees' well-being and safety is particularly important, and the study has helped managers understand the ongoing needs as regards ensuring proper support and efficient work organization to employees better. Thanks to the survey, the designed development activities responded to the real crucial needs; they have been addressed to all employees (e.g. #DobryStan [#WellBeing], #Rozproszeni-Połączeni [#Distributed-Connected]) or to selected employee groups (e.g. #LaboratoriumMenedżerów [#ManagerLaboratory]).

In accordance with the schedule adopted for years, another engagement survey was conducted in December 2020. It reached a record-breaking engagement ratio in PZU's history: 61%. The survey was carried out using a methodology developed by Kincentric. A Spencer Stuart Company. At the same time, a double-digit indicator growth (by 10 p.p.) was recorded for the second time in a row and the strategic objective set for 2020 was exceeded. The result, in accordance with the adopted methodology, ranks PZU among the top ones (the upper quartile).

BEST PRACTICE

The recipe for good cooperation: the My Colleague-Client program

In the engagement survey for 2019, a majority of PZU employees pointed to cooperation between divisions or offices as the area to be improved. Therefore, we have launched the "My Colleague-Client" program, which focuses on creating positive experiences among employees.

„The recipe for good cooperation” is a collection of attitudes and behaviors appreciated by PZU employees in cooperation. It is important that all PZU employees to become familiar with the rules, identify with them and act upon them. This is how we will be reinforced our employees' positive and kind attitudes towards their colleagues, in particular from other offices and areas.

The quality of client experiences is influenced not only by those who directly serve them but also, for instance, by those responsible for constructing a product, maintaining the product system or recruiting the company's employees. Relationships between employees also count. This is why our aspiration is to have them perceive each other as internal clients. In 2020, we managed to implement „The recipe for good cooperation” in the organization, of which employees were notified via various channels, such as the PZU newsletter, information on PZU24, email and posters in offices across Poland. As part of “The recipe for good cooperation”, one survey on cooperation was carried out providing us with 417 responses. First, we surveyed the HR Management Department, where we also managed to deliver workshops with the participation of individual team leaders.

We are planning to implement kudos, a special tool through which each PZU employee will be able to send special thanks to appreciate a colleague. Additionally, it will be crucial to build employee engagement and client-centric culture by promoting the Program and to increase the number of offices taking part in the survey and workshops.



BEST PRACTICE

LINK with us – the practice of building candidate experience



The LINK with us 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:

- **advertisements:** job advertisements contain images of internal LINK4 ambassadors and their contents are prepared 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:** a satisfaction survey is sent out 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 92.5% in 2021. Based on

candidates' comments, the recruitment process is modified on an ongoing basis to adapt it to the needs of the target group, e.g. change of the communication addressed to the candidate rejected after the recruitment meeting, possibility of receiving detailed feedback at each candidate's request;

- **„Welcome on board“:** the onboarding process has been adapted to the remote mode of work; despite the new reality, the elements appreciated most by new employees have been preserved, e.g. the so-called Welcome Day, when new employees are welcomed by the President of the company and their superiors;
- **a set of company gimmicks,** the so-called welcome pack for new employees; an information brochure is being prepared to help employees enter LINK4's organizational culture;
- **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:

- employments resulting from employee referrals accounted for over 35% of all closed recruitment processes in 2020
- the level of satisfaction with the conduct of the recruitment process increased from less than 80% (in Q4 2017) to 92.5% (in January 2021).



BEST PRACTICE

LINK4 family



LINK4 notes the needs of its employees being parents and supports them in combining these two roles through a program of family-friendly actions.

The support covers three aspects:

- **legal regulations** concerned with care for a child under 14, care allowance, holiday leaves and other situations which might be difficult from a parent's point of view;
- **strengthening of bonds,** „open doors“ for children, who are invited to the company, a family picnic, training and workshops in parenthood are organized to this end;
- **celebration of special occasions** – children get presents on the Children's Day, and moms returning from maternal leaves are given a welcome pack to make their return to work pleasant.

The program is being developed thanks to new ideas, which are implemented on a continuous basis, to tailor it to parents' needs.

For instance, a series of workshops at which parents could talk about their children's independence, about their fears concerned with parenthood and learn about the relation between the parent's happiness and the child's happiness were organized under the program.



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.

Employees who wish to have an influence

on the environment and life of the organization have been invited to join the Council. The participants stand out for their knowledge, competences, creativity and engagement – they are experts, leaders and masters of the 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.

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.

In 2020, the participants in the Inspiration Council took up many challenges:

- „Spring inspirations“ – 281 individuals worked on 20 topics selected by the senior management, which resulted in sending 380 studies. More than 50 conference calls were organized giving rise to numerous initiatives, which have already been or soon will be implemented. One of the most significant ones is a regular talk a superior holds with their employee about providing a feedback. The whole initiative lasted three months;
- „Summer coffee with the Inspiration Council“ – 6 online meetings held in a casual atmosphere to strengthen relationships as they were considerably limited during the COVID-19 pandemic;
- „PSK challenge“ – meetings held remotely only, aimed to boost team spirit and creativity of teams as a result of moving to home offices. The teams created the so-called virtual business cards describing what they did, what their passions were, etc. The initiative was received with high enthusiasm: 90% of 155 teams took part in it, and its effect is increased employee knowledge about the organization.

The employees involved in the Inspiration Council's activities reported that they appreciated the opportunity to grow and influence the changes and the engagement in the improvement of PZU.

BEST PRACTICE



Career paths of Bank Pekao's employees are built on the basis of a multi-faceted assessment and analysis of their potential. This is how it is forecast in which direction and within what timeframe a given employee can change their position. The mission of the „Career Paths“ program is to ensure the bank's employees continuous professional development and self-fulfillment. To this end, their talents and professional preferences are used for their own and the bank's benefit.

Bank Pekao makes efforts to ensure that the recruitment process is conducted according to the highest standards. The bank has developed its internal „Code of Best Recruitment Practices“, which contains the key guidelines it follows when executing individual projects.

Key benefits of the „Career Paths“ program:

- facilitation of seeking development directions by employees;
- defined, clear and transparent development opportunities;
- knowledge of the requirements ones needs to satisfy to be taken into consideration for promotions;
- control of one's development, determination of short- and long-term development objectives;
- reduction of the uncertainty related to an employee's professional development;
- expansion of the knowledge about the organization;
- transfer of knowledge and experiences between employees.



Occupational safety and health issues

PZU Group's policies [Accounting Act]

[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:

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

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

- 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 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.

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 85 work accidents in 2020 (76 fewer than in 2019), including 41 in the Pekao Group, 16 in the Alior Bank Group, 11 in PZU and 4 in PZU Życie. There were no fatal accidents.

Number of work-related accidents, by gender

	PZU				PZU Życie			
	2019		2020		2019		2020	
	Women	Men	Women	Men	Women	Men	Women	Men
Total number of work accidents (incidents)	22	19	8	3	6	3	2	2
of which fatal accidents	0	1	0	0	0	0	0	0
Total number of persons injured in accidents	41		11		9		4	

Accident incidence rate by gender²

PZU				PZU Życie			
2019		2020		2019		2020	
Women	Men	Women	Men	Women	Men	Women	Men
3.9	4.9	1.4	0.8	1.4	1.3	0.5	0.8

Accident severity rate by gender³

PZU				PZU Życie			
2019		2020		2019		2020	
Women	Men	Women	Men	Women	Men	Women	Men
50.5	34.0	30.5	44.3	40.5	0.7	0	4.8

Absenteeism rate⁴

PZU				PZU Życie			
2019		2020		2019		2020	
Kobiety	Mężczyźni	Kobiety	Mężczyźni	Kobiety	Mężczyźni	Kobiety	Mężczyźni
7.4%	3.3%	6.9%	3.3%	6.6%	2.7%	7.2%	2.7%

Every newly-hired PZU employee goes through advanced training courses related to occupational safety. In 2020, 1,853 one-on-one onboarding training courses and 205 periodic training courses were delivered attended by 928 PZU and PZU Życie employees. The purpose of the workshops was to update knowledge and skills on how to work safely.

In addition, 3,020 individuals took part in 124 training courses on pre-medical first aid in 2019. Participants checked their knowledge on training manikins. The rules for using an

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 Absenteeism rate using the equation: total number of days off work because of sick leave or accidents at work/ number of days planned to be worked in a given year

AED defibrillator were also presented. Due to the COVID-19 pandemic, there was no first aid training in 2020



As a result of the outbreak of the COVID-19 pandemic, for the sake of PZU and PZU Życie employees' health and safety, "Safety rules for PZU SA and PZU Życie SA employees during the COVID-19 epidemic" have been published. "

Rules for the time of the COVID-19 epidemic:

- recommendations on working conditions in the regular workplace;
- protective equipment provided by PZU and PZU Życie;
- recommendations on the presence and movement in PZU buildings, including the use of selected room;

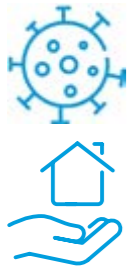


- rules for organization of meetings in PZU buildings;
- conditions of domestic travel on business, business trips, business meetings outside the office, training, workshops, conferences and other development events;
- recommendations on commuting;
- rules for collection of correspondence;
- recommendations on the physical infrastructure of PZU buildings;
- recommendations on the use of catering service providers;
- rules for reimbursement of the cost of a SARS-CoV-2 virus test.

PZU Finance has developed Procedures of temporary remote work applicable for the time of COVID-19 infection risk in the Republic of Poland.

BEST PRACTICE

Well-being: actions taken during the COVID-19 pandemic



The aim of the initiative was to counteract the effects of stress, low mood and decreasing engagement among employees associated with the pandemic and changed mode of work and to reinforce trust in the employer. A long-term objective of the program is to concentrate on increasing employees' good energy, supporting healthy work style and helping maintain good well-being in crucial spheres of life: professional, personal and family.

The first response to the changed mode of work was the launch of the cycle entitled „We'll make it”, i.e. one-page inspirations on how to deal with everyday difficulties, e.g.:

- How to deal with emotions in a situation of COVID-19 threat?
- How to make remote work efficient?
- How to manage a team working remotely?
- How to ensure immunity and physical fitness?
- How to support children (and parents) in times of virus?
- How to organize a remote conference? (an overview of available tools).
- How to effectively rest on days off?

The next step was the „Well-being” program, which was supposed to build a state of mind facilitating high efficiency as well as mental and physical immunity and ensure psychologists' support. The program is available to everyone. The activities include organization of webinars with experts, publication of educational and prevention materials

(a compendium of knowledge, articles, questionnaires). A hotline providing psychological support to employees has been launched.



Actions performed as part of the programs in 2020:

- 13 webinars:
 - Motivation in times of uncertainty,
 - Relaxation on demand: How to do it?
 - Sources of real energy: How to release passion, self-motivation and willpower?
 - Mind power: How to work efficiently?
 - Mental immunity: Power in any circumstances
- many videos with exercises to be done at home;
- an e-learning anti-stress program and the Wellify mobile application as education in emotion management – they provide exercises to reduce stress at the physiological, physical and emotional levels.

Currently, the „Well-being” initiative is a regular educational offer incorporated in PZU's HR strategy for 2020/2021.



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.”



„Our employees are our capital. Their highest skills underlie our competitive edge. Thanks to them we not only build the Group's market position but also pride ourselves on the position of the leader in the areas of our business activity.

But as the leader, we have special obligations to fulfill: continuous perfection of standards. Therefore, we are always willing to share our experiences, which could serve as models to follow by all insurance market players.”

Tomasz Kulik, Management Board Member of PZU and PZU Życie

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 both 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 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. In 2020, a vast majority of development activities were held online, including in the form of workshops. This trend will surely prevail, since a greater availability of the offered actions is ensured (a webinar, an online conference is attended by between 100 and 1,900 employees), remote work methods and tools are being intensively developed and the reception of online events by their participants is increasingly more positive.

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.

PZU Group's policies [Accounting Act]

[GRI 103-2, GRI 103-3]

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. They define the process of obtaining and supplementing knowledge and skills as well as improving professional qualifications by employees. The documentation provides also the rules for the organization and financing of training and development activities.

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



Forms of development support available in PZU:

general corporate	general corporate dedicated to selected groups	individual and team
<ul style="list-style-type: none"> > Inspirations on the trends and skills of the future: <ul style="list-style-type: none"> • #TyTworzyszPrzyszłość conference • #YouCreateTheFuture • Klik Na Rozwój conference [Click For Development]; > Development of lifelong learning skills, new methods of work and effective habits <ul style="list-style-type: none"> • #TyTworzyszPZU workshops [#YouCreatePZU] • webinars, podcasts, online courses as part of the Klik Na Rozwój program [Click For Development] (learning with the use of modern technologies) • Distributed-Connected: a program supporting the shift to hybrid work > Well-being program #DobryStan [#WellBeing] 	<ul style="list-style-type: none"> > Onboarding Manager <ul style="list-style-type: none"> • #NowyMenedżer [#NewManager] • #LaboratoriumMenedżerów [#ManagerLaboratory] • coaching program > Innovation development program <ul style="list-style-type: none"> • Future On program Webinars, videos with external and internal experts according to the identified needs 	<ul style="list-style-type: none"> > Professional training > Development activities required for performing tasks and supporting job efficiency <ul style="list-style-type: none"> • based on development plans for teams – based on the identified needs > Development programs, e.g.: <ul style="list-style-type: none"> • #TerazTy [#YourTurn] – a development program for sales employees • Purchase Academy > Potential development <ul style="list-style-type: none"> • developmental diagnostics, e.g. 360 degree feedback, preference and functioning style testing, Development Center sessions • reimbursement of postgraduate programs > Other <ul style="list-style-type: none"> • knowledge exchange workshops (training organized by internal specialists) • workshops developing cooperation, creative search for solutions • workshops for teams based on the results of surveys on cooperation between business units

-
- PZU and PZU Życie have in place:
- PZU and PZU Życie employee training procedure;
 - PZU and PZU Życie employee language skills improvement procedure;
 - Procedures for reimbursing postgraduate programs and specialist forms of professional employee development;
 - Rules for the organization and financing of training and development activities.

Employee training and development procedures were introduced in PZU Group companies. In addition, PZU TFI has an Employee language skills improvement procedure in place and PZU CO introduced Rules for the organization and financing of training and development activities for employees.

BEST PRACTICE

Learn how to learn

This is a cycle of actions performed by PZU, which concerned effective learning in the context of new techniques, rules, habits and use of technologies for this purpose. The initiative was supposed to show the employees that they can always learn better, faster and more effectively. The key objective of these actions was also to make the acquired knowledge stay with them for longer.

The following were delivered as part of the program:

- „Learn to learn” and „Learn to learn and tame the technology” cycle of webinars;
- workshops for webinar participants.

Over 300 people in total attended the webinars and workshops.

BEST PRACTICE

The Pekao Group and Bank Pekao provide opportunities for education and individual professional development to employees through investments in training and improvement of employee competencies and skills.

The Bank Pekao Group does not have a joint 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. Bank Pekao has in place the „Policy on training and improvement of professional qualifications of employees of Bank Polska Kasa Opieki Spółka Akcyjna. „The “Policy” defines procedures referring to the course of processes related to employee participation in individual forms of professional qualification improvement.

Although a joint policy was not established in the Alior Bank Group, employee training programs, in addition to training policies, are delivered in individual companies on soft skills as well as hard and technical skills. Alior

Bank has a „Policy on training and development” in place, which regulates issues related to induction and development training for bank’s employees, to possibilities to finance training & development activities, and to electronic training. Thanks to the introduced „Policy”, bank’s employees can develop expert specializations in a selected field and the implemented management systems and development model enable effective targeting of specialists and dynamic development of their careers.

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, including the „Collective Bargaining Agreement” and the “HR Management Procedure.”

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

BEST PRACTICE

Online English learning

The command of English is increasingly more necessary for our employees: some of them use tools in English, follow trends in foreign markets, use English-language forms of development or cooperate with foreign organizations. The aim of the pilot project was to convince the employees that learning English online was effective and convenient.

We tested a few modern learning solutions::

- e-learning platform;
- blended learning, i.e. learning on your own on the e-learning platform and weekly group classes with the teacher;

-
- short classes with tutors with the use of online applications for online meetings with videos.

375 participants in the pilot projects spent approx. 21 thousand hours on learning with the use of these three solutions. In the case of the pilot e-learning platform alone, an average improvement of participants’ knowledge was recorded (based on examinations they wrote): 35% after approx. 6 months of learning and 76% after one year of learning. The plan provides for implementing the e-learning platform for English for more than one thousand employees.

BEST PRACTICE

Supporting employees in the new reality – preparation for hybrid work



The organizational change caused by the pandemic and the transition of virtually the entire organization into hybrid work were the inspiration for the establishment of a cycle of compendiums of knowledge, which were created in the „what counts is attitude” spirit and motivated for coping with the current difficulties, for cooperating and sharing best practices.

The second half of the year saw the creation of the “Distributed-Connected” cycle devoted to hybrid work to support the employees in the new reality, which answered the following questions

- how to organize and facilitate an effective meeting?
- how to use the available tools aiding communication in PZU?
- what should be ensured in terms of labor law when working remotely or in the hybrid mode?
- how to ensure integration in a distributed team?

The following were prepared as part of the initiative:

- Compendiums of knowledge:
 - Emotions in the situation of COVID-19 threat,
 - Effectiveness during remote work,
 - Managing a team working remotely,
 - Immunity and physical fitness,
 - Children (and parents) in times of virus,

- Effective rest on weekends and leaves,
- How to ensure effective remote work – your golden rules;
- Guides:
 - Effectiveness during remote work,
 - How to solve problems with the Internet link,
 - Labor law in the context of hybrid work,
 - E-book: practical guide on online meetings;
- Recordings:
 - Hybrid work – recordings from conferences,
 - TMS – audio/video teleconference system at PZU,
 - Podcast – induction of new employees in the hybrid mode,
 - Recording of the Debate of Leaders: „What has 2020 taught PZU leaders?”;
- Webinars:
 - Effective online meetings,
 - Can the unpredictable be measurable? About monitoring of work effectiveness of distributed and hybrid teams in times of frequent changes,
 - Only empathy can save us – relations during hybrid work,
 - My brain doesn’t like hybrid work,
 - Strong mind, healthy body. What does neuroscience say about enhancing immunity?

The employees were much interested in these actions – 1,700 of them participated live in the webinars – so they will be continued in 2021.



[GRI 404-1]

Average number of training hours per employee by gender⁵

	PZU i PZU Życie			
	2019		2020	
	Women	Men	Women	Men
Total number of training hours	195,434	132,425	169,154	94,932
Number of employees	6,326	4,073	6,337	4,017
Average number of training hours	30.9	32.5	26.7	23.6
Average number of training days	3.9	4.1	3.3	3.0

Average number of training hours per employee by structure of employment

Structure of employment	PZU i PZU Życie					
	2019			2020		
	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	1,572	76,823	48.9	1,605	66,664	41.5
Other employees	8,827	251,037	28.4	8,749	197,423	22.6

Average number of training days per employee hired under an employment contract in the PZU Group was 2.86 in 2020 (0.11 days fewer than in 2019). In the Pekao Group it was 3.76 (vs. 3.13 days in 2019) and in the Alior Bank Group 2.80 (up by 0.07 days vs. 2019). In PZU and PZU Życie, the average number of training days decreased slightly in 2020 when compared to the previous year, amounting to 3.19 (3.94 in 2019), which is related to the transition to shorter online forms, often supplemented with own work before and after the training.

⁵ Estimated data on account of the lack of statistics in this area. Data presented as FTEs.



[GRI 404-3]

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

In 2020, similarly as in 2019, 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 developmental needs and the action plans focused on developing specialist knowledge to help employees achieve their business objectives.



Employee matters

Structure of employment	Percentage of all employees subject to assessment in PZU and PZU Życie by gender	
	Women	Men
Representatives of the Management Board	100%	100%
Management staff	100%	100%
Other employees	100%	100%

and check interpersonal and managerial competences – indispensable to engage in effective cooperation.

[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 as regards 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 program is held in the stationary and online forms and the workshops supplement trainer consultations, teleclasses in smaller groups, individual tasks. Additional workshops are organized for the superiors of the newly appointed managers. Their objective is to present the contents communicated as part of the "New Manager" in more detail and to provide managers with the best support in their new role.

In 2020, **Laboratory of Managers**, was launched, which initially aimed to support managers who contended with the new challenge, being team management in the hybrid work mode. However, the program evolved and currently it is a platform for exchanging knowledge and best practices between managers. Topics related to current challenges involved in management are discussed on regular meetings. They are attended by managers of all levels, from all areas of the company and from whole Poland. Webinars are facilitated by external experts and company's managers. The form involving debates between leaders concerning the most topical questions has proven exceptionally well, e.g. is there a women's and

men's management style, is the pandemic a time of risks or opportunities, when is there a good time for innovation. In addition, during the meetings managers exchange opinions and ideas on chat. Also mini-surveys are often used, which make it possible to learn and choose the available possibilities and solutions. Distributed leaders need inspiration and joint discussions. By exchanging experiences and encouraging to reflect, the initiative develops managers' self-consciousness, invites them to seek new action methods, at the same time building a community of committed leaders.

BEST PRACTICE

ON-LINE LEADER



In 2020, Bank Pekao executed the ON-LINE LEADER program, which supported managers in the new distributed organization resulting from the COVID-19 epidemic. The primary aim of the program is to enhance the competencies of managers in the field of effective distributed team management, to learn the tools and techniques supporting managers in the role of leaders managing such teams, and to build and develop a culture of remote work in the organization. The program comprised three training modules delivered online and ensured individual substantive consultations with trainers both during the program and also after its finish. The program covered Team Managers who manage distributed teams and would like to develop their competencies in this regard.

BEST PRACTICE

Laboratory of Managers



This program was prepared as support for managers contending with the new challenge, being team management in the remote and hybrid work modes in connection with COVID-19. This was a new situation for most of them, which required additional actions and special preparation for the functioning in the new reality.

The program comprised meetings facilitated by external and internal experts. Completed topics:

- Distributed team management: about remote facilitation of meetings and individual conversations, remote setting and enforcement of goals, enhancement of morale and motivation of distributed teams;
- Chat with labor law experts – rights and obligations of the employee and the superior during remote work;
- Debate: Control during remote work – the objective of the webinar was to share the experiences of PZU practitioners in the field of methods of employee management in the new reality
- Trust management in times of uncertainty: Recipe for enhancing relations and building strong teams;
- Debate: In search of chances and opportunities faced by PZU in the area of customer service, technology and product development in the new reality. What does this time teaches us privately and what should we learn as an organization;

- New role of leaders: effective navigation around uncertainty: how the role of leaders changes in crisis and about best practices in management and decision-making in a situation of ambiguity, crisis and changes;
- Engaging leadership: a cycle of five webinars supporting the leader in building motivated and engaged teams. The cycle was performed based on the original concept by Kincentrick – five muscles of an engaging leader;
- Debate: When is the right time for innovation, or how to develop and enhance innovations in teams in the volatile world. Sessions with the participation of PZU's internal experts were facilitated by Jowita Michalska, President of Digital University;
- Debate: What has 2020 taught PZU leaders? – as an internal debate, a discussion of PZU directors summarizing the experiences of management in the new reality, the reality of remote work, the achieved successes in 2020 and the preparations for 2021.

As the debate was held online, it was possible for many people to participate in a given event in real time, and the recordings of these meetings allowed people to become familiar with the discussed topic at any moment.

These meetings gathered nearly 3,200 participants live. The webinars were additionally played by 1,334 people.

BEST PRACTICE

LinkedIn – develop, inspire, be active!



A popular website gathering professionals, LinkedIn is not only a recruitment tool but it can also be a source of interesting articles and posts, at the same time being a space for brand building.

In order to activate PZU employees in the social media and to polish their profiles, a special webinar was organized, devoted, among others, to the effective LinkedIn

profile running and the manner of website configuration so that it suggests interesting contents. The training, in which 347 people participated, was delivered by a LinkedIn trainer. People who were particularly interested in the topic of LinkedIn had an opportunity to participate in a cycle of workshops, during which they polished their own profiles to modify them in accordance with the best practices and standards. 33 people took part in these additional workshops.

BEST PRACTICE

#TyTworzyszPrzyszłość conference [#YouCreateTheFuture]



The internal conference titled #TyTworzyszPrzyszłość was organized for the second time in November 2020, but this time it was held online, thanks to which all employees of the PZU Group were invited.

The objective of the conference was to show the employees how big a digital revolution was going on in the world, how it affected the business and the human. What will the future of work and the competencies of future look like? How does technology affect the human and how to interact with technology? This was supposed to show the employees, according to the motto "YouCreateTheFuture", that they have an influence on what the future of their work and the future of PZU would look like.

14 Polish and foreign experts spoke during 8 lectures. The viewers were won not only by the charismatic speakers but also by numerous 3D animations, e.g. a robot just like from the "Terminator" movie or a Lego minifigure. Plenty of materials recommended by the speakers and a list of ideas and innovations shared by the employees on chat were published on the website dedicated to the conference. The recordings were available to the employees for viewing at any time and place for the successive two months.

As many as 94% of the participants gave the conference the highest rating in the "well invested time in my development" category, appreciating also that this was the first online event in PZU on such a large scale. The conference not only provided the employees with knowledge in the field of new technologies and the future of work, but also the comments reveal that it encouraged employees to be open to change, to experiment and to act.

Another edition of the conference is planned in 2021.



BEST PRACTICE

„Click for development”



The "Click for development" conference is a huge dose of knowledge and inspiration in the field of modern development and digital tools. On 15 September 2020, its second edition

took place, where such topics were addressed as how to memorize new information quickly and for long, where to find valuable podcasts and what can be taught thanks to them. Other addressed topics were why it is important not only to learn effectively but also to unlearn, and how to minimize the damage caused by continuous exposure to new technologies.

The participants had the opportunity to listen to:

- Radosław Kotarski, a popular Polish podcast author, youtuber, book author and entrepreneur;
- Karol Stryja, involved in many podcasts available on the market, an enthusiast of voice assistants;
- Rafał Żak, a trainer, speaker and book author, who popularizes knowledge about human and organization development;
- Kamil Śliwowski, a trainer and animator of media and digital education, who promotes healthy habits in the use of new technologies.

W The conference could not be held on the first planned date for technical reasons, so it was postponed. It was decided to invite another speaker – Karol Bielecki, a world championship runner-up in handball – for the second date. Referring to conference and his eye injury, he presented the topic of failure, determination and continuous development. Valuable lessons were learned from this event, though.

Video summarizing the conference:



[Zobacz więcej](#)



BEST PRACTICE

Podcasts



The aim of the podcasts created as part of the "Click for development" project was to familiarize the employees with various tools and formats used in online education both from the

student's and the teacher's point of view. Podcasts are a format that is increasingly more popular in Poland and very easily available, so they were used also for this project.

The podcasts were recorded by the employees themselves. External experts, who specialize in various fields: podcasts, webinars and movies, as well as platforms for English learning or gamification and virtual and augmented reality, were the guests. Seven episodes were created, which were played approx. 1,500 times.

The podcast cycle on online education is being continued and developed on a continuous basis. Additionally, and a new cycle of podcasts concerning digital transformation and deployment of new group work tools is already in preparation.



BEST PRACTICE

„A job with a purpose” campaign



In autumn every year, a campaign promoting the PZU employer brand is carried out. In 2020, which was quite difficult for many organizations, the decision was made to return to the

campaign from 2019, which emphasized the purpose of work and to reach a broader group of recipients with this motto – also potential candidates for employees.

The 2020 campaign used the materials recorded for the purposes of the previous campaign. The title question "Does your job have a purpose?" was answered by PZU employees, thinking about the common denominator of the actions performed by them and by the whole company, as well as emphasizing the possibility of influence on their tasks, which translate directly into business actions and projects that support the surroundings. In the new edition of the campaign, the idea was to return to a few participants in the recordings of 2019 and to ask them what had changed in their professional lives over the past 12 months. The conversations show that employees still feel that what they are doing has a purpose and in their everyday work they want above all to have the concern for safety in mind and to help others. This message became the pivot of the promotional actions, which were executed from 23 November until the end of 2020.

As part of the completed campaign, all media objectives were accomplished above the adopted targets:

- 122% of the target for the number of advertisement views;
- 120% of the target for the number of clicks of banners and promotional materials;
- 105% of the target for directing to the campaign's landing page;
- 180% of the target for the full views of the spot.

A continuation of the actions promoting PZU as the best employer is planned for 2021 under the slogan „PZU. A job with a purpose”.



4.4 Knowledge sharing

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

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 proper risk assessment. This is a key skill in many positions, not only ones that are directly related to the insurance industry. Many pre-eminent experts related to this area work in PZU.



In 2020, PZU LAB in partnership with the Kozminski University launched "Risk and insurance" postgraduate studies. During classes, students are supposed to acquire tools necessary for correct risk identification

and analysis and to apply an effect risk management method. Practical knowledge will be shared with students and participants by professionals that are appreciated in the market, who deal with the topics of insurance and risk management. The studies kicked off in November and are to take two semesters, with the number of participants being nearly 30.

In January 2020, PZU LAB in cooperation with the Pomeranian Special Economic Zone and the Polish Maritime Technology Forum co-organized the 3rd Maritime Industry Safety Forum in the Baltic Port of New Technologies. The Forum was devoted to the topic of critical infrastructure safety, offshore wind farm safety and offshore technological innovations, such as autonomous marine vehicles (underwater robots). The event served also raising awareness of risks and threats in the maritime industry. The speakers and participants of the debates are academics, specialists in the field of safety, and practitioners. The event was attended by more than 200 people.

In December 2020, online training was delivered to employees of Polskie Sieci Elektroenergetyczne on claims under third party liability, motor claims and machinery/property claims in

the power industry. The training was held for three days and was delivered by specialists in their respective fields.

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, they learn the organizational culture and work at PZU and are encouraged to participate in other events designated for students.

Four workshop days were organized between 30 November and 4 December 2020. Each day was devoted to a different topic (corporate sales, innovations, artificial intelligence and Big Data, audit). The online workshops, preceded by a theoretical part, were run by PZU employees, experts in selected fields, who used business examples for this purpose.

Over one thousand applications from across Poland were acquired during the recruitment campaign. Following the recruitment, 88 participants were invited. 35 experts in various business areas were engaged for the workshops.

The substantive level, form, preparation of trainers and topics of the program all received high marks from the participants, as compared by the evaluation surveys, in which 95% of the respondents would recommend the Business Open Door Days to their acquaintances.

Programs for students



The Apprenticeships and internship program is also a method of sharing knowledge. It allows students to gain professional experience and get to know the organizational culture of a large organization.

Cooperation with the academic circles is an important part of social commitment and building the image of PZU as an employer among students. Students organizations, universities whose profile matches the recruitment needs

and fits the performed actions in the employer branding are periodically invited to cooperate.

Through participation in academic events, PZU tries to reach the group of ambitious students, who will soon enter the labor market. Therefore, PZU organizes various projects addressed both to students and graduates, i.e. Apprenticeship and Internship Program, Business Open Door Days, or Ambassador Program. Thanks to such engagement in the academic life, many students choose precisely PZU as a place to begin their professional career.

BEST PRACTICE

Apprenticeship and Internship Program



The main goal of the Apprenticeship and 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 company's culture.

In 2020, the program started in July: the term of the apprenticeships was three months and of the internships – six months. A campaign promoting the program with the motto "Practical knowledge makes sense" was launched in early March. Due to the pandemic, the whole activity related to the promotion was moved to the Internet. In order to ensure the best communication possible, Q&A sessions with recruiters were held on Mondays. Also recordings with team managers, for which interns and apprentices were sought, received very good opinions. Selected PZU employees (who became Project Ambassadors) and Academic Ambassadors were involved in the program promotion. The executed „Practical knowledge makes sense” campaign was awarded in the Employer Branding Excellence Awards 2020 contest.

To support the academic circles in 2020, PZU cooperated with the most active students' organizations. PZU participated also in the 5th edition of Go4Poland Program organized by the WSE Foundation, under which Polish students from renowned foreign universities were invited to become interns at PZU.

All actions and cases of cooperation translate into a large number of high-quality apps received by PZU in connection with projects addressed to students or for junior positions. A measurable effect is also a TOP10 position in the Employer of the Year survey by AIESEC.

Apprenticeships are offered by various business areas of the company in different locations, e.g. in Warsaw, Kraków, Poznań and Wrocław.

Their participants took part in the "Laboratory of Talents" development & integration program, which was executed fully online. What was new in this year's edition was the establishment of cooperation with Go4Poland program, as part of which Polish students from renowned foreign universities were invited to become interns.

On average, 74 people responded to each offer. After over 300 remote meetings with the candidates, 65 participants were recruited: 26 apprentices and 39 interns. After the finish of the internships, nearly 60% students have continued their cooperation with PZU. According to the results of the evaluation survey, 92% of the apprentices would recommend the program to others.

In 2021, 30 apprentices are to be employed for 3-month summer apprenticeships and 30 interns for 6-month internships, and to make the program more attractive by introducing additional training and projects for students.



BEST PRACTICE

PZU Ambassadors Program



PZU Ambassadors are a group of proactive students, who represent the PZU Group in their universities and act as liaisons between the company and the academic community.

They help engage the best students in their universities in the projects, cooperate with local career offices, recommend student projects in which it is worth participating. Owing to their activity in, among others, local governments, organizations and science clubs they are popular at their universities, which contributes to a better reception of PZU's communication and a higher effectiveness of joint actions. This year, the Ambassadors were recruited fully remotely and the cooperation with them started with workshops devoted to social media (Facebook, LinkedIn, Instagram) and techniques that would allow them to create engaging contents.

In the academic year 2020/2021, a total of 18 PZU ambassadors have been active in the largest academic centers in Poland. Due to the COVID-19 pandemic, the integration, meetings and communication of the team are performed remotely.

PZU Ambassadors provide a very strong support for PZU during recruitment for flagship programs dedicated to students, i.e. Business Open Door Days, Apprenticeship

and Internship Program and Ambassador Program. It was thanks to, among others, the strong commitment of the Ambassadors in this year's Business Open Door Days that over one thousand submissions were received. The Ambassadors created a video promoting the program and actively participated in students' conferences (online) and meetings organized by career offices, by talking about the development opportunities at PZU.

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 and science clubs. Moreover, some Ambassadors take part in the recruitment for the Apprenticeship and Internship Program. The familiarity with the company and the organizational culture makes them candidates who quickly get accustomed to their new role and contribute a high value to the teams they join.

The PZU Ambassador Program enjoys a very good opinion in the market, which is why it is to be continued and developed. Given the shift of the majority of activities to the digital world, it is planned that the future Ambassadors are able to make use of social media effectively. The actions performed by the Ambassadors online so far have replaced stationary events and proven that nowadays such actions must be the basis for communication with students.

BEST PRACTICE

IT students 2020



PZU intends to provide students with the best development opportunities possible. Bearing in mind the digitization, the direction of the industry development and the interest of students with technology topics, PZU is going to focus on the Information Technology Division and offer a broad range of apprenticeships and internships to students – from maintenance teams to development teams.

In 2020, as part of the Apprenticeship and Internship Program ten apprentices and interns were employed in the

IT area, three of which have continued their work and further development at PZU after finishing the program. In order to develop the IT area among students, one day during the Business Open Door Days was devoted in whole to workshops concerning this topic. Nearly 20 students learned the characteristics of work in the area of artificial intelligence and Big Data. The participants also had an opportunity to see for themselves how the process of solution creation runs and how it is executed from the tool side.



BEST PRACTICE

Development program for PZU apprentices and interns – Laboratory of Talents



To encourage participants in the Apprenticeship and Internship Program to cooperate with one another and to improve their soft competencies,

a development program was organized for the apprentices and interns. It was held online and was an alternative to the direct meetings and sessions organized in the previous editions. The group of 65 students distributed across Poland had an opportunity to establish contacts with one another and to cooperate in team projects.

In the Laboratory of Talents, every participant had an opportunity to develop their competencies both individually and in a team. Over the successive 10 weeks the participants scored points in gamification and improved their skills in virtual training, group and individual challenges in the form of games and tasks. The program was based on the idea of growth mindset, i.e. mind oriented towards development. The program was an opportunity to test new skills and after each training module the participants verified the acquired knowledge in bigger and smaller challenges. In addition, a dedicated interactive landing page for the Laboratory of Talents was created, where the participants gained access to educational materials. The students additionally took part in the Retro Game, i.e. a virtual puzzle room, in which only perfect cooperation in a team ensured success.

During the program held from 15 July to 9 September 2020, the following online training courses were successfully completed:

- Building a growth mindset;
- Integrating online "Retro" game;
- Personal effectiveness;
- Effective cooperation;
- Customer Experience.



5. PZU Group's social commitment



Sponsorship and prevention - "prevention and sponsorship 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."



"Being a leader means not only acting responsibly but also forging appropriate models. This is a particularly important social commitment for insurance companies. Social investments were executed in the insurance industry long before management experts called them social commitment based on the concept of corporate shared value".

Joanna Gorczyca, Director of the Sustainable Development Department

Prevention activities

The following are the strategic pillars of PZU's social participation: (road, public, local) safety, health, culture and professional knowledge, which are reflected in the activity pursued by PZU Group entities. According to its strategy adopted for 2017–2020, the PZU Group planned to designate more than PLN 50 million per annum for social activities from the budgets of PZU and PZU Życie. In 2020, PZU and PZU Życie spent over PLN 77 million on prevention and sponsorship activities, and their employees offered 6,743 hours of volunteering. The sense of social responsibility of PZU employees and the participation in numerous programs of the Foundation, which thanks to that can provide educational support, reinforces integration and local social capital, make us proud. The PZU Foundation is involved in social activities according to its motto: "Close to people and their needs" and executes aid programs in cooperation with non-governmental organizations.

LEGAL BASIS OF OPERATION OF PZU FOUNDATION

The PZU Foundation operates on the basis 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.



An important part of PZU's activity is engagement of employees, advisers and customers in initiatives for the benefit of local communities. PZU focuses on projects that support positive social changes in the area of safety, health and education. Prevention, sponsorship and social actions are pursued at the corporate level by PZU and its various entities in Poland and abroad. PZU supports the Polish culture by means of numerous patronages and participates actively in major industry activities as an expert.

PZU Group's policies [Accounting Act]

[GRI 103-2]

It is an ambition of PZU to retain our leadership position in prevention activities when it comes to safety and health in Poland. Apart from the sponsorship and charitable activity pursued by the PZU Foundation, the whole Group is engaged also in social investments, which serve risk reduction and at the same time bring commercial and social benefits. The major objective of these initiatives is to prevent accidents, reduce their repercussions and support activities advancing preventive health care.

LEGAL BASIS FOR PREVENTION

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



BEST PRACTICE



Bank Pekao carries out its charitable activity largely through the Doctor Marian Kanton Bank Pekao Foundation, which was established in 1997. The bank also cooperates



directly with several public benefit organizations, to which it gives donations the support their statutory activities.



The issues of corporate social responsibility are regulated by the PZU Group in the "PZU Group's corporate social responsibility strategy for 2018–2020", which specifies the strategic pillars of PZU's social commitment. The "PZU Group's corporate social responsibility strategy for

2018–2020" has been adopted by PZU, PZU Życie, Tower Investments, PZU CO, PZU LAB and PZU Pomoc. From 2021 on, the document will be replaced with a new "ESG Strategy" covering a period corresponding to the timeframe of the PZU Group's business strategy.



There is no single policy on charitable and sponsorship activity in force at the Group level.

PZU and PZU Życie have a Code of Ethics in Advertising in place, which addresses the issues of social responsibility of advertising, among others, no discriminating contents, no contents violating moral and religious norms. In addition, it regulates the general rules of pursuit of sponsorship activities.

The Alior Bank Group conducts social activities based on the "Code of Ethics"

PZU Zdrowie together with subsidiaries conduct social activities based on "Best Practices of the PZU Group".

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

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

All PZU Group companies, except Bank Pekao and Alior Bank have introduced "Best Practices of the PZU Group", which are a collection of values and principles by which all employees should be guided in relationships with customers, counterparties and within the Company.

PZU subsidiaries in Latvia and Ukraine have a "Charity and sponsorship policy", "CSR Strategy 2018–2020" and "Best Practices of the PZU Group" in place.

PZU branch in Estonia has implemented a "Corporate Social Responsibility Code."

PZU subsidiary in Lithuania – UAB PZU Lietuva Gyvybes Draudimas will continue supporting local events and those most in need as part of the "CSR Strategy".

[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 nongovernmental 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 Health

CHALLENGE

COVID-19 PANDEMIC



On 17 November 2019, the epidemic of COVID-19 contagious disease caused by SARS-CoV-2 coronavirus broke out in Wuhan in the Hubei province of central China.

The first case of SARS-CoV-2 coronavirus infection in Poland was recorded on 4 March 2020. One week later, the Director-General of the World Health Organization (WHO), Tedros Adhanom Ghebreyesus, announced that the COVID-19 epidemic caused by the Wuhan virus was declared a pandemic. The state of epidemic was introduced officially in Poland on 20 March. As a consequence, many aspects of the functioning of the country were thoroughly changed. Due to the growing numbers of ill people, the demand for medical services increased considerably but the restrictions concerning movement (lockdown) completely changed the manner of using them.

Activities in the field of corporate social responsibility constitute an important part of PZU operation. The COVID-19 pandemic confirmed that CSR activities are particularly powerful and it is a duty to support those on the front line of the fight against the coronavirus. PZU pursues a health

Activities aimed at counteracting the COVID-19 pandemic

Ensuring business continuity	Products and services	Information activities	Support for the healthcare system
<ul style="list-style-type: none"> Establishment of the Crisis Management Team; Transition to remote and hybrid work; Alignment of branches and insurance agencies with the sanitary regime guidelines; Psychological support for PZU Group employees. 	<ul style="list-style-type: none"> Establishment of Centrum Telemedyczne PZU Zdrowie [PZU Zdrowie Telemedicine Center]; Remote COVID medical care; Remote psychological care; Launch of the Customer Office; COVID-19 insurance. 	<ul style="list-style-type: none"> Recommendations of the Academic Council of TUW PZUW for handling patients suspected of being infected with the SARS-CoV-2 coronavirus; Support for the hotline of the Chief Sanitary Inspectorate (GIS); Launch of a special hotline "Support the senior"; Polish nationwide #stayathome campaign; Support for the TVP campaign "Be together at home"; Safe traveling principles. 	<ul style="list-style-type: none"> Adjustment of the Band of Life to the needs of COVID-19 patients; Donation of PLN 9.5 million for the purchase of equipment for medical services; Provision of 200 vehicles for use by medical services; Purchase of over 550,000 pairs of nitrile gloves; Employee fundraiser and purchase of 1,775 barrier tents Purchase of protective suits, masks, gloves and disinfectants for Police and Border Guard officers; Acquisition of a diagnostic line for the State Hygiene Department.

business, has appropriate infrastructure and is involved in innovative medical solutions. Making use of these capacities, PZU joined the battle against the pandemic from the very beginning and undertook multiple initiatives to mitigate its effects. Thereby, PZU again fulfilled the brand promise: "You can rely on us." The activities of the whole PZU Group in connection with the outbreak of the pandemic were carried out on numerous levels and oriented towards multiple aspects that were revealed by the pandemic.

[GRI 103-2]

Already on 25 February 2020, a Crisis Management Team was appointed in PZU and PZU Życie to ensure business continuity of the companies while observing the safety measures and restrictions resulting from, among others, the Council of Ministers' Regulation imposing specific restrictions, prohibitions and orders in connection with the state of epidemic. Also a crisis situation was declared in both companies on this day. PZU and PZU Życie implemented solutions and processes to minimize the risk of infection and spread of the coronavirus in the organization. Remote work was introduced already in March 2020. The necessary technical and organizational measures were ensured to enable as many employees as possible to work remotely or work in a rotation system. Insurance branches and agencies remained open, adapting to all legal limitations and sanitary restrictions associated with the spread of COVID-19. The sales, contract administration and claims handling processes were adapted in a similar manner to ensure business continuity and, at

the same time, safe customer service. Some of the decisions made by the Crisis Management Team were forwarded as recommendations to PZU Group subsidiaries.

Customization of products and services

The activities of the PZU Group were directed towards adjustment of products and the manner of their functioning to the new reality so that service provision and satisfaction of obligations towards customers in connection with the products sold earlier was not interrupted and that customer service was safe also to the employees.

PZU Zdrowie is one of the leaders of private health care in Poland and provides care to nearly 3 million customers. The company established its own medical chain, which already covers 130 medical centers of PZU Zdrowie, including a medical imaging chain. Additionally, it cooperates with about 2,200 partner centers in more than 600 towns and cities in Poland. Due to the COVID-19 pandemic, PZU Zdrowie centers began providing remote medical consultations through the medical suppliers of PZU Zdrowie. The situation in Poland made also physicians in stationary facilities give remote consultations. Thus, PZU enabled patients to continue treatment at their own physicians, at the same time adjusting to the universally imposed restrictions.

BEST PRACTICE

Remote COVID medical care



PZU Zdrowie launched a Remote COVID Care program for its customers. It is addressed to adults who suspect that they have caught SARS-CoV-2 coronavirus or already have a confirmed positive result of the COVID-19 test and are in home isolation. The aim of the program is to provide PZU Zdrowie's patients with comfort of treatment at home and with sense of safety, and quick help from specialists if necessary.

The program includes:

- telemedical consultations by PZU physicians;
- pulse oximeter for controlling the health condition (blood oxygen level and pulse);
- telemedical consultations with a psychologist;
- medical education and access to proven sources of information about COVID-19.

312 patients were qualified for the program in 2020. PZU issued 289 pulse oximeters and gave 27 psychological consultations and 118 internal medicine consultations.

BEST PRACTICE

Establishment of Centrum Telemedyczne PZU Zdrowie [PZU Zdrowie Telemedicine Center].



Due to the need to ensure the highest quality of services and the shared medical documentation with PZU Zdrowie centers, in April 2020 own telemedicine center was

established: Centrum Telemedyczne PZU Zdrowie. At present, telemedicine consultations take place by telephone. Patients can appoint one via mojePZU website or PZU Zdrowie hotline.

In 2020, Centrum Telemedyczne completed 40.5 thousand telemedicine consultations for PZU Zdrowie's patients.

Plans for 2021 provide for increasing the scale of the provided services, employing physicians in further specialties, giving the patients the opportunity to contact the physician via chat and video chat.

BEST PRACTICE

Psychological support for PZU Group employees



The PZU Group in cooperation with PZU Zdrowie launched a free-of-charge hotline with psychological help for PZU Group's employees. The service involves conversations with a psychologist and

enables obtaining:

- emotional and mental support in a difficult life and professional situation;
- psychological advice or consultation;
- information in the field of psychoeducation.

Psychologists of PZU Zdrowie are experts with many years' experience in remote psychological help, who cooperate, among others, with the Polish Helpline, Polish "Blue Line", Center for Support to People in Mental Crisis, Suddenly Alone Foundation and Helpline for Children and Youth.



BEST PRACTICE

Remote psychological care



The launch of remote psychological care by PZU Zdrowie coincided with the beginning of the pandemic. Remote psychological consultations are available to persons covered by Medical Care as part of insurance policies and subscriptions as well as to companies interested in additional psychological support for their employees. They can be used also by people who do not have any health products at PZU. It is possible to purchase and appoint a consultation via mojePZU website and PZU Zdrowie hotline. The remote psychological help services address the needs of patients for whom access to stationary care would be difficult e.g. due to the place of residence or limited mobility. During the pandemic, PZU Zdrowie provided free-of-charge psychological consultations to healthcare practitioners and people who were ill or experienced other negative effects of the epidemic situation.

During the three quarters of service availability in 2020, over 650 remote psychological consultations were given via chat and video chat, which took 50 minutes each. This solution allowed the company to render full long-term psychotherapy.



BEST PRACTICE

Academic Council of TUV PZUW



In March 2020, the Academic Council of TUV PZUW* immediately responded to the state of epidemic and issued recommendations for conduct with patients with suspected infection with SARS-CoV-2 coronavirus for entities pursuing medical activity. The guidelines were edited by the Academic Council based on consultations with representatives of 30 hospitals and 5 associations specializing in the area of hospital infection control. The document was sent to all medical facilities which provide stationary and 24/7 health services, and additionally the communication with appendices was published on TUV PZUW website. Thanks to the actions performed by the Council, TUV PZUW provided the necessary support to the insured and contributed to raising insurance awareness.

* Academic Council is an initiating, consultative and advisory body of TUV PZUW in the field of statutory activities and as regards development of the medical and research & technical area. It is composed of experts in the field of medical, legal, technical sciences, finance, economics and management.



Information activities

Apart from real actions translating directly into provision of safety to employees, of access to health care to patients, and of business continuity, the PZU Group took various information measures. Their aim was to deliver reliable knowledge to customers and to ensure the sense of stability in the uncertain situation of the pandemic.

PZU Zdrowie is an operator in the Health Ministry's Home Medical Care program. Within this program PZU provides remote monitoring of the health condition of Poles who are isolated due to COVID-19, among others by checking their blood oxygen level, pulse, temperature and symptoms of the illness, and gives internal medicine and psychological advice.

The PZU Zdrowie support hotlines gave 20 thousand pieces of free advice associated with the coronavirus (which included medical and psychological consultations). From the beginning of the pandemic, PZU Zdrowie provided:

- A psychological support hotline – offering free-of-charge psychological counseling for physicians, nurses, paramedics

and lab technicians involved in the fight against the coronavirus;

- The Patient Hotline of the National Health Fund for all citizens, supported by PZU Zdrowie consultants, physicians and psychologists, who provided free-of-charge counseling on the coronavirus;
- Free telemedicine advice with PZU Zdrowie physicians, giving an opportunity to get specialist information about the coronavirus and to receive an electronic prescription, referral or medical certificate.

BEST PRACTICE

Remote aid for seniors



During the intensification of the second wave of the pandemic, PZU supported the operators of hotlines for people under threat of SARS-CoV-2 coronavirus to improve their availability for patients.



The first communication channel was the generally available hotline of the Chief Sanitary Inspectorate (GIS). PZU consultants handled the incoming calls from people with infection or suspected infection, provided them with necessary information or directed the calls to competent units.

The second channel was the special hotline "Support the senior." This is a joint project of PZU and the Ministry of Family and Social Policy, addressed above all to 70+ seniors. In special situations, the support is available also to younger persons. By calling the number (22) 505 11 11, seniors can receive help in most necessary matters, such as purchase of food or medicines. In addition, seniors with mobility problems can count on help with organization of transport for COVID-19 vaccination.

The monitoring of calls revealed a very high effectiveness of support of GIS hotline in the initial period of its operation, i.e. in the second half of October 2020. "Support the senior" hotline handled a constant high number of calls. Over the last two months of 2020, PZU consultants answered as many as 50 thousand calls.

PZU also joined information campaigns concerning the pandemic situation in Poland and encouraging Poles to stay at home.

BEST PRACTICE

Polish nationwide #stayathome campaign



As a result of the restrictions introduced due to the COVID-19 pandemic, most activities were restricted or prohibited. Poles had to stay at home. In this situation, PZU joined the Polish nationwide #stayathome campaign. Thereby PZU broke the stereotype of the company's perception as an insurer only, because it provided support in the areas that are not perceived as financial and insurance competencies.



As part of the #stayathome campaign and in response to the necessity to cope with the difficult pandemic situation, PZU created valuable educational materials concerning the support for psychophysical fitness and resilience through sports, training of mindfulness, or culture. Contents published on PZU Group's YouTube channel were viewed by nearly 5 million unique users.

BEST PRACTICE

Informational campaign concerning safe traveling

During the Emergency Situation in Estonia, the PZU branch shared communications, rules and recommendations of the State of Estonia concerning safe traveling.



BEST PRACTICE

PZU in cooperation with TVP supported seniors in staying healthy

PZU also became a partner of TVP1 program "Be together at home," which provided advice to the elderly as to how to take care of their safety and stay fit physically and mentally during the pandemic.

"The idea of the program perfectly fits the actions which we have been taking already since March 2020 in connection with the coronavirus threat. We want the people who take care of our health and safety to be safe. We ourselves also try to provide safety to our customers. We extended the number of services which can be used remotely, and encourage customers to avoid leaving their homes. This way they will mitigate the coronavirus infection risk."



Aleksandra Agatowska, CEO of PZU Życie

PZU encouraged seniors to use its services remotely via various media. This purpose was served by the informational campaign in Polish nationwide television stations, on VOD websites and in the social media, and it was reinforced by cooperation with the program "Be together at home" and faces of popular actors – Teresa Lipowska and Tadeusz Chudecki – as well as protagonists of other popular programs: "Love Spa" and "The Voice Senior".

Health care system support



Due to the pandemic, the PZU Group's social activity in 2020, apart from remote medical care and informational campaigns, focused on supporting the health care system and the patients in combating the COVID-19 pandemic.

PZU provided financial and in-kind support to hospitals and rescue services operating in whole Poland. The total amount of aid given by PZU exceeds PLN 19 million. This support came from the prevention fund of PZU, PZU Życie and TUW PZUW.

BEST PRACTICE

Medical equipment for hospitals and rescue services

- PLN 9.5 million for purchase of equipment for hospitals fighting the coronavirus. The funded equipment was given first of all to hospitals that cared for the ill with COVID-19. They received, among others, ventilators, bronchoscopes to test the trachea and bronchi, patient monitors, pulse oximeters, PCR test apparatuses, disinfection lamps, fumigation equipment, wireless stethoscopes, barrier tents and bands of life;
- 200 cars from PZU for the medical services to transport test samples for people quarantining at home;
- Over 550 thousand pairs of nitrile gloves for hospitals, clinics and Social Assistance Homes. Thereby, PZU helped 170 medical centers in whole Poland, including 24 emergency medical service stations;
- Police and Border Guard officers received protective suits, masks, gloves and disinfectants;
- Support was given also to the National Institute of Public Health – State Hygiene Department to outfit it with a diagnostic line to do lab tests on the presence of coronavirus. The demand of the National Institute of Public Health – State Hygiene Department (NIZP-PZH) for tests exceeded the standard analytical capacities of the scientific laboratory. Over two weeks, the number of patients with confirmed infection, from whom samples were forwarded to the central laboratory, grew by several dozen every day. The low-temperature freezers handling the whole diagnostic activity of NIZP-PZH quickly filled with the samples collected from patients with COVID-19. PZU co-financed the purchase of specialist equipment for the PZH laboratory. The new devices allowed an increase in the number of tests and a reduction of the time of waiting for the result.



BEST PRACTICE

200 cars for medical services



In April 2020, PZU made two hundred cars available to the medical services for the purpose of providing quick and efficient transport of samples for testing from people quarantining at home in connection with the COVID-19 pandemic. As part of the support the company ensured the placement of the vehicle, its pick-up, covered the costs of cleaning and disinfecting and any possible damage.

PZU decided to continue these actions also in 2021.

PZU's initiative means not only help for the ill with COVID-19 but also support for small and medium enterprises, from which the insurer rents cars and the turnover of which dropped by several dozen percent during the pandemic.

BEST PRACTICE

COVID-19 insurance



PZU Lithuania Life prepared free-of-charge life insurance with financial support in case of coronavirus infection for Lithuanian healthcare practitioners and teachers.



Lietuvos Draudimas prepared temporary insurance for entrepreneurs, which ensured insurance cover for their employees should they catch COVID-19. The benefit is awarded for days spent by the employee in hospital due to the coronavirus infection.

AAS BALTA insured free of charge over three thousand employees of the Latvian State Emergency Medical Service against COVID-19. The company this way appreciated those who fought the pandemic on the front line. The employees of the State Emergency Medical Service were some of the first ones to receive such cover.



BEST PRACTICE

COVID-19 Band of Life



PZU quickly adapted the Bands of Life (pioneering project from the end of 2019) to the needs that appeared in the health care system in times of the COVID-19 pandemic. Hospitals caring for people suffering from the coronavirus received almost one thousand COVID-19 bands of life from PZU. Innovative on the global scale, this device analyzes the key vital signs of patients and alarms the medical personnel when there is life hazard. It measures pulse and temperature as well as saturation, i.e. blood oxygen level. When the signs drop to critical values, the band activates a sound signal and alarms the medical personnel on the special display monitor. Such a solution enables physicians to oversee patients' health remotely without close physical contact, reduces the risk of carrying the infection over to the medical personnel and hence considerably improves the working comfort of the medical personnel during the pandemic.

"Medically certified bands already proved themselves in a pilot project executed by PZU in cooperation with the Health Ministry from autumn 2019 on in the Mazowieckie Voivodship Hospital in Siedlce. We accelerated our activities in connection with the pandemic to introduce them on a greater scale. We organized their production in no time, thanks to which we delivered nearly one thousand bands to hospitals. Devices worth PLN 1 million were received by 27 hospitals across Poland, including dedicated COVID-19 hospitals."



Dorota Macieja, Member of the PZU Życie Management Board

AWARD

The Band of Life received the special award of Innovation Eagles of "Rzeczpospolita" daily. The Jury's attention was drawn by the quick adaptation of the already operational project to the new conditions. Owing to the work by an interdisciplinary team of PZU and the startup cooperating with them, it was possible to calibrate the band to satisfy the needs of hospital wards specialized in fighting the coronavirus.



BEST PRACTICE

Barrier tents for hospitals



During the COVID-19 pandemic, selfless help was offered also by PZU Group's employees. Fundraising was organized for the purchase of barrier tents for the ill. The action was joined by employees of all PZU Group companies, including PZU, PZU Życie, Bank Pekao, Alior Bank and LINK4. The companies added one Polish zloty to each Polish zloty raised by the employees.

The barrier tent is an invention of a physician from the Medical University of Warsaw. It allows total separation of the ill person and thereby protects other patients and the hospital personnel from infection. This way the spread of the pandemic is prevented. The tent's coating protects other people from infection, at the same time allowing physicians to perform all necessary medical treatments.

Thanks to the commitment of the PZU Group's employees and to the doubling the collected amount by the companies, 1,775 barrier tents were purchased for the total amount of nearly PLN 400,000.

This aid was a spontaneous touch of heart of the PZU Group's employees, a proof of empathy and solidarity with the ill, the physicians and the medical personnel. The engagement in selfless help showed that the Group's employees can act effectively together not only in business but also in such a difficult moment for us all as the epidemic threat.

BEST PRACTICE

In-kind support for medical centers



PZU Lithuania Life provided financial support to medical centers by enabling them to purchase protective equipment and other necessary products.

PZU Estonia gave such money to those most in need that was supposed to be spent on the purchase of holiday gifts for business partners. It also provided support for the purchase of protective equipment for hospitals, emergency medical services and the alarm center in Estonia.

Prevention

The promotion of healthy and active lifestyles is a special area of PZU's social commitment. PZU has long encouraged Poles to do sports, change their eating habits for healthy ones, undergo preventive medical testing, and take care of their mental wellbeing. 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. By its actions, PZU wants to persuade its customers to reflect on and assume responsibility for their lives.

Despite the restrictions related to the pandemic, PZU supported the organization of running events and various health-promoting actions in 2020 as well.

BEST PRACTICE

PZU Zdrowie's involvement in health protection activities



- Establishment of the position of Health Ombudsman in the PZU Group for the purpose of dialog with patients, to whom highest concern and service quality is provided;
- Series of free health education webinars organized in cooperation with the Her Impact platform;
- Partner of the first "Top Disruptors in Healthcare" report in Poland on innovations in medicine prepared by the Polish Federation of Hospitals and Young Managers of Medicine;
- Patronage of a charity concert for the Children's Transplant Center at the Children's Memorial Health Institute;
- Patronage of the "I, the Patient" debate held by the Medical National Interest Group at the Polish Academy of Sciences on the occasion of the World Day of the Sick;
- Participation in the „Action Defibrillation” educational project in the Świętokrzyskie Voivodship, which promoted the use of devices which can restore normal heart action in the event of sudden cardiac arrests.

BEST PRACTICE

Support for running events



PZU's involvement in the organization of mass running events serves the promotion of healthy and active lifestyles by encouraging the whole society, from children to seniors, to participate in running events as a form of recreation, to practice every day and to take care of their physical fitness.

PZU supports the biggest and most prestigious running events in Poland. In 2020, these included in particular PZU Orlen Warsaw Marathon, PZU Cracovia Marathon, Wolf Trail – Runs in Memory of Cursed Soldiers.

Due to the COVID-19 pandemic, in 2020 PZU was involved in a new form of running events – virtual competition. For more than 100 thousand participants in running events supported by PZU this was a chance to take part in amateur sports competitions in several locations in whole Poland.

Volunteers could run alone or with the close ones, and most importantly – safely, near the place where they lived.

The impact of the sports actions organized by PZU on Poles' activity is illustrated by the IQS report for PZU:

"Communication of social, preventive and sponsorship commitment of the PZU Group: potential and risks."

Percentage of people who have encountered PZU's social, preventive and sponsorship activities:

- 74% of them pursue a healthy lifestyle;
- 70% take care of their physical fitness;
- 50% participate in sports events.

In addition, the report by Pentagon Research for PZU: "The survey of recognizability and image of PZU Warsaw Marathon and PZU Cracovia Marathon" reveals that 89% of the respondents think that support for running events fits the PZU brand.

Sports sections at PZU:

<p>229 running events</p> <p>193 stationary runs</p> <p>36 virtual runs</p>	<p>118 participated employees</p> <p>966 starts</p> <p>12,107 kilometers in 1,297 hours</p>	running strength basketball squash skiing dancing nordic walking table tennis soccer triathlon bicycle sailing volleyball badminton
<p>368 members in Skiing Section</p> <p>100 of them went on</p> <p>3 training camps in Poland</p>	<p>1,416 hours of training with skiing instructors</p>	
<p>377 members in Sailing Section</p> <p>155 of them participated in Section's events</p> <p>8 members obtained the sailing license</p>	<p>83 people trained windsurfing on the Bay of Puck</p> <p>9 races in 2020 with the participation of Paweł Łazarz – one of the Section's member</p>	



PZU has consistently supported sports activities also among its employees for many years. Each of them can practice his or her favorite sports in the specialist sections of the PZU Sport Team. In Warsaw and Szczecin they can also use a company gym. The running section of the PZU Sport Team is the most numerous one, with over 300 members. The company supports its members, who are at the same time PZU's ambassadors in many running events over the whole year in whole Poland.

BEST PRACTICE

Support for social projects for healthy lifestyles



In 2020, PZU Ukraine provided financial support to "Pogoń Lwów", a sports club in Lviv.



5.2 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 PZU, success is measured by achievement of not only business but also social goals.

As the largest insurer in Poland and at the same time a socially responsible company, PZU pursues large-scale prevention actions aimed at reducing the number of accidents in Poland. Cooperation with rescue organizations, both professional and volunteer-based ones, support for local actions serving the improvement of safety and the forging of responsible and safe conduct, are regarded by PZU as the bases for social commitment.

Social actions, education and training of drivers are consistent measures that bring measurable effects. The partners of PZU's prevention actions include the Police, the Legionowo Voluntary Water Rescue Service, the State and Voluntary Fire Rescue Service, the Border Guard. Thanks to the cooperation with the "Teddy Bears Rescue Children's Lives" Association and the Siemacha Association, children injured in road accidents receive psychological help, which allows them to regain mental equilibrium, and can count on assistance from physiotherapists.

BEST PRACTICE

"Seconds that altered life" documentary



2020 saw the premiere of the fourth season of the documentary, the production of which involved PZU. The cycle broadcast by TVP was devoted to the topic of safety in road traffic, pointed to the causes of motor accidents, and

taught safe behaviors on the road, at home, by the water, in the mountains, and while traveling. For three months, the viewers of TVP1 followed the dramatic stories of 12 protagonists. Each of them had to face the difficult everyday life after the accident, which was brought about seemingly harmless events.

The aim of PZU's involvement in this production was to draw viewers' attention to the dramatic consequences of a few moments of distraction, bravado, or seemingly trivial yet dangerous situations. The series enjoyed a high viewership. Each episode was watched on TVP by almost 1 million viewers on average. It turned out, thus, that it is true stories of people struggling to recover after an accident that have the strongest appeal to viewers' imagination.

The idea for the program came up in 2017 and the first season was broadcast already that year. This was a response of the insurer to the increase in the number of road accidents. In total, 48 episodes have been broadcast so far.

VOD

Performance highlights of the advertising campaign:



1 million UUs (2019) vs. 1.3 million UUs (2020) of the advertising campaign's reach
3,039,419 views of the wallpaper
650,000 views of the program driver on the home page

Facebook/Instagram



150,000 average reach of each post
955,315 total reach

In 2020, ONLINE viewership increased by 23% compared to 2019

BEST PRACTICE

Nationwide social campaign entitled "Are you driving? Then put the phone down!"



There is a road accident in Poland every fifteen minutes on average. According to the estimates by the Motor Transport Institute, even one in four results from using a cell phone while driving. Almost 60 percent of Polish drivers admit to talking on hand-held phones while driving. At the same time, every third driver believes that they have divided attention and holding a phone to their ear does not affect safe driving. This is contradicted by the expert opinions and scientific tests commissioned by PZU. They show that one second of inattention, when you dial a phone number or text a message, with the speed of 50 km per hour means a travelled distance of as many as 13 meters. Road traffic safety specialists and psychologists warn: it is a deadly threat!

Experts claim also that you need as long as 13 seconds to focus again on driving after your phone has rung or an app notification has popped up. This, in combination with the so-called driving by memory, automatic maneuvering and conviction of being a reliable driver, is a mixture that could prove tragic.

To prevent that, PZU organized a nationwide social campaign entitled "Are you driving? Then put the phone down!" for the second time.

It was a continuation of the insurer's campaign carried out in the autumn of 2019.

This is when it was launched by PZU. The surveys commissioned by PZU revealed then that one in five drivers regularly reads text messages or emails while driving. PZU's campaign contributed to a drop in the number of drivers reading text messages by as many as 6 percentage point, as follows from a CAWI survey conducted on Norstat panel users.

On the summer vacation, four spots intended to draw attention to this common problem were broadcast online for around a month. The authors of three of them were young people who, inspired by PZU's autumn campaign, engaged in the action. The spots were created during the Film Spring Open in October 2019 under the supervision of the best film-makers in Poland and abroad.

This year's prevention campaign has been addressed primarily to young Poles, since it is mainly them that never put their smartphones down: whether they are driving a car, riding a bicycle or crossing the street. Despite having little experience, they believe in their driving skills and divisibility of attention, which in fact does not exist. And this is why PZU has asked young creators, peers to the campaign recipients, participants of the Film Spring Open 2019 workshops, to make the spots. The four spots, all on the same topic yet using different forms of communication, have been watched by nearly 10 million people!



Dorota Macieja, Member of the PZU Życie Management Board



BEST PRACTICE

AAS BALTA introduces a "zombie-mobile" and collects signatures against using cell phones while driving



AAS BALTA has supported the Latvian Road Traffic Safety Directorate, which organized, in early 2019, a widely publicized campaign to raise drivers and pedestrians' awareness about the negative effects of using cell phones while driving and thus increase road traffic safety. In 2020, AAS BALTA supported the campaign again by developing a special "zombie-mobile" car, where a driver using a phone was shown as a zombie. The car was driving around the streets of Riga for a week to encourage people to sign a petition posted on AAS BALTA's website. The point was to express the willingness to refrain from using a phone while driving and inspire one's family and friends to do the same. The petition was signed by over a thousand people. The campaign was described in more than 60 publications in the Latvian media.

AAS BALTA continues to engage in collaboration with the Road Traffic Safety Directorate for raising the Latvian society's awareness about the hazards of using cell phones while driving.

AWARD

AAS BALTA's "The safest car fleet" award

AAS BALTA's annual "The safest car fleet" award is the only award in Latvia for car fleet owners and administrators. Its aim is to improve the overall quality of cars and, consequently, safety on Latvian roads. In 2020, in collaboration with the Latvian Ministry of Transport, AAS BALTA organized the contest for the eighth time. There were 57 fleets which competed in 4 categories, representing a few dozen thousand vehicles. The award was granted to 33 fleets.



BEST PRACTICE

Rehabilitation stays for children with post-accident trauma



Already since 2013 PZU has been running a comprehensive psychological support system for parties injured in accidents whose perpetrators were holders of TPL policies with PZU. To mitigate the consequences of accidents PZU 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 in this form to roughly 120 persons.

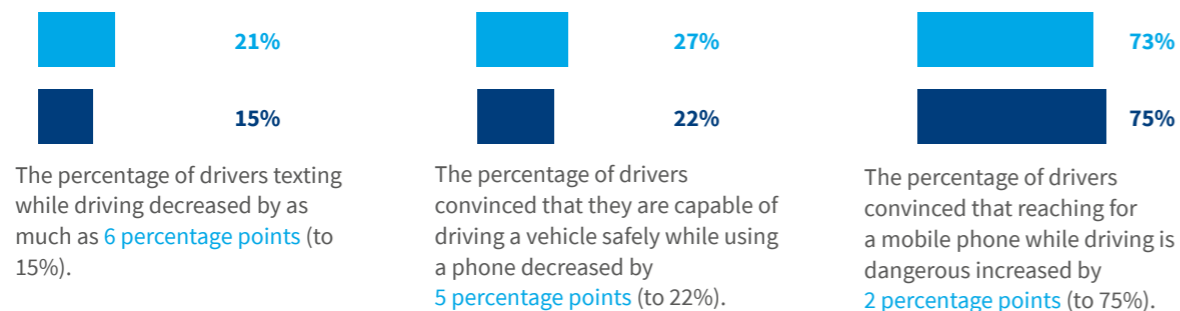
Due to the pandemic, PZU was able to organize only two winter stays in 2020. As a result of the restrictions imposed in connection with the pandemic, subsequent stationary stays have been withheld. PZU is planning to organize them in 2021 if only the epidemic situation allows it. Additionally, due to the increasing number of people who have suffered as a result of an oncological disease in the family, PZU has expanded its offer by specially profiled rehabilitation stays for such people.

As part of the program development, it is intended to:

- establish cooperation with a new center specializing in residential therapy for children from families affected by oncological diseases;
- expand the network of entities offering an ad hoc psychotherapeutic and psycho-oncological support, including remote therapy;
- enhance cooperation with a medical center specializing in an innovative therapy of spinal cord injuries.

For many years PZU has been collaborating with selected rescue services. Promotion of safety in the mountains is possible due to the collaboration with the Voluntary Mountain Rescue Service. PZU has got financially involved in avalanche training organized by the Polish Freeskiing 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

Our efforts are making a change!



Key: ■ before the campaign ■ after the campaign

PZU Group's social commitment

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. All this takes place in the PZU Avalanche Training Center in Kalatówki.

BEST PRACTICE

PZU supports the Voluntary Mountain Rescue Service (GOPR)



PZU has been supporting GOPR for 15 years by, among others, providing equipment for administering rescue operations, financing rescuer training, carrying out joint educational activities (e.g. Safe Winter with GOPR). In collaboration with GOPR, PZU has launched an e-learning platform dedicated to safety in the mountains.

In 2020, in the time of the COVID-19 pandemic, rescuers faced new challenges:

- increased tourist flow in the mountains;
- support for medical services in reaching patients living in areas that are not easily accessible;
- protection of rescuers against the risk of COVID-19 infection.

PZU has used its prevention fund to co-finance the purchase of four mountain ambulances and two quads with alternative drives. The equipment will enable rescuers to help the injured faster and more effectively. Additionally, at the peak of the pandemic, when the availability of protective suits and masks was poorest, PZU financed the purchase of sets of personal protective equipment (protective suits, masks and gloves). In 2020, additional avalanche rescue sets were provided to the Snow and Avalanche Service and down clothing for working in extreme winter conditions was purchased for the GOPR Snow and Avalanche Service. PZU also supported the modernization of the central station of the GOPR Jurajska Group in Podlesice.

- 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 receives **approx. 400** requests for rescue annually through the Ratunek [Rescue] app.

BEST PRACTICE

PZU supports the Legionowo Voluntary Water Rescue Service (LWOPR)



PZU has been supporting water rescuers operating in Legionowo for 9 years. With the help of PZU and in collaboration with LWOPR, many projects for increased safety of people spending their leisure time at the Zegrze Lake have been implemented. Investments in specialized equipment, infrastructure and its upgrade as well as educational projects are a real aid to those relaxing at the lake.

In 2020, the PZU prevention fund co-financed Legionowo WOPR's purchases of:

- outboard motors, which make it easier for boats to reach the injured quickly and enable performance of rescue operations in several locations at the same time;
- - an off-road vehicle dedicated for boat launching and towing and a bus with specialist equipment for transporting a rescue team.

The financial support from PZU was used also for buying a boat with water rescue equipment and a sonar for underwater searches. A professional communications system was also financed. Investments in specialized equipment is not all. PZU enabled the construction of platforms and a parking lot at the Zegrze Lake. The new infrastructure allowed the proper mooring of boats as well as the efficient and safe administration of rescue operations. Moreover, educational campaigns were carried out and advertising spots teaching safe behavior by the water were broadcast.

The specialized equipment purchased using the PZU prevention fund is employed in drills and rescue operations conducted in collaboration with other services: military, police, fire departments. PZU has contributed to the LWOPR service reaching far beyond the Zegrze Lake area.

In 2020, LWOPR took part in 200 rescue operations and 250 people were rescued thanks to, among others, the investments made using the PZU prevention fund.

PZU will continue its collaboration with LWOPR in 2021. It is planning to co-finance the upgrade of a sea container to

serve as a rescue hut, which will be situated on the beach in Wieliszewo, and the expansion of the video surveillance network in the Zegrze Lake area, with a particular focus on the spots customarily used for bathing which have not been covered by video surveillance and supervision yet.

BEST PRACTICE

Swimming classes for Latvian students



A survey conducted by AAS BALTA revealed that 73% of the respondents either could not swim or believed that their swimming skills were poor. As early as in mid-2020, the number of drownings in Latvia nearly exceeded that of the entire 2019. Therefore, AAS BALTA committed itself to taking measures for improving people's swimming skills.

One of the initiatives was giving support to Swim Safe, a non-governmental organization. The funds were raised during "Krastu mači", a basketball tournament held at a festival in Riga and lasting for 24 hours with no breaks. AAS BALTA undertook to donate EUR 2 to Swim Safe for each point scored by the basketball players. The donation amounted to EUR 4,268 in total and was allocated to the organization of swimming classes at schools.

Free ADD insurance for Latvian students for the vacation period

In the first half of May 2020, just before the summer vacation, AAS BALTA invited all school children as well as their parents and teachers to take a test on their knowledge about how to stay safe during the vacation. The test was developed together with the Police, Road Traffic Safety Directorate and "Centrs Dardedze", a family center. Everyone who took the test not only expanded their knowledge about safety but also became eligible for a free BALTA ADD insurance cover for the duration of the summer vacation. More than 10 thousand school children and their parents took part in the action.

BEST PRACTICE

The "Helping is Power" campaign with the title of The Best CSR Project



Having won as many as six statuettes in the contest organized by MojeBankowanie.pl, an industry portal, including in The Best CSR Project category, PZU reached the top position in the prestigious "Institution of the Year" ranking list in 2020. A distinction was awarded to PZU's 2019 campaign entitled "Helping is Power". It enabled inhabitants of local communities to establish cooperation with non-governmental organizations. Foundations, associations, student sports clubs filed applications to take local actions for improvement of their communities' health and have a real impact on improvement of safety. A joint effort allowed the implementation of numerous important and desired initiatives, e.g. delivering first aid training, assembling radar speed signs in critical locations and teaching safety rules to children.

In 2019, PZU allocated PLN 8.7 million in total to subsidies for local communities. One of the most spectacular actions was providing financing to Voluntary Fire Service units for specialized rescue equipment used for saving life and property and minimizing the effects of weather anomalies. There were 125 non-governmental organizations that enrolled as partners of the action willing to act in the local environment hand in hand with the inhabitants.

In 2020, due to the COVID-19 pandemic, the action did not take place.



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 Group 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. In 2020, as part of the received support, the Museum developed its exhibition activity, educational and cultural programs as well as the online offer. The prevention funds were allocated to a project being a continuation of a multi-annual objective of upgrading and developing the security systems of the Main Building of the Museum.
- PZU supports the National Museum in Kraków and all of its facilities. As a long-term patron of the National Museum in Kraków, PZU helps achieve objectives related to exhibition, educational and publishing projects. The prevention funds enabled the Museum to implement modern tools supporting the control of electronic security systems of the Branches of the National Museum in Kraków.
- PZU is also the patron of the Royal Łazienki Museum. Thanks to PZU, the Museum continues to raise the level of technical security of its collection and the visiting guests. As part of the prevention cooperation, accessories enabling the replacement of analog cameras for digital and CCTV ones, which count the number of visitors in the Royal Łazienki Museum, were bought in 2020.
- PZU is a patron of the Warsaw Uprising Museum. A broad online offer of the Museum, including virtual tours, open air classes, lectures, meetings for children and youth and historical walks around Warsaw, was prepared with the help of PZU in 2020. The Museum's online offer was viewed by 3.5 million people in total. Under the Museum's security improvement program, a purchase of a matrix for securing the most precious museum collections, including the network and fire protection devices required for its activation, was co-financed using the prevention fund.

- Since 2015, PZU has been the patron of the Grand Theatre – National Opera, also as part of its prevention activities. Thanks to PZU, the Theater building has been equipped with the cutting-edge anti-theft system. In 2020, the Grand Theatre – National Opera extended its offer by performances and concerts streamed through an online platform. Last year, the platform recorded almost seven million views and nearly one million unique users. PZU also holds the patronage of the TWON Opera Academy. It is a program supporting the career development of young talented opera artists.
- In 2020, PZU became a patron of the Polish Royal Opera. Under the patronage of PZU, three premieres and two music festivals were organized and an extensive online offer, which included both live broadcasts from the Opera and rebroadcasts of opera concerts, was prepared.

5.4. Improvement of living conditions in local communities

[GRI 103-2], [GRI 103-3] "Close to people and their needs"

The PZU Foundation has carried out the PZU Group's philanthropic activities forming part of its social involvement strategy since 2004. 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 Foundation collaborates with non-governmental organizations, both home and abroad, institutions, sports clubs, schools and higher education institutions and assists the execution of projects in terms of substance, organization and finance.

BEST PRACTICE

Aid to natural persons

The PZU Foundation awards subsidies to natural persons in a difficult life situation. It supports them mainly by financing treatment (including surgeries performed abroad), rehabilitation, purchase of medication and rehabilitation equipment. In 2020, subsidies were awarded to 455 individuals.

Volunteerism

The Employee Volunteerism Program has been in operation in PZU since 2012. Every year the PZU Foundation organizes two, spring and autumn, editions of the contest entitled "Volunteerism means the joy of action", and awards grants of up to PLN 5 thousand. Every employee who would like to get involved in helping others and exert an impact on his or her surroundings can submit a contest application.

In 2020, as a result of the pandemic, only one (autumn) edition of the contest was held.

As part of the volunteering activities, PZU employees implemented 65 original projects and devoted 6,743 hours to their volunteering work in 2020. They helped 11,427 beneficiaries (including: 6,224 children and youth; 4,780 adults; 355 ill, disabled, elderly people; 68 homeless people). Their aid reached also 837 animals in need.

BEST PRACTICE

PZU Foundation's grant contests

Grant contests are programs addressed to non-governmental 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 16 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 2020, grants were awarded to carry out 70 projects that benefited 6,029 people. There are plans to organize subsequent editions of the following contests: "After School with the PZU Foundation", "Young Able Disabled with the PZU Foundation", "PZU Foundation with Culture".



The PZU Group's Employee Volunteerism Rules and Regulations are in force in PZU and PZU Życie.



Selected examples of employees' volunteerism activities in 2020:

BEST PRACTICE

Campaign for animal shelters

The PZU Foundation engaged in helping animal shelters which faced financial difficulties caused by the COVID-19 pandemic and needed not only money, but also volunteer support.

The PZU Foundation helped 20 establishments taking care of homeless animals by financing the purchase of 321 dry food bags and 3,125 wet food cans. The establishments received also hay, litter and litter boxes for cats, surgical instruments, feeding racks for horses, cleaning products and safety gloves, collars and leashes. In some shelters, veterinary services, medicines for animals and formulations against fleas and ticks were financed.

The campaign was joined also by Bank Pekao and Alior Bank. The joint effort resulted in donating nearly PLN 500 thousand for animals from 60 shelters across Poland. The PZU Group has provided financial aid to animal shelters for years and our employees take care of the animals living there as part of employee volunteerism.



BEST PRACTICE

Support for the "People help people" charity campaign

The PZU branch in Ukraine supports social projects for the development of aid to the disabled and their adaptation in the society. In 2020, the Ukrainian branch provided financial assistance to the "People help people" charity campaign the purpose of which was to raise funds for people with various needs.

BEST PRACTICE

Collaboration with organizations providing psychological support, including during the pandemic

The aim of the PZU Foundation is to subsidize social aid undertakings, which consist, among others, in providing psychological support to youth, families, the elderly, people with chronic illnesses and all who have suffered e.g. in the difficult situation caused by the COVID-19 pandemic. Additionally, the Foundation strives for ensuring equal opportunities for people from poor and dysfunctional families as regards access to psychological counseling or support. In 2020, the Foundation subsidized 16 projects submitted by the organizations which had prepared actions related to psychological support addressed to various social groups: children and youth, the elderly, the ill, prisoners and their families as well as refugees. The activities were conducted in various forms: from therapy to workshops to face-to-face and group meetings to telephone and online counseling. Thanks to the PZU Foundation's financial assistance, the psychological support was used by almost 4,300 individuals.

KEY FIGURES for PZU and PZU Życie

	2018	2019	2020
Regional Volunteerism Leaders	40	47	40
PZU volunteers	630	1,170	407
Volunteers unrelated to the company invited to volunteer by employees	753	997	330
Number of hours spent doing volunteer work by PZU employees	11,674	17,873	6,743
Number of hours spent doing volunteer work by people unrelated to the company	11,105	18,619	5,624
Number of PZU employees' proprietary volunteerism projects	77	109	65
Number of volunteerism campaigns organized by the PZU Foundation	4	8	0
Beneficiaries (in total)	12,945	175,823	12,264

Marzena Wyszynska, a PZU employee from Dąbrowa Górnicza, executed 11 volunteerism projects in 2020



"I have always felt the need to help others. The PZU Foundation has turned my dreams of helping others into reality. Nowadays, when insensitivity to another human being has become the every-day reality, each instance of support and impartiality is worth its weight in gold. Helping children is invaluable. Volunteerism brings lots of joy and with every completed project you want more and more. The benefits coming from volunteerism have gone far beyond my expectations. The initial fear and doubts have given way to great fun, interesting tasks and, first of all, smiling and pleased children, who can enjoy the effects of the projects. I am so happy to be able to fulfill myself by helping others as a volunteer.

In 2020, I implemented many projects for Municipal Kindergarten No. 1 in Poręba and the Child and Family Assistance Center in Góra Włodowska.

For the Kindergarten:

- Creative kindergarteners – manual construction games – organization of manual activities, purchase of toys supporting motor and logical thinking skills;
- Fruit and vegetables are healthy vitamins – organization of classes for 3-year-olds;
- Fine motor skills – finer development of a kindergartener – preparation of a busy board for 3-year-olds to improve their fine motor skills;
- An eco-game "Picking and Reusing Garbage" – classes in segregation and reuse of waste;
- We learn about professions – organization of classes for 5-year-olds to familiarize them with the profession of a firefighter, police officer, doctor, hairdresser and musician

For the Child and Family Assistance Center in Góra Włodowska:

- A sharp cut and a pancake party – organization of classes, purchase of a pancake maker, purchase of hair clippers;
- Renovation of the SPARTA computer and leisure room, i.e. the day room;
- Renovation of the dining room in the Child and Family Assistance Center in Góra Włodowska;

- The Floor Revolution and Color OUR HOME, i.e. renovation of bedrooms;
- The Feast of Saint Nicholas Night – organization of the Saint Nicholas Day's party for children."



Agnieszka Kłosowska, a PZU employee from Dąbrowa Górnicza, volunteerism projects in 2020

"I have caught the bug! I have met lots of exceptional, interesting and wonderful people. Employee volunteerism not only brings benefits to those who receive the disinterested aid but also contributes to developing teamwork skills and reinforcing coworker relationships, which means a benefit for me, too. I have learned to listen to others and I can definitely manage my time more efficiently now. Volunteerism has changed my life for better. I can see other people's problems more easily and mine have diminished.

I implemented the following projects in 2020:

- Talent factory – preparation of thematic stands for children. The purpose was to promote positive traits, attitudes, skills and talents through diverse forms of children's activity;
- Sensory workshops – refurbishment of a classroom for children;
- Open air education – organization of classes in a forest, orchard and meadow;
- A colorful corner – refurbishment of a playground;
- Colorful notes – preparation of music workshops for children;
- We play fair in sports and in life – organization of handball activities;
- I have 5 senses – preparation of a sensory activity corner, organization of activities for children with various disabilities;
- The power of fairy tales – refurbishment of the school library and preparation of reading activities for children;
- In the Santa Claus land – organization of a party for children, decoration of the school and a Christmas tree."

BEST PRACTICE

AAS BALTA employees for children from foster families



In Latvia, a few thousand children live in foster families. AAS BALTA has been cooperating with "Bērnu rīts" ("Children's morning"), a charitable organization, for six years. Twice a year, it engages its employees in donations allocated to purchases of school supplies in September, as a school year begins, and to presents in response to the letters sent by children to Santa Claus in the Christmas time. Before the school year started, AAS BALTA employees took care of 15 children from foster families and, as part of a Christmas donation, gave presents to 50 children from 3 foster families.

AAS BALTA supports Latvian large families

In Latvia, there are thousands families raising three or more children, but their economic situation is often difficult. AAS BALTA has joined the "Goda ģimene" ("Honorary Family") program, which gathers socially responsible enterprises, that is ones offering large discounts to such families. Under this program, AAS BALTA gives discounts of up to 40% for insurance policies to families holding the "Goda ģimene" card. AAS BALTA's offer is available to more than 43 thousand parents who participate in the "Goda ģimene" program.

AAS BALTA engages its corporate partners in Christmas donations for charities

Every year, around the Christmas time, AAS BALTA Corporate Sales Department, instead of giving presents to its business partners, encourages them to select the charities to be given money by the company. The business partners resign from company presents in favor of providing support to those who need it most. The partners vote for the selected charities and AAS BALTA makes proportional donations to each of them. In 2020, AAS BALTA provided EUR 10 thousand in total to three non-governmental organizations:

- "Dr. Klauns" (Dr. Clown), which supports little patients in their treatment process thus making them smile;
- "Our table", which ensures daily hot meals for doctors fighting COVID-19;
- "Latvian Children Foundation", which organizes summer camps for disadvantaged children.

BALTA is planning to engage its partners also in 2021 and thus continue its activities for charities.

AAS BALTA employees as school teachers in the "Ready for Life" program

For the second year in a row, five AAS BALTA employees, insurance experts and risk insurers, turn into teachers who prepare and run lessons in Mathematics and Economics for more than 500 students of 20 classes in 10 upper-secondary schools. This is how they show young people how the skills obtained at school can be applied in selected professions.

BEST PRACTICE



Cooperation with the Zaczytani.org Foundation

Alior Bank has been the strategic partner of the Zaczytani.org Foundation since 2019. Its mission is readership promotion and social education. Moreover, the fairytale therapy provided by the Foundation's volunteers in hospitals contributes to a higher health and life quality. The activities pursued together with the Foundation implement the #HigherCulture motto, which is incorporated into the Bank's social and sponsorship activities. Alior Bank, while supporting the Zaczytani.org Foundation, at the same time supports the development of education, culture and readership in Poland and contributes to caring for the quality of health. The sixth edition of the nationwide social campaign of the Zaczytani.org Foundation had a record-breaking reach. Institutions, enterprises, schools and other establishments from 259 towns and cities engaged in collecting books! A public and internal collection of books was held by the total number of 961 establishments, which managed to collect 294,000 books! The best result in terms of the number of books collected by one institution was achieved by Alior Bank, the strategic partner of the Zaczytani.org Foundation, which collected 57,000 books in its 158 branches and partner centers!

BEST PRACTICE

First job project



Through its cooperation with selected institutions, Bank Pekao has commenced skill-based volunteerism entitled "First job". The initiative has been prepared for charges of institutions, including those from SOS Children's Villages, who enter adulthood. It covers, among others, a workshop run by a recruitment specialist, an expert lecture on labor law and educational material for the participants. A project participant learns what the recruitment process looks like and how to prepare for it and what rights new employees have.

The information obtained from survey questionnaires filled out by the class participants after their completion was adopted as the indicator of the initiative's effectiveness. The questionnaire was completed by 33 individuals, whose opinions were used for modifying the scope of the material. Another source of information was consultation with representatives of the SOS Children's Villages Association (director, form-masters), who were present at the classes.

The experiences gained by the volunteers during the meeting with the charges of the SOS Village in Karlino were used in the #SelfRELIANT project executed by the PFR Foundation and experts from the Central House of Technology. The initiative encompassed training, workshops and the "development voucher" for 30 charges from children's homes all over Poland.

BEST PRACTICE

Urban renewal of Łódź



TUW PZUW supports the sustainable development of Łódź: beautiful heritage townhouses are being transformed through renewal. The grim reality of the postindustrial Łódź is changing to offer the sight of magnificent buildings. The renewal of townhouses and urban spaces in Łódź consists in renovating old ruined buildings while preserving the original bodies, highlighting decorations and protecting them from damage.

TUW PZUW has provided prevention funds for purchasing and installing safety nets on 14 Łódź townhouses, which have been designated to undergo major renovations or be dismantled due to their poor physical condition. The buildings are situated close to busy streets or sidewalks in places frequented by pedestrians. Securing the townhouses means optimizing the risk of damage (a car damaged by a balcony slab that has fallen down, an accident involving residents of Łódź, tourists).

By supporting the Łódź townhouse renewal project, TUW PZUW contributes to the increase in the number of council apartments and Łódź has a chance to act in line with the city's mission to "free the potential of the center of Łódź and its inhabitants" by achieving social cohesion, changing the image of the city and its center.

BEST PRACTICE

Partnership in the Large Family Card Program



PZU is continuing its Large Family Card (KDR) Program, which is a discount scheme for large families with at least three children. KDR enables them to use e.g. cultural, recreational, transport, financial offers across Poland.

The agreement signed in 2020 will apply until 2022, which means undisturbed continuation of the Partnership entered into in April 2018. As part of the Partnership, PZU, PZU Życie

and PZU Zdrowie provide KDR holders with the possibility to use the PZU offer on preferential terms (e.g. discounts for selected non-life insurance policies and health services).

By maintaining its involvement in KDR, the company has reinforced its image of an organization engaged in crucial social, demographic and economic problems and expressed its concern about the conditions facilitating the development of a family-based society. It has given parents from large families access to selected products at the same time providing them with real financial aid.



The preventive and sponsorship activities have been surveyed in terms of the image of the PZU brand and competitive brands in the “Source of education on safety” area and efficiency of PZU’s sponsorship activities. The main goal of the survey was to determine how PZU’s social, preventive and sponsorship actions and activities translate to the assessment of PZU’s image. In the survey, PZU asked also whether prevention activities had real impact on the improvement of safety. The survey was carried out between 16 and 19 October 2020.

Key conclusions:

- PZU’s social commitment is recognizable and appreciated by Poles.
- Nearly 40% of the respondents are aware of PZU’s social involvement.
- Over 40% of them believe that, through its activities, PZU sufficiently engages in social, prevention and sponsorship campaigns.
- 54% of the respondents have encountered a social, prevention or sponsorship campaign organized by PZU.
- The most recognizable PZU’s campaigns include: “Safe holidays”, “Are you driving? Then put the phone down!”, support for the GOPR/WOPR rescue services and for the organization of Tour de Pologne.

The survey participants indicated that PZU should engage in the purchase of medical equipment for people injured in accidents, promote safety on the road and support emergency services, that is they pointed to the actions the insurer has taken for years.

6. Ethical foundations of doing business



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 those doubts to the Whistleblowing System in operation in PZU Group entities."



"In PZU we live up to the highest standards. Treating clients and business partners honestly and objectively is something that sets us apart. This is a guiding principle

for doing business ethically and is incumbent upon all PZU Group employees. We attach great importance to instilling and strengthening the awareness within our organization that by adhering to professional ethics and conducting ourselves in compliance with the law we build clients' trust in PZU. This also evidences the high quality of our services. It also points to the direction in which the entire financial market should move."

Sławomir Niemierka, Managing Director responsible for Regulations in PZU and PZU Życie

- procedures, policies and organizational arrangements;
- a system of reporting irregularities and potential malpractice (whistleblowing system);
- educational and communication activities addressed to employees and suppliers.



The "Best Practices of the PZU Group" are the foundation of ethical standards in the PZU Group whose aim is to develop the company's consistent organizational culture in all key aspects of its operation.

The "Best Practices of the PZU Group" define behaviors and conduct towards all of the company's stakeholders based on respect and trust. At the same time, this document serves as the common denominator of corporate culture in all of the Group's entities. 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.

Additionally, PTE PZU has adopted the "Code of Conduct for Employees of PTE PZU SA", which contains 11 key principles. Above all, it compels employees to act in accordance with the law and the principles of fair trade and the company's internal regulations. Thus it refers to acting professionally and ethically, showing due diligence in action and showing care for the employer's image. In turn, this Code of Conduct forbids employees from getting involved in activities that could be deemed to be at odds with the interests of fund members. Moreover, it is not allowed to utilize inside information to make investment decisions.

PZU Group's policies [Accounting Act]

[GRI 102-16, GRI 103-2, GRI 103-3]

The compliance risk management system in the PZU Group is based on the best market standards and proprietary solutions, while using a number of agreements between PZU entities and group policies. It is an integrated set of values, standards, tools, including procedures and regulations, supported by adequate communication with, and education of, employees. Individual companies in the PZU Group have a range of separate policies, procedures and practices in this area. The following elements constitute the overall system:

- values and rules of conduct, including the "Best Practices of the PZU Group", "Code of Conduct in Alior Bank" and the "Code of Conduct in the Pekao Group";

BEST PRACTICE



The "Best Practices of the PZU Group" are in force in the PZU Group. This document has been adopted as 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 "Code of Conduct in Alior Bank" and the "Code of Conduct in the Pekao Group". The "Best Practices of the PZU Group" are a collection of values and principles by which employees should be guided. They form an obligation of conducting business in compliance with these values, the prevailing laws and regulations and the highest standards of conduct.

The "Best Practices of the PZU Group" describe the PZU Group's values and the fundamental rules of conduct on the part of employees in reference to the following issues, among others:

- conflict of interest;
- handling sensitive information;
- corruption and gift policy;
- reporting ethical problems;
- rules of cooperation with business partners;
- disclosures;
- and many others."



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



Alior Bank abides by the rules of honesty and business ethics in all of the areas of its operations. It applies its "Compliance Policy", which precisely lays down the rules for adhering to the law, market standards and internal regulations. The actions of Alior Bank as a public trust institution are based on the principles described in the "Code of Conduct in Alior Bank". They are also enforced at the level of subsidiaries, i.e. Alior Leasing sp. z o.o., Serwis Ubezpieczeniowy sp. z o.o., NCS Bancovo and Alior TFI. The employees of other companies belonging to the Alior Bank Group are employed by the bank; consequently, they are obligated to act in accordance with the principles of the "Code of Conduct". This document is addressed to employees and the persons through whom the bank conducts its banking activities.

BEST PRACTICE



The "Code of Conduct in Alior Bank" is composed of four parts containing the rules of conduct toward clients, employees, business partners, the market and local communities. 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. Moreover, employees will find information in this document encouraging them to care for the natural environment.



Ethical foundations of doing business

The Code of Conduct in the Pekao Group contains the most important principles applicable to all employees regardless of the position held. It describes the method of conduct in interactions with clients, business partners, representatives of local communities and other stakeholders as well as in relations between employees. In addition, a “Corruption Prevention Policy” is in force in Bank Pekao. It regulates conduct in the event of identifying and preventing potential “acts of corruption”.



PZU Group companies (PTE PZU, TFI PZU, TUW PZUW, PZU Finanse and PZU Centrum Operacji) excluding banks also have principles of ethics for the members of their corporate bodies to follow, i.e. the “Principles of ethics of the management board members in PZU Group companies”, the “Principles of ethics of supervisory board members in PZU Group companies who are not employees of a PZU Group company and who are not bound to a PZU Group company by some other contract of a similar nature” and “Principles of ethics of supervisory board members in PZU Group companies who are employees of a PZU Group company or who are bound to a PZU Group company by some other contract of a similar nature”. The principles of ethics applicable to members of corporate bodies serve the following purposes:

- they ensure that the members of the corporate bodies discharge their functions properly in compliance with the highest standards of conduct;
- they prevent the occurrence of a conflict of interest, in particular by counteracting the use of the position held to reap private gains;
- they specify the ethical standards, values and attitudes by which management board members should be guided.

Highest ethical standards

PZU Group’s ethical culture is developed in observance of the highest standards and in line with the needs of the Group’s entities, consequently taking account of the scale, character and type of their operation and local laws.

The PZU Group furthers its ethical culture by creating systemic solutions at the level of PZU. As the parent company, PZU sets and develops standards of conduct, and then recommends their proliferation to other Group companies (save for the banks that have their own codes of conduct in place). These solutions are implemented in the various companies in keeping with the principle of relevance and suitability. The

companies report compliance risk to PZU while respecting legally protected secrets.

The obligation of abiding by the enacted standards pertains to all PZU Group employees without exception.

PZU places great emphasis on instilling an awareness among employees that ethical values and compliance are of equal importance in the company doing business and employees discharging their daily duties.

Actions instilling an awareness of compliance:

- **Employee training**
Compliance standards are a permanent part of training for new hires in the PZU Group. Employees may participate in additional topical workshops and training sessions regarding its anti-corruption policy, among others.
- **Internal communication**
Every quarter PZU employees receive the Compliance Bulletin, an inhouse magazine devoted to compliance-related topics.
Employees regularly receive Compliance Alerts. They are distributed in the form of e-mail messages to describe planned amendments to the law and new guidelines of national and European supervisory authorities and industry organizations.

E Ethics are also a part of compliance risk management on the following bases:

- on a systemic basis – practiced by the Management Board, which is responsible, among other things, for setting the strategy and adopting policies related to compliance risk management and promulgating the adherence to standards of conduct in PZU, and by the Compliance Department which coordinates the compliance risk management process,
- on an ongoing basis – by the managers of various cells and organizational units in PZU in the area subject to their oversight.

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

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 belonged to the WIG-ESG index (i.e. companies that comply with the rules for doing business in a socially responsible manner).



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 systemic management of compliance risk and other quality-related risks. The Managing Director for Regulations, who has direct access to the members of the Company’s Management Board and Supervisory Board, to whom the compliance function reports, is responsible for oversight over the key compliance function. Reporting is done through monthly and annual reports for the Management Board and quarterly risk reports to the Supervisory Board’s Audit Committee and the Supervisory Board itself, as well as in the form of current information provided on an ad hoc basis to the members of the Company’s statutory bodies if the 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 has a separate compliance unit: the Compliance Department. This department is organizationally and operationally independent and it reports directly to the President of the Management Board of the Bank. The

Compliance Department’s reports on the execution of its tasks along with information on the level of the estimated compliance risk are presented to the Management Board and the Supervisory Board. The Bank supervises the compliance risk associated with the operations of its subsidiaries. Rolling out and applying compliance risk standards play an important role in creating goodwill, strengthening and protecting the good name of Bank Pekao and in strengthening public trust in the bank’s business and its position.

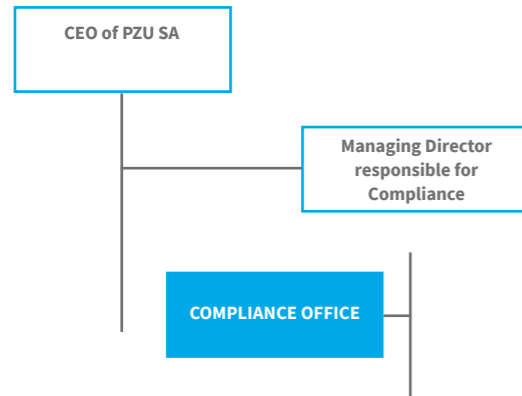
In Alior Bank ethical issues are managed in the Regulatory Compliance Department. This is a separate independent organizational unit reporting to the President of the Management Board of the Bank. The Regulatory Compliance Department prepares and presents to the Management Board and the Supervisory Board’s Audit Committee (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. In addition, the compliance unit’s annual action plan and annual report on compliance risk management are submitted to the Management Board, the Supervisory Board’s Audit Committee and the Supervisory Board.



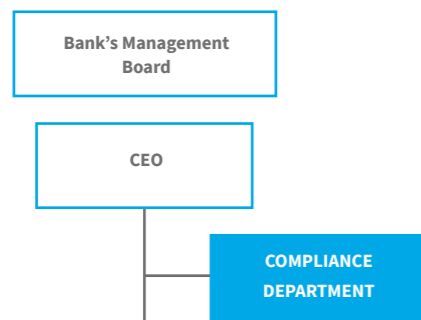
Ethical foundations of doing business

Compliance and ethical management structure:

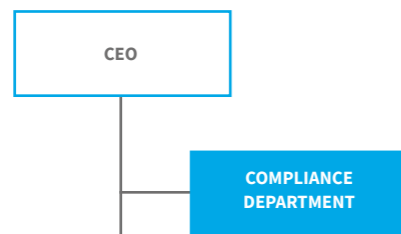
PZU



Bank Pekao



Alior Bank



[GRI 102-18]

Organizational Structure [IIRC]

Shareholder Meeting

PZU's highest authority is the Shareholder Meeting which operates on the basis of the Commercial Company Code and PZU's Articles of Association. The Shareholder Meeting adopts decisions regarding PZU's 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 PZU Supervisory Board's Rules and Regulations lay down the organization and method of operation of the Supervisory Board.

Organizational supervisory structure in PZU and PZU Życie as of 31 December 2020:

PZU	PZU Życie
Maciej Łopiński – Chairman of the Supervisory Board	Beata Kozłowska-Chyła – Chairwoman of the Supervisory Board
Paweł Górecki – Deputy Chairman of the Supervisory Board	Piotr Głód – Deputy Chairman of the Supervisory Board
Robert Śnitko – Secretary of the Supervisory Board	Marcin Szuba – Secretary of the Supervisory Board
Marcin Chłudziński – member of the Supervisory Board	Beata 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	
Józef Wierzbowski – member of the Supervisory Board	
Maciej Zaborowski – member of the Supervisory Board	

Audit Committee

The Audit Committee is appointed by the PZU Supervisory Board. The majority of the Audit Committee members, including its chair, 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. In addition, the Audit Committee may request the Supervisory Board to request specific control activities in the Company, whereby the requested activities may be performed by an internal unit or external entity.

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 office lasting three years.

Organizational management structure in PZU and PZU Życie as at 31 December 2020:

PZU	PZU Życie
Beata Kozłowska-Chyła – President of the Management Board	Aleksandra Agatowska – President of the Management Board*
Ernest Bejda – Management Board Member	Marcin Eckert – Management Board Member
Marcin Eckert – Management Board Member	Małgorzata Kot – Management Board Member
Małgorzata Kot – 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
Krzysztof Szypuła – Management Board Member	Małgorzata Sadurska – Management Board Member
	Krzysztof Szypuła – Management Board Member

* On 15 February 2021 KNF unanimously consented to the appointment of Aleksandra Agatowska to be the President of the PZU Życie Management Board.

The current composition of the PZU and PZU Życie Management Board can be found on our website at www.pzu.pl

Standing committees on which Management Board Members and PZU Group Directors sit

Committees are collegial bodies operating in the Head Office of PZU and PZU Życie. They are established and disbanded by the Management Board. Committees issue opinions and make decisions in matters within their area of operation defined in the rules and regulations of a given committee. The following committees operated in PZU and PZU Życie in 2020:

- 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 and Liability Management Committee;
- Initiatives Management Committee;
- Crisis Management Team (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 standards, 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 regulations, among others, are in place in the compliance system:

- The "Best Practices of the PZU Group" which constitute the fundamental code of values embraced in the PZU Group;
- PZU and PZU Życie Compliance Policy;
- Anti-Corruption Programme at PZU and PZU Życie;
- Rules for acceptance and giving of gift at PZU and PZU Życie;
- Rules for managing conflicts of interest at PZU and PZU Życie;
- Whistleblowing Procedure in PZU and PZU Życie;
- Principles of Ethics for Management Board Members of PZU Group companies.

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.

A new e-learning compliance training course was developed and made available at the beginning of 2020 to all PZU and PZU Życie employees as part of the educational platform. Furthermore, dedicated e-learning training sessions pertaining to the Anti-Corruption Program, onboarding training sessions were held for new employees and topical training sessions depending on the needs identified in the organization were delivered. On top of the training courses delivered in 2020, four compliance bulletins were published as part of training to support the development of compliance culture and raise awareness. Functionalities enabling collection of PZU and PZU Życie employee declarations on familiarization and compliance with the Anti-Corruption Program and the legal sanctions related to corruption as well as observance of the Rules for managing conflicts of interest were implemented in the internal HR system. An annual corruption risk assessment was conducted in 2020.

Risk management taking into account non-financial risk PZU Group's policies

[GRI 102-11, GRI 103-2, GRI 103-3]

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.

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 in terms of 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 PZU Group entities 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.

In addition, PZU as the leading entity in the PZU Financial Conglomerate manages risk concentration at the level of the overall conglomerate. The leading entity has established the risk concentration management standards, in particular through introduction of rules for identification, measurement and assessment, monitoring and reporting of significant risk concentration and making managerial decisions.

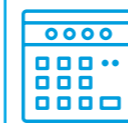
Once a year, the internal audit unit prepares "An annual activity report", which includes, in particular, an evaluation of

the internal control system and the 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.

As part of its activities PZU classifies the following risks to which the PZU Group is exposed as material: actuarial risk, risk of models, compliance risk, credit risk, concentration risk and market risk (including liquidity risk).


The non-financial risks are described primarily in the group of operational risks, compliance risks and actuarial risks, which reflect the product risks associated with catastrophic events, in particular resulting from climate changes, such droughts, floods and cyclones.


Risk categories in the PZU Group [IIRC]



Actuarial risk
The likelihood of incurring 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.


Risk of models
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.






Operational risk
Possibility of suffering a loss resulting from improper or erroneous internal processes, human activities, system failures or external events.


Compliance risk
Risk that PZU Group entities or persons related to PZU Group entities may fail to adhere to the applicable provisions of law, internal regulations or standards of conduct, including ethical standards, adopted by PZU Group entities, and the risk of violating these provisions of law, regulations and standards. The outcome is or may be legal sanctions incurred by the PZU Group or persons acting on its behalf, incurring financial losses, loss of reputation or credibility.



Credit risk
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.

Concentration risk
Possibility of incurring a 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.





Market risk, including liquidity risk:
Market risk
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.

Financial liquidity risk
Possibility of losing the capacity to settle, on an ongoing basis, the PZU Group's liabilities to its clients or business partners. The liquidity risk management system aims to maintain the capacity of fulfilling the entity's liabilities on an ongoing basis. Liquidity risk is managed separately for the insurance part and the bancassurance part.



The risk management process consists of the following stages:

Identification

Identification commences with a proposal to start developing an insurance product, buying a financial instrument, modifying 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 later 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, acceptance of risk level, as well as implementation of tools supporting these actions, such as limits, reinsurance programs or regular review of internal regulations and processes.

[102-15] Key non-financial risks

From the perspective of the impact on issues related to social, employee, environmental, human rights and prevention of corruption, compliance risk and some operational risk are of special importance. In addition, the PZU Group identifies environmental risk in the process of financing entities.

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 PZU Group has implemented an operational risk management system under which it prevents operational risk incidents and reduces operational losses. The operational risk

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.

clients and prevention of corruption issues have been identified. Below is a list of key issues.

As part of compliance risk and operational risk, employee, environmental, social, ethical, including interactions with

Employees and respecting human rights

Risk	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, obligatory operating methods and the rules of work organization.	The necessity to update knowledge on an ongoing and urgent basis about changing regulations and obligatory operating methods is applicable to extensive groups of employees. In addition, in 2020 the need to advise employees on an ongoing basis about the rules of safety during the pandemic and familiarizing them with the principles of work organization in the new model and teaching them how to function in these new conditions (shifting to a hybrid and remote work model).	Obligatory training courses are organized in the PZU Group, mainly in the form of e-learning. In 2020 the primary form of knowledge transfer (also in reference to the prevailing regulations and obligatory operating methods) was remote learning. It facilitates the efficient transfer of knowledge in an optimally short time to all employees to which the scope pertains. E-learning courses are available on the HRM platform; the webinars delivered in 2020 were mostly recorded to make them available to the largest possible number of people. These training courses were run in an attractive format to activate participants; training courses contain tests verifying the effectiveness of the acquired knowledge and allow for monitoring whether the information has reached the target group. We forecast that in 2021 and beyond remote learning will continue to be chosen for training courses targeting large and very large groups of participants. We review the tools for group work with an eye to functionality and IT security.
The risk of failure to respect employee rights by unequal treatment of employees, discrimination of employees and cases of mobbing and discrimination	Actions or behaviors pertaining to, or against, an employee, involving persistent and protracted harassment or intimidation of an employee, impairing his or her professional self-esteem, causing or aimed at humiliating or ridiculing an employee, isolating or eliminating him or her from his or her 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	Risk description	Description of the approach to risk management
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 by the Director of the HR Management Department. The team is composed of employees with many years of experience in social dialogue, specialized in collective labor law. The social dialogue policy is shaped directly by the company's Management Board and the Director of the HR Department Director. The Social Dialogue Team employees hold talks and participate in dedicated meetings with trade unions and respond on an ongoing basis to the needs of social partners. Meetings are held with social partners at least on a bi-weekly basis.
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.	The financial planning procedure in the PZU Group is supposed to mitigate this risk. As part of this procedure, reserve financing to fund this type of hiring is used, or, as a last resort, the central budget reserve is used. 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, ongoing control and eliminating hazards that might lead to an accident. 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 associated with employee unavailability due to COVID-19 infection.	Concurrent infection of a large number of employees, suspension of the processes they perform.	Avoiding this risk was one of the reasons for forming the Crisis Management Team. A directive was adopted concerning the Rules of safety for employees during the COVID-19 epidemic. The wording of the internal regulations was adjusted to incorporate the requirements ensuing from the prevailing legal regulations. Protective means were provided to employees. The Security Department manages the process of mitigating the risk of employee infections in collaboration with other organizational cells and units.

Products and client relations

Risk	Risk description	Description of the approach to risk management
Compliance risk in the marketing communication pursued by PZU	Compliance risk concerning the generally prevailing laws and guidelines of state authorities and reputational risk.	The Marketing Department uses the practice of checking planned marketing messages prior to their publication in terms of their transparency, authenticity and accuracy with other PZU units, in particular the Legal Department and the Compliance Department (for compliance risk, including compliance with the law – risk of misleading the consumer, use of messages infringing the addressees' interests) and pertinent departments responsible for a given product (consistency of the message with the facts – risk of misleading consumers). 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
Misselling risk	The risk of dishonest communication with clients regarding the PZU Group's offers to purchase products that do not meet their needs or do so in a manner that is not suitable to their nature.	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 document prepared individually for each product aims at facilitating comparison of the products offered by different companies and supporting clear communication of important information from the client's vantage point.
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.

Corruption prevention area

Risk	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. The PZU Group identifies a single owner of the Insurance Fraud Prevention process who is responsible for the entire process, monitoring its quality and effectiveness and for adhering to the prevailing procedures. The Insurance Fraud Research Team performing assignments related to case analysis in the Insurance Fraud Prevention process, the Insurance Fraud Prevention Team that handles tasks related to the "operational" prevention of fraud and the Security Incident Management Team that handles tasks related to internal fraud prevention function in a single division. In discharging these tasks all three teams are supported by the Fraud Management System – the most modern system on the Polish market that profiles internal and external fraud, supports their analysis and provides for smooth and effective case workflow.

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. The goal is to enhance the degree of resistance to the materialization of possible scenarios.

The probability that the risk related to the global economy transition into a low-carbon one (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-related risk will materialize through investments for low-carbon economy. On the other hand, the PZU Group is aware that the materialization of the most extreme physical risk would constitute a threat to the whole

insurance sector. The effects of escalating climate changes might contribute to the materialization of risks for which insurance may become unaffordable.

In 2020, initiatives were undertaken to improve the identification, measurement, assessment and monitoring of the risks associated with sustainable development, in particular climate change. The main risks in this area, transition and physical risks, are managed as part of the individual risk categories specified below in this section in the table entitled Risk categories in the Group. Having regard for the rising materiality of sustainable development and climate change and their significance to the financial industry, as part of the subsequent work defined in the Sustainable Development Strategy, the PZU Group will strive to incorporate even more comprehensively climate-related factors in processes used to manage the various categories of risk.

Risk	Risk description	Description of the approach to risk management
Climate risks associated with portfolio transformation	The risk of incurring excessive costs with the process of transition of the present economy into a low-carbon economy	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 to support the policy of curtailing greenhouse gas emissions, among others, by offering insurance products 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. The complete list of actions to prevent this risk is shown in section 3.1 OUR BUSINESS IN THE FACE OF CLIMATE CHANGE

Risk	Risk description	Description of the approach to risk management
<p>The physical risk of pollution of natural environment and natural disasters resulting from climate changes</p>	<p>The risk related to effects of climate changes, among others severe storms, long-term heat waves, frost periods, droughts and fires as well as 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>	<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, among others, periodic analyses of the non-life insurance portfolio for its exposure to natural disasters. The insurance portfolio is divided into zones with specific degrees of exposure to the risk of floods and cyclones. The values of prospective losses are assigned to each one of the zones under analysis. They correspond to the severity of a given phenomenon and, consequently, its specific probability level. On this basis, as part of the annual reinsurance cover program design process, the distribution of the level of possible catastrophic loss is estimated.</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>
<p>The reputation risk and the compliance risk in connection with the direct environmental impact</p>	<p>The risk associated with failure to comply with environmental norms and standards by the company, its suppliers and business partners.</p>	<p>The PZU Group monitors the consumption of energy resources and environmental resources (energy, fuels, water, paper). The Management Board Environmental Protection Plenipotentiary has been appointed to take measures to mitigate the direct environmental footprint of the PZU Group and procure compliance with the applicable laws.</p> <p>PZU has in place internal procedures regarding business partners, which require them to comply with environmental norms and standards. A Code of CSR Best Practices for the PZU Group's Suppliers has been developed and compliance with its provisions by its business partners is incorporated into the contracts they sign with PZU.</p>

Climate change research

The PZU Group conducts regular stress tests and sensitivity analyses under its annual analysis of own risk and solvency assessment (ORSA) and stress tests consistent with the requirements of the regulatory authority. Under ORSA, the sensitivity analyses for PZU cover stress scenarios affecting assets and liabilities. The stress tests selected for execution as part of this assessment cover the major areas of activity and the PZU Group's risk profile. They correspond to the assessment of the most important risks; in particular, the short-term impact of extreme weather-related phenomena (catastrophic losses) and the impact of the growth of the loss ratio on the PZU Group's capital condition are regularly analyzed.

In addition, PZU as the parent company regularly runs a process to analyze risks and identify key risks in conjunction with the processes of managing the various categories of risk specified in this section in the table entitled Categories of risk in the Group. All of the risks identified during this process are assessed from the perspective of frequency and severity of materialization (taking into account financial severity and reputation impact). In particular, risks related to climate change are subject to risk in terms of physical risks and transition risks. This process facilitates risk analysis in the medium-term and identification and assessment of emerging risks. This analysis is updated at least once a year.

The following climate-related risk factors that may affect the PZU Group's business model and financial results have been identified as a result of these analyses:



	Risk factor	Horizon	Category of risk in the risk management system	Measures taken
TRANSITION RISKS	The difference between the pace of transforming the Polish economy and the changes transpiring on the reinsurance market leading to constrained availability of reinsurance offers for projects related to the mining industry and the coal-fired power sector. The materialization of this risk may lead to the following consequences:			
	<ul style="list-style-type: none"> Limited sales of insurance for these types of projects Higher prices for reinsurance cover 	Medium / Long Short	Business risk (process of analysis of key risks)	Negotiations are conducted with reinsurers and clients when contracts are renewed. Clients see the offered scope of insurance adjusted to the available reinsurance offer. It is necessary to curtail the limits of liability. Additionally, it is assumed that the PZU portfolio will undergo gradual transformation in line with the transition of the Polish economy.
	<ul style="list-style-type: none"> Higher capital requirement for counterparty default risk due to placing a portion of the portfolio with reinsurers who have lower ratings 	Medium	Credit risk	Assessment of reinsurers' credit quality is conducted based on market data, information obtained from external sources, such as S&P Global Ratings and an internal model. The model divides reinsurers into several classes, depending on the estimated risk level. A reinsurer will not be accepted if its risk is higher than a pre-defined cut-off point. The acceptance is not automatic and the analysis is supplemented by assessments by reinsurance brokers. In the credit risk monitoring process, the assessment of a given entity is updated on a quarterly basis.
	Decline in the measurement of corporate bonds in selected sectors due to greater regulatory burdens	Medium	Credit risk	As part of credit risk there is a comprehensive counterparty assessment and limit-setting system (also applicable to industries). Credit risk assessment of an entity is based on internal credit ratings (the approach to rating differs by type of entity). Ratings are based on quantitative and qualitative analyses and form one of the key elements of the process of setting exposure limits. The credit quality of counterparties and issuers is regularly monitored. One of the basic elements of monitoring is a regular update of internal ratings.
	Raising capital requirements as a result of revising the parameters of the standard formula for selected risks	Medium	Compliance risk	The PZU Group follows regulatory changes on an ongoing basis, it participates in consultations and analyzes the impact of changes that are in the process of being introduced or are planned on its capital position.
PHYSICAL RISKS	Intensification of extreme weather-related phenomena	Long	Actuarial risk	The risk management system in the PZU Group allows it to monitor exposures regularly and the reinsurance program in place significantly reduces the potential net catastrophic loss level to acceptable levels without posing a threat to PZU's financial stability.
	Occurrence of intensive fires in forested areas due to the intensifying drought	Long	Actuarial risk	
	Heightened mortality ratio among older persons caused by summer heat waves	Long	Actuarial risk	

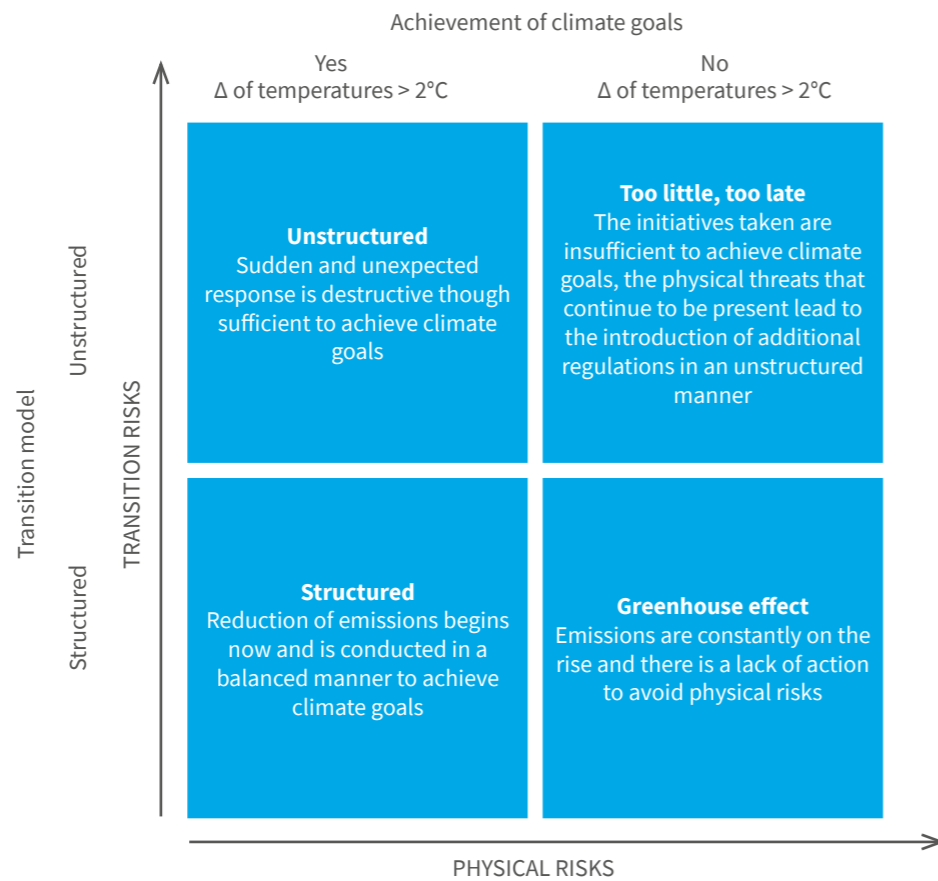
Ethical foundations of doing business

The risk factors itemized in the table above have been analyzed under 2 scenarios for which the starting point is the structure of the scenarios proposed by The Network of Central Banks and Supervisors for Greening the Financial System (NGFS).

During the current phase of analyzing climate risks the PZU Group studied:

- The “Greenhouse effect” scenario in which physical risks play the main role, which in a simplified approach involve the assumption of a zero impact exerted by transition risks;
- “Unstructured” scenario in which transition risks play the main role, which in a simplified approach involve the assumption of a zero impact exerted by physical risks.

Structure of scenarios



Source: A call for action; Climate change as a source of financial risk (April 2019)

The below assumptions and risk factors were taken into account:

“Greenhouse effect” scenario	“Unstructured” scenario
<ul style="list-style-type: none"> • The occurrence of extreme flooding – the value of loss 1 in 200 is determined according to the standard formula methodology used to determine the solvency capital requirement. • Fires in forested areas – maximum net loss for a single event. • Heightened mortality in summer months (2 weeks of July) among older persons. 	<ul style="list-style-type: none"> • Increase in credit risk due to reinsurance of a portion of the portfolio with counterparties with lower ratings • Decline in the valuation of corporate bonds in selected sectors • Regulatory risk associated with revising the parameters of the standard formula used to determine the solvency capital requirement.

The results of this analysis demonstrated that the PZU Group’s solvency would not be at risk. The regulatory requirements and the assumptions concerning the internal limit system are satisfied in both scenarios. The table below depicts the sensitivity of the PZU Group’s solvency ratio estimated on the basis of financial plans at yearend 2021.

	Sensitivity of the PZU Group’s solvency ratio
“Greenhouse effect” scenario	-13 p.p.
“Unstructured” scenario	-4 p.p.

Classifying the occurrence of extreme flooding as a physical risk is the most severe factor. This is a long-term risk associated with temperatures rising more than 2°C. Annual renewals of contracts and analysis of current data and forecasts coupled with the selection of the appropriate reinsurance program make it possible to reduce considerably the possible impact this risk can exert on the PZU Group.

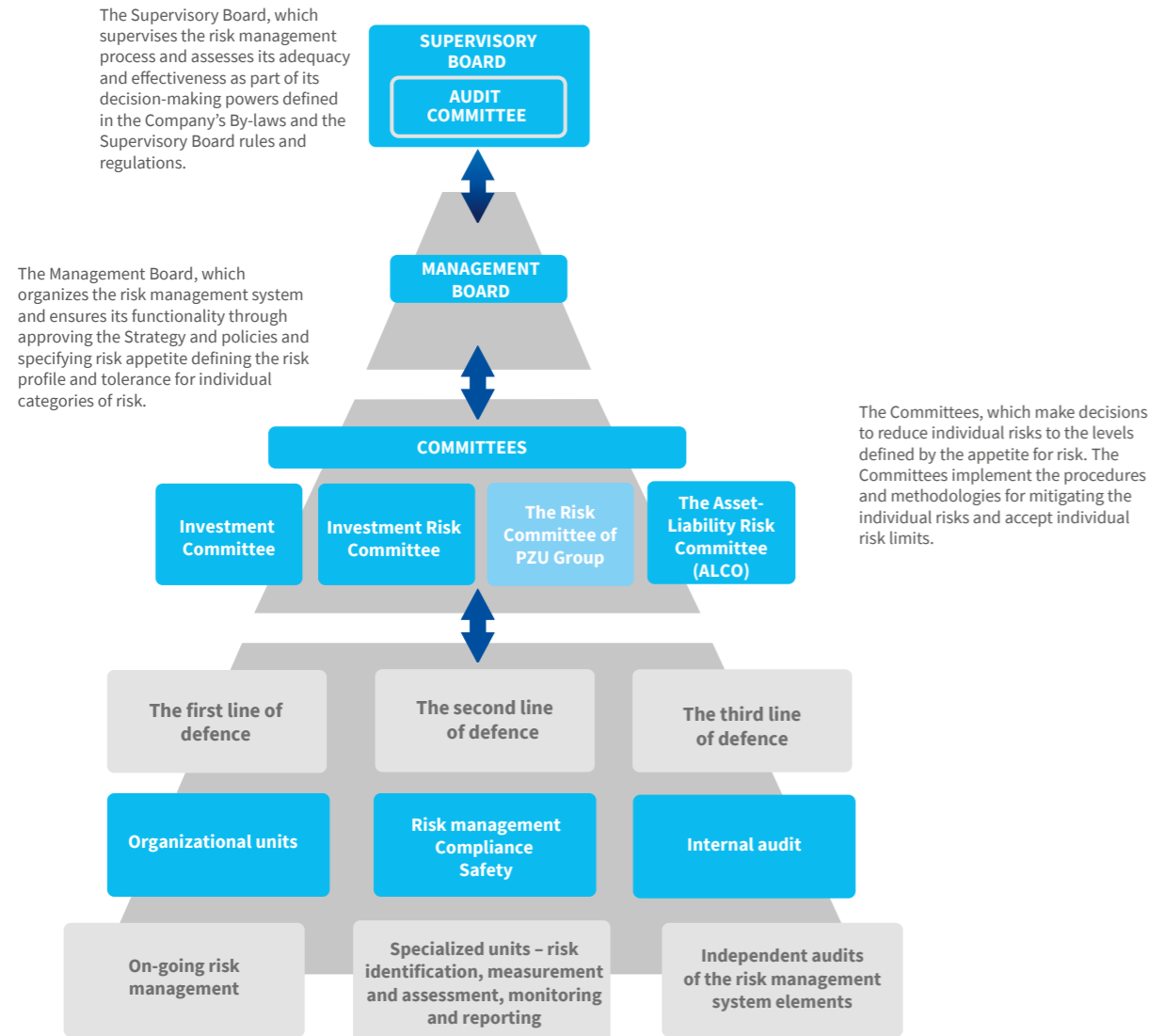
The most severe transition risk is the regulatory risk associated with a change in the parameters used to calculate the sub-module for the natural catastrophe risk.

Risk management responsibility, including the climate impact risk on the PZU Group

The consistent split of powers and tasks in the PZU Group and in its various financial sector subsidiaries covers four decision-making levels: Supervisory Board, Management Board, Committees and various operating units within the three lines of defense.

- I. 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.
- II. The management boards of PZU Group entities are responsible for executing their own duties in accordance with the generally applicable provisions of national and international law. In particular, they are responsible for implementation of an adequate and effective risk management system. The Management Board organizes the risk management system and ensures that it is operational by adopting strategies and policies, setting the level of risk appetite, defining the risk profile as well as tolerance levels for the individual categories of risk.
- III. Committees decide about limiting the levels of individual risks to fit the risk appetite framework they have defined, adopt procedures and methodologies for mitigating the individual risks and accept the limits for individual risk types. Selected members of the Management Boards sit in the Committees.
- IV. The fourth decision-making level pertains to operational measures in the various business units divided into three lines of defense:
 - **the first line of defense** – entails ongoing risk management at the entities’ business unit and organizational unit level and decision-making as part of the risk management process, taking into account the limits for individual risks;
 - **the second line of defense** – risk management by specialized units responsible for risk identification, measurement, monitoring and reporting, as well as for limits control;
 - **the third line of defense** – internal audit which conducts independent audits of the individual elements of the risk management system, as well as of control procedures.

Chart of the organizational structure for the risk management system



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 best 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.

The Code of Best Practices of Institutional Investors prepared and approved by the Chamber of Fund and Asset Management has been in force in TFI PZU since 2006. 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 this code also confirms the application of best investment practices in TFI PZU.

TFI PZU, bearing in mind the interests of participants in the mutual funds it manages and clients to whom it provides portfolio management services, is guided by its "Strategy for exercising voting rights". The company's fundamental duties ensuing from its strategy are as follows:

- monitoring material events in the companies identified in the strategy;
- ensuring that voting rights are exercised in accordance with the investment objectives and investment policy of the respective fund;
- preventing conflicts of interest following from exercising voting rights and managing companies.

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 the 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 Management Board and Supervisory Board.

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 espouses the principle that it strives to participate and actively vote 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 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. They also promote the fairness and vibrance of capital markets to obtain the greatest social benefits.

TFI PZU has adopted principles that guide its choices when voting at shareholder meetings of companies included in its mutual fund portfolios or investment portfolios. The rules contemplate among others active voting on matters related to social and environmental issues as well as corporate governance issues. 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.

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.

Responsible investments



Governance policies and systems in the PZU Group [Accounting Act]

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



The investment decisions made by TFI PZU are 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 also

contains an assessment of investment risk, environmental impact and corporate governance principles constituting selected aspects 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



BEST PRACTICE

Incorporating ESG issues in voting strategy



TFI PZU, bearing in mind the interests of participants in the mutual funds it manages and clients to whom it provides portfolio management services, is guided by its “Strategy for exercising voting rights”. The voting strategy lays down the rules by which TFI PZU is guided when choosing how to vote at shareholder meetings of companies in its mutual fund portfolios or investment portfolios.

As of March 2020 these rules include environmental, social and governance issues. In accordance with them, TFI PZU:

- will actively vote on matters related to social and environmental issues as well as governance issues;
- will endorse the application of high 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;
- will endorse actions for issuers to adopt, implement and publish governance and ethical principles, standards and procedures spanning the issuer’s management board, supervisory board and employees.

These practices serve the interests of members of funds and portfolio clients, grow the value of investments while simultaneously respecting environmental and CSR issues and building high standards of corporate governance.

Incorporating ESG risks when monitoring public companies in which investments have been made



TFI PZU, bearing in mind the interests of participants in the funds it manages is guided by the “Exposure policy of mutual funds managed by TFI PZU SA to companies listed on the regulated market”. This policy was adopted in April 2020.

The policy describes how shareholders’ exposure to companies listed on the regulated market is taken into account in the fund’s investment strategy.

Actions related to funds’ exposure to issuers’ equities in which an investment has been made include, among others, monitoring issuers in terms of the investment risk with an eye to social and environmental impact and the corporate governance principles followed constituting selected aspects of the socially responsible investing process.

The research process is conducted in such a way so as to facilitate deliberate and responsible investment decision-making.

These practices serve the interests of members of funds, grow the value of investments while simultaneously respecting environmental and CSR issues and building corporate governance. The purpose of this action is ensuring that investment decisions are made in accordance with the investment objectives and investment policy of the respective funds.

6.2 Preventing corruption and conflicts 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. We do not give impermissible 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 compliance area and managing the risk of conflicts of interest and corruption are crucial for the overall PZU Group to function on the market. For that

reason our employees familiarize themselves with these issues during their first obligatory training sessions and later they systematically develop their knowledge on that subject. The precisely defined rules and processes described in detail help not only catch improper conduct but also minimize the risk of its occurrence in the future.”

Monika Guzek, acting Director of the Compliance Department in PZU and PZU Życie

these rules have been covered by a range of implemented documents, regarding, inter alia, prevention of corruption, whistleblowing, conflict of interest management, and procurement. Those issues are also discussed during internal employee training.

The rules for Group employees to accept and give presents and the rules for registering them have been strictly defined. Presents whose value is lower than the threshold specified in the standards of conduct may be offered or received in the course of customary business practices. 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 conflict of interest or breach local statutory or executive regulations.

Anti-corruption policy



The basic document in the anti-corruption policy is the document entitled “Best Practices of the PZU Group”. They constitute the model for the standards, values and principles for all Group employees and they outright forbid

corruption in companies. They obligate employees to act in compliance with the law and defined ethical standards: “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”. All of the PZU Group companies implemented the “Best Practices”, except for the Alior Bank Group, which has in place the “Code of Conduct in Alior Bank” and except for the Pekao Group, which has in place its own “Code of Conduct in the Pekao Group”. In turn, LINK4 has in place its “Corruption Prevention Compliance Policy”.

PZU Group’s policies [Accounting Act]

[GRI 102-11, GRI 103-2, GRI 103-3]

There is zero tolerance for corruption in the PZU Group. The organization’s implemented solutions define the method of corruption risk management, including identification, mitigation and monitoring.



The Group’s companies have in place internal regulations to prevent corruption, including, inter alia, rules for accepting and giving gifts, conflict of interest management, and ethical principles to be followed by members of the company’s statutory bodies. Relative to the entity in question,



POLICY



COVID-19



INSURANCE



HEALTH



INVESTMENTS



BANKING

Ethical foundations of doing business

Corruption risk is part of the ongoing management of compliance risk in various areas of activity. PZU has therefore implemented solutions imposing an obligation to identify and assess corruption risk. The 2020 corruption risk assessment confirms that the system solutions work correctly in PZU and that actions aimed at managing this risk were taken with due diligence.

[GRI 205-1]

PZU, PZU Życie, PZU Zdrowie and Tower Inwestycje have in place the “Anti-Corruption Program in PZU and PZU Życie”, which lays down the standards of conduct to reduce corruption risk. The master rules described therein for managing corruption risk form the basis for introducing detailed internal regulations in the various areas of the company’s business. This “Program” aims to uphold the company’s reputation as an honest company in terms of its managerial practices and business activities. The Management Boards of PZU and PZU Życie oversee the execution of this “Program”. Non-compliance with the provisions of the “Program” constitutes a breach of employee duties and is subject to the sanctions provided for in the provisions of labor law. PZU Zdrowie has in place its own the „Anti-Corruption Program”.

According to the rules prescribed by this “Program”, companies conduct business in accordance with the law in an honest manner and counteract any and all forms of corruption, which may be linked to their business. In turn, their employees are obligated to act ethically and in compliance with the law in favor and on behalf of PZU and to avoid factors increasing corruption risk. Employees are prohibited from proposing, promising, giving or demanding any material or personal benefits in order to manipulate a pending decision, including the usage of gratification.

The “Anti-Corruption Program in PZU and PZU Życie” defines the business areas in which corruption risk is potentially the greatest and specifies symptoms of unethical employee conduct. Mechanisms to identify and monitor corruption risk function in those areas of business that are particularly susceptible to corruption risk.

The “Anti-Corruption Program in PZU and PZU Życie” introduces mandatory, regular and periodic corruption risk assessments. It includes, among other things, corruption risk self-assessment questionnaires conducted among employees, registered notifications of irregularities in specific areas, results

BEST PRACTICE



The “Anti-Corruption Program in PZU and PZU Życie” supports prevention and educational solutions encompassing the definitions of unwanted behavior and examples of corruption factors.



Corruption

It is a direct or indirect demand, acceptance, provision or promise to provide a material benefit or a personal favor in exchange for taking or not taking an action in connection with discharging a function in PZU.

Gratification is a form of corruption. It involves making small and unofficial payments or some other types of benefits to procure the accelerated execution of a routine activity, which the party delivering the gratification has the right to receive.

In turn, a bribe, which is also a form of corruption involves giving or receiving a present, loan, fee, award or some other material or personal benefit to or from another person as an incentive for a dishonest or illegal action or breach of trust in the course of the company’s business activity.

Material benefit

This is a material benefit given or received by an employee in connection with his or her position or function in the company net of his or her salary and other benefits due in connection with acting in this function and souvenirs given customarily whose unit value is not subject to personal income tax.

Personal benefit

This is an immaterial benefit augmenting the standing of an employee, his or her loved ones or persons or organizations with whom or with which he or she closely cooperates or cooperated on a professional, business or personal footing.

BEST PRACTICE



PZU employs the following approach:

- transparent process of selecting business partners;
- transparent rules for hiring, promoting and remunerating employees;
- transparent rules for sponsorship and prevention activities.



of internal inspections and reports of non-governmental organizations dealing with corruption. Intensified educational activities for employees – training sessions, publications and consultations are performed for the purpose of effectively controlling corruption risk.

All PZU and PZU Życie employees have been obligated to familiarize themselves with the Anti-Corruption Program and comply with its provisions and submit the pertinent representations in this respect. In other PZU Group entities in which the anti-corruption program has not been implemented, the potential corruption risk analysis or assessment is carried out as part of the analysis of the notifications or inquiries related to a conflict of interest or accepting or giving gifts.

In the other PZU Group entities, the potential corruption risk analysis or assessment is carried out as part of the analysis of the notifications or inquiries related to a conflict of interest or accepting or giving gifts.



The “Bank’s Security Policy” is in force in the Pekao Group. It constitutes a collection of guidelines pertaining to issues related to the Bank’s security. In addition, the “Official Instructions on Preventing Corruption” directly refer to showing zero tolerance for acts of corruption. They contain clauses on employees using the services of suppliers and business partners, donations to political parties, donations for charitable purposes and sponsoring, receiving and giving presents and other benefits. In turn, the “Official Instructions on Conflicts of Interest” include a model for managing conflicts of interest, the areas in which possible conflicts of interest may appear and the measures for managing conflicts of interest.



POLICY



COVID-19

BEST PRACTICE



Corruption Prevention Officer
To elevate the rank of this area in the Compliance Department in Bank Pekao, a Corruption Prevention Officer has been appointed. Information regarding attempts involving corruption and actions bearing the marks of corruption should be reported to this person.



The “Corruption Prevention Policy in the Bank Pekao S.A. Group” defines the specific tasks of the Corruption Prevention Officer, including the drafting, implementing and supervising of an effective Corruption Prevention Program and conducting the legislative process on the Bank’s internal regulations on preventing corruption.

The Corruption Prevention Officer is authorized to investigate suspicious or factual acts bearing the marks of corruption, including the power to demand that a person suspected of engaging in actions involving corruption must produce documents and to browse through these documents and report such cases in accordance with the contemplated procedure.

[GRI 205-1]

The “Anti-Corruption Program” lays down the standards of conduct to mitigate corruption risk. The rules for managing conflicts of interest and the principles for accepting and giving gifts are in line with the Program.

Management of a conflict of interest



The “Rules for managing conflicts of interest” are in force in 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. According to this regulation an employee should report a potential conflict of interest to his or her boss and the compliance unit in a given company for that unit to be able to analyze that situation thoroughly from the standpoint of risk.



INSURANCE



HEALTH



INVESTMENTS



BANKING

Ethical foundations of doing business

A conflict of interest may assume various forms. These are usually situations in which there is or may be a discrepancy between:

- the interests of the PZU Group or its affiliates and the interests of a client;
- the interests of a person affiliated with the PZU Group and the interests of the PZU Group.

Rules for managing conflicts of interest are in force in all of the PZU Group companies.



In the Alior Bank Group this document is entitled “Instructions for managing conflicts of interest”.

In this document employees will find responses to questions on how a conflict of interest is defined and how its potential and actual outcome are determined and how they should conduct themselves to avoid a conflict of interest. These instructions govern material

elements such as the rules for employees to deal with relatives, accept gifts and invitations and conduct gainful activity outside the Group. This document also clearly specifies the rules pertaining to the official ties between relatives while emphasizing the elimination of the risk of nepotism.

In turn, Bank Pekao has implemented the “Rules and Regulations for Managing Conflicts of Interest in Bank Pekao S.A.”. This document specifies the rules for managing conflicts of interest and defines the circumstances that trigger or may trigger a conflict of interest in the activity of the bank. It also describes the means for managing conflicts of interest, among others by defining the rules for remunerating employees so that they do not exert an adverse impact on a stakeholder’s interests and do not eliminate the direct links between the variable portion of remuneration and the business objectives and transferring bank employees to other positions if official reporting lines arise between relatives. Policies and official instructions on conflicts of interest are in force in the Pekao Group’s companies. Containing a model for managing conflicts of interest, the areas in which possible conflicts of interest may appear and the measures for managing conflicts of interest.

Rules for acceptance and giving of gifts



The rules in PZU and PZU Życie regulate in transparent and very detailed terms the categories and types of gifts, including permissible and impermissible gifts and they prescribe the procedure for accepting or offering

gifts and the rules for registering gifts. These rules are in force regardless of the position held or function discharged in the company.

BEST PRACTICE

We do not accept gifts from clients, business partners or associates if those gifts could:

- compromise objectivity in the decision-making of a PZU Group entity or evince the impression of exerting such an impact;
- lead to the emergence of an informal obligation to a given client, business partner or person cooperating with the PZU Group;
- trigger or be able to trigger a conflict of interest;
- be interpreted as compensation for a business favor;
- adversely affect in some other manner the method in which an employee performs his or her official duties or the PZU Group’s interests or image and reputation.

The Best Practices of the PZU Group provide examples of proper conduct.

Question: Within the framework of cooperation with a business partner I have received a ticket to a football game. Can I accept it?

Reply: Yes, provided that you obtain the pertinent consent. Participating in a meeting to cultivate good business relations is not forbidden provided that its intention is not for an employee of the PZU Group to obtain or offer benefits and influence in that manner the ability to make an objective judgment and make decisions. According to the rules endorsed by the company, the occasional acceptance of a ticket to attend a sports event does not constitute a breach of the rules. However, the obligation of notifying the acceptance of this gift in the register of gifts should be remembered.

The procedure for giving and accepting gifts is in force in all of the PZU Group companies.

BEST PRACTICE



In 2020 Alior Bank employees reported 164 cases of accepting benefits: gifts, invitations to attend conferences or training courses, tickets, souvenirs, etc., which

have been registered in a register designated specifically for this purpose. The vast majority of the reported gifts fell within the permissible limit of PLN 200. In the case of gifts exceeding that value, ordinarily the solution is to earmark that item for charitable purposes, e.g. to give to an orphanage. In the case of invitations to attend conferences or business meetings consent was given if the topic of those events was related to official duties.

[GRI 205-3]

In the entire PZU Group, 265 cases of corruption and fraud were identified in 2020. Three situations were reported in PZU and PZU Życie that may have involved corruption (security incidents). After the legal analysis of these incidents PZU decided not to submit notifications concerning the suspected commission of a crime. 65 cases of corruption and fraud were identified in Alior Bank. One instance of corruption was reported to the law enforcement authorities in the Pekao Group.

Communication and training

[GRI 205-2]

These actions are supplemented by anti-corruption training and campaigns executed in the corporate communication channels, attracting the employees’ attention to the corruption risk.



The training course pertaining to the “Anti-Corruption Program in PZU and PZU Życie” is one of the mandatory training courses for all of the employees in these companies. PZU and PZU Życie employees submit declarations in

the HR system that they have familiarized themselves with the “Program” and undertake to adhere to it and also that they are aware of the criminal liability for corruption. Every amendment

to the “Program” will necessitate the submission of an updated declaration. 566 employees completed this training course in 2020: all new hires (486 people) in PZU and PZU Życie and people who did not manage to take that training in the previous year (80 people).

Topics concerning conflicts of interest, potentially risky situations and the rules of conduct if they are detected are part of the e-learning training course on compliance: 99% of the employees took this training in 2020. These topics are also discussed during training courses for new employees. All PZU and PZU Życie employees may take advantage of the newly-developed training course on conflicts of interest. It has been available on the internal educational platform since early 2020. In this case employees also submit declarations on adhering to the “Rules for Managing Conflicts of Interest”.

Compliance-related issues are regularly described in the Compliance Bulletin. Employees receive it quarterly by e-mail or in printed form. The Compliance Bulletin plays an educational role - it enriches the knowledge gained during training sessions thanks to the readily understandable manner of presenting information (in the form of tables and figures).

Compliance Alerts, i.e. e-mail messages describing planned changes to the law, new guidelines, communications and decisions made by regulatory authorities as well as court decisions of significance from the vantage point of the business conducted by the Group play an important role in disseminating information. Compliance Alerts are sent to employees in selected areas and several hundred more people who have reported their interest in receiving this type of information. These alerts are critical to procure the company’s compliance with the legal regulations. They make it possible for them to obtain information quickly about the projected changes to the law and the regulator’s expectations and adapt to them on a timely basis.



Employees of Alior Bank, Alior Leasing and Alior TFI have been trained on the procedures for fraud prevention and the rules of ethical conduct. The training sessions pertained, among other subjects, to security policy and

compliance risk where conflicts of interest were one of the subjects of interest, as were banking secrecy and the gifts policy. Training sessions were introduced as an obligation for all new hires in Alior Bank.



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.”



“Showing respect for other people is one of the most important values by which we are guided in the PZU Group. We care about every employee feeling that he or she is a full-fledged member of our organization. PZU does not consent to tolerating conduct manifesting any form of discrimination or disfavor. We believe that creating an organizational culture based on accepting and respecting the dignity and diversity of every human being is an opportunity for the overall PZU Group to develop and achieve success.”

Andrzej Szeremeta, Manager of the Social Dialogue Team

PZU operates under the patronage of the EU Platform of Diversity Charters. As a signatory of the Diversity Charter it undertook a commitment to review its own procedures and policies regarding human rights and diversity.



The “Human Rights Policy” PZU is implementing assumes respecting human dignity is a priority in a modern and open organization like PZU. It responds to what is expected of the business community, which should have a significant

part in protecting human rights and advancing equality. Implementing the “Human Rights Policy” will streamline the monitoring of indicators pertaining to symptoms of discrimination and diversity management in PZU. At the same time, it responds to the requirements of Directive 2014/95/EU on disclosure of non-financial and diversity information.

BEST PRACTICE



The Gender Equality and Diversity Policy is in force in Bank Pekao and in the companies doing business as Pekao Bank Hipoteczny, Pekao Leasing, Pekao Financial

Services, Centrum Kart, Pekao Direct, Pekao Faktoring, Pekao Investment Banking and Pekao TFI.

Alior Bank has in place the Policy for the Selection and Assessment of Management Board and Supervisory Board Members, which is supposed to ensure diversity of education, professional experience, age and gender of the Management Board and Supervisory Board members, in particular by ensuring women’s participation in the process of selecting Management Board members and equal treatment of candidates regardless of gender.

PZU Group’s policies [Accounting Act]

[GRI 103-2]

The respect for diversity and equality and the ban against discrimination are principles deeply rooted in PZU’s organizational culture. The Group runs activities fostering conscious management of diversity, including workshops and training courses for employees and managers. This way PZU 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.

[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			
	2019		2020	
	Women	Men	Women	Men
<30 years old	59.9%	40.1%	59.8%	40.2%
30–50 years old	62.1%	37.9%	62.7%	37.3%
>50 years old	56.3%	43.7%	56.0%	44.0%
Total by gender	60.8%	39.2%	61.2%	38.8%
Foreigners	0.0%	0.0%	0.1%	0.1%

Employees by employment structure	Percentage of employees in each category in relation to the total number of employees in PZU and PZU Życie			
	2019		2020	
	Women	Men	Women	Men
Management positions	53.8%	46.2%	55.3%	44.7%
Other employees	62.1%	37.9%	62.3%	37.7%
Total by gender	60.8%	39.2%	61.2%	38.8%

Employees by employment structure	Percentage of employees in each category in relation to the total number of employees in PZU and PZU Życie					
	2019			2020		
	<30 years old	30–50 years old	>50 years old	<30 years old	30–50 years old	>50 years old
Management positions	1.9%	84.0%	14.1%	1.5%	83.2%	15.3%
Other employees	14.9%	67.9%	17.2%	13.5%	68.7%	17.9%

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Composition of the Supervisory Board by age category and diversity as at 31 December 2020

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%	20.0%	40.0%
>50 years old	9.1%	27.3%	20.0%	20.0%
Total percentage by gender	18.2%	81.8%	40.0%	60.0%
Foreigners	0.0%	0.0%	0.0%	0.0%

Composition of the Management Board and Group Directors by age category and diversity as at 31 December 2020

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	36.4%	45.4%	30.0%	50.0%
>50 years old	9.1%	9.1%	10.0%	10.0%
Total percentage by gender	45.5%	54.5%	40.0%	60.0%
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, “Best Practices of the PZU Group”, which indirectly regulates the conduct in a mobbing situation.



In the Pekao Group, the aim is to develop appropriate conditions and create a mobbing-free work atmosphere. The Anti-Mobbing Policy in force in Bank Pekao lays down the rules for counteracting conduct indicative of mobbing; additionally, it aims to underpin the execution of labor law regulations with respect to the obligation of combatting mobbing. The Policy has not been implemented in the Bank’s subsidiaries; however, some of them have devised internal procedures regulating this issue, including Pekao Bank Hipoteczny, Pekao Investment Banking, Pekao TFI and Pekao

Financial Services Sp. z o.o. A Policy for Counteracting Mobbing and Discrimination has been implemented in Pekao Leasing.



The anti-mobbing policies and procedures 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 Conduct 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.

Alior Bank has a policy of creating a working environment free of undesirable behavior. According to its regulations, the principles in force in the Bank pertain, among others, to the following: counteracting mobbing and sexual harassment, offering equal opportunities to all employees regardless of their gender, age, disability, race, religion, nationality, political convictions, trade union membership, ethnic origin, denomination, sexual orientation, form of employment for a specified or unspecified term and full-time or part-time employment.



There is an internal anti-mobbing procedure in TFI PZU. PTE PZU, in turn, has in place a resolution on the rules for preventing mobbing in Powszechnie Towarzystwo Emerytalne PZU Spółka Akcyjna. Among the purposes of this procedure is to define the procedure governing the appointment and responsibilities of the anti-mobbing committee.

[GRI 419-1] No non-financial sanctions were recorded in PZU and PZU Życie in 2020 for compliance failure. In turn, two such sanctions totaling PLN 111,150 were recorded in PZU in 2019 and two sanctions totaling PLN 46,500 were imposed on PZU Życie. 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 2020 the PZU Group confirmed 20 breaches of the rules of

conduct pertaining to ethics and human rights (6 fewer than in 2019). 4 of them transpired in the Pekao Group and 16 in the Alior Bank Group. No cases of failing to comply with the rules on how to act when it comes to ethics and human rights were confirmed in PZU and PZU Życie. The substantiated notifications of breaches in the Alior Bank Group in 2020 pertained among others to undesirable conduct in the working environment involving discrimination, mobbing and the usage of improper practices in customer service. Commensurate official consequences such as termination of an employment contract for cause or by mutual consent, disciplinary talks, training sessions on soft skills and warnings were administered to the employees of the Alior Bank Group who exhibited such conduct or committed such undesirable violations. Two complaints were reported to the Anti-Mobbing Commission in the Pekao Group but mobbing was not ascertained in either of these cases. Other reports on the failure to abide by the rules concerned a superior’s improper conduct towards employees and a violation of the rules for ethical conduct in relationships between bosses and their reports. The commensurate consequences were administered to these employees in the form of warnings or dissolution of their employment relationship. At present, these persons no longer work for Pekao Leasing.

PZU does not accept intolerance, mobbing or other forms of discrimination. Legal acts including the Work Rules and Regulations and the Internal Anti-mobbing Procedure are in place to support the fight against mobbing. The Internal Anti-Mobbing Procedure currently in force was introduced by a directive issued by the President of the Management Board and is applicable to all employees regardless of the position held, while employees are familiarized with it at the outset of their employment. This procedure simply defines the actions to be taken in the event mobbing transpires in the organization. It has not required any change for more than a decade because of its suitability and simplicity, which is an additional guarantee of stability and the consistency of the actions taken by PZU to counteract mobbing.

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. Persons with an education in law and psychology sit on the Anti-Mobbing Commission. As part of the care shown not just for legal aspects, but also to mitigate the emotional costs related to mobbing, in 2020 employees were



Ethical foundations of doing business

given additional preventive psychological support in the form of a hotline on top of the psychological support provided in the traditional form to date.

In December 2020 a new mandatory e-learning training course was prepared for all employees entitled “Countering mobbing and discrimination in the workplace”, which replaced the previous training course entitled “Mobbing: legal and psychological aspects” as of January 2021. In addition to mobbing-related issues, these training courses provide employees with information on prevention of discrimination and equal treatment in employment opportunities.



The “report the incident” procedure also operates in the organization; it enables employees to report information about breaches of rules using an Intranet platform. [SECTION 6.4. WHISTLEBLOWING SYSTEM.](#)

The steps taken to counter mobbing through communication, training and the whistleblowing procedure accompanied by the employer’s lack of acceptance for any illegal phenomena contributes to the fact that the number of complaints, including mobbing complaints has remained steady at a constant low level.

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, job appraisal 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. 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.

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-

mind activities, opportunities to be promoted) to the termination of cooperation.

Under focused recruitment in recruitment processes PZU observes principles of equal access to work for all. The rules of not discriminating on account of gender, age, disability, country of origin or other reasons are observed. Recruitment in PZU relies on the best possible match of candidates’ profiles to the requirements defined in the job description. Similarly, the very same principles are upheld in the internship and fellowship programs run, all parties enjoy equal access and are treated in the very same manner.

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

BEST PRACTICE

Comprehensive service provided to disabled drivers and passengers



Since 2011 the company has uninterruptedly continued its collaboration with the SPiNKA Association of Disabled Drivers, which operates for the benefit of persons with physical dysfunctions in their capacity as drivers and passengers. The lack of adaptation of automotive vehicles to their specific needs results in them not being mobile, which in turn frequently leads to their exclusion from professional and social activity.

PZU has decided to take measures in this area to provide special support to this segment of road traffic participants. PZU is running a program to adapt vehicles for use by disabled drivers thereby making it possible to overcome the physical dysfunctions of disabled persons.

PZU financed the costs of adapting 57 vehicles to be used by disabled drivers under this program in 2020.

PZU will continue its efforts to date and analyze the needs of clients with disabilities for another 24 months.

PZU participates in professional activation of disabled persons by creating safe working conditions that are adopted to accommodate the degree of disability. At the end of 2020 PZU and PZU Życie employed 101 and 73 persons, respectively, with a confirmed disability and a total of 116 people in PZU and PZU Życie.

The PZU Group expects that suppliers respect and will respect human rights and act against discrimination in their businesses. [SECTION 6.7 COOPERATION WITH SUPPLIERS](#)

BEST PRACTICE



[G4-FS14] The customer 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 serving 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 impediments.

Until October 2020 PZU offered a service enabling the deaf and hard of hearing to open a simultaneous video link with a sign language interpreter and a PZU consultant through the web; this service has been suspended for the time being as work is underway to implement this service anew.

Approximately 78% of PZU’s branches offer access to people with disabilities. These 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 approximately 37% of the PZU branches;
- in approximately 40% of the branches, access to the disabled is facilitated through suitable ramps, elevators and other technical equipment.

During the verification of the market and analysis of facilities for new lease agreements to be used as newly-opened branches, the accessibility afforded to the disabled is one of the key criteria making buildings eligible to be leased by PZU.

Approximately 43% of PZU branches are equipped with accessible toilets for disabled persons. They have, among others, maneuvering space for wheelchairs and grab rails. With guaranteeing the reduction in the number of obstacles and equal accessibility as their goal, PZU, other business entities and local governments are participating in a nationwide campaign to “eliminate obstacles” in Poland. The steadily growing number of parking spots for disabled persons across the country is a visible outcome. Efforts have been made in all of the properties owned by PZU and used as parking lots to designate separately marked spots for eligible vehicles. If parking lots are leased then PZU expends effort for the lessor to show its care about creating separate privileged spots.

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 2019 and 2020, there were playroom corners in 13 branches – children could play with environment-friendly puzzles in 120 branches.



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, Polish and foreign alike, separate whistleblowing procedures are in place. Employees are advised of the prevailing standards of conduct, inter alia at onboarding training for new hires, during e-learning and during on-site and online training courses. A new mandatory e-learning compliance training course was implemented in 2020 for all employees on PZU and PZU Życie's internal educational platform.

Irregularity – action or omission by persons related to the company that may be deemed to be in contravention with the law, internal regulations or standards of conduct, including the ethical standards adopted by the company leading or that may lead to jeopardizing the company with compliance risk.



The Whistleblowing System functions in PZU and PZU Życie. It allows employees and entities cooperating with PZU to report irregularities of an ethical nature. Information may be transmitted in name or anonymously. In every instance confidentiality, discretion and protection of personal data are guaranteed. An employee who reports a potential irregularity in good faith is not at risk of any sanctions; nor does he or she incur any consequences pertaining to his or her employment relationship due to that report. The Whistleblowing System supports the application of PZU's ethical standards as cited above and the management of the accompanying risks.

Reports transmitted by clients are subject to examination in accordance with separate internal regulations defining the organization of the complaints handling process.

In 2020, roughly 100 suspected irregularities were reported in PZU and PZU Życie, which confirms that the Whistleblowing System actually functions. All reported cases were recorded in the register and examined in accordance with the applicable the „Whistleblowing Procedure”; and if necessary, with other internal regulations.

Whistleblowing Procedure



Employees learn about the “Whistleblowing Procedure in PZU and PZU Życie” at mandatory training sessions on compliance available on the internal educational platform, among other places. It is also discussed at training sessions for newly hired employees. Information concerning the standards of dignity, including precisely how to report irregularities is also regularly disclosed to external entities cooperating with PZU, among others, to agents and business partners.

In accordance with the “Whistleblowing Procedure in PZU SA and PZU Życie SA” all of the aforementioned information pertaining to irregularities and fraud may be reported using the following channels of communication operated by the Compliance Department:

- dedicated hotline and fax;
- traditional mail to the address of the compliance unit;
- dedicated e-mail addresses;
- dedicated form;
- in person: directly to an employee of the compliance unit.

Thanks to the various forms of contact with the compliance unit an employee may file a report in the most convenient form and time 24 hours a day, 7 days a week.

In accordance with the “Procedure” in force, Compliance Department employees run the proceedings on reported

irregularities in PZU and PZU Życie. The person conducting a given case coordinates the actions taken during the explanatory proceedings; he or she also analyzes the factual circumstances and the legal status specified in the notification.

The person overseeing the Compliance Department is notified in every instance of the outcome of the proceeding concerning cases of significant importance to the company's interests, while if the notification pertains to that person – then the President of the Management Board of the company is notified. The execution of the recommendations given after completing proceedings is subject to monitoring by the Compliance Department and is reported to the company's Management Board and Supervisory Board as part of regular reporting on compliance risk.

The “Whistleblowing Procedure in PZU SA and PZU Życie SA” will be adjusted to meet the requirements regulated by the new domestic regulations. According to Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law, this harmonization at the domestic level is supposed to take place by 17 December 2021, while the implementation in organizations should take place in accordance with the deadline specified in domestic regulations.

The companies belonging to the Group have independent mechanisms for reporting information concerning the suspicion, possibility or occurrence of irregularities or abuse. However, the basis for their creation was linked to the rules in force in PZU and PZU Życie. Therefore, similarly, the employees of these entities learn about the whistleblowing procedure during training courses, while cases are examined by the compliance unit.

PZU LAB, PZU Pomoc and Armatura Krakow have in place the “Rules for Classifying, Documenting and Reporting Irregularities Detected by the Internal Control System”. This regulation is supposed to provide for homogenous standards of conduct if irregularities are identified that affect the achievement of targets.




The “Whistleblowing Policy in Bank Pekao S.A.” is an expression of Bank Pekao's engagement in promoting corporate culture that supports ethical behavior.


The purpose of the “Whistleblowing Policy in Bank Pekao S.A.” is to create safe channels for communicating about practices observed in the bank that are inconsistent with the prevailing law, internal regulations, unfair and unethical or unjustified suspicions about their occurrence and ensure that the reported problems are accepted, analyzed and duly managed, while the person reporting them in good faith will be protected against vengeance. 14 violation reports were filed in the Pekao Group in 2020 using the whistleblowing mechanism, with 8 of them in the bank itself. None of these cases was not an instance of corruption substantiated to such a degree that it was reported to the law enforcement authorities. Nor were there any confirmed cases of failing to adhere to the rules on how to act when it comes to ethics.

The bank's subsidiaries have in place internal procedures regulating the process of reporting violations, e.g. Pekao Bank Hipoteczny has in place the “Violation Notification Policy”, Pekao Investment Banking has its “Violation Notification Procedure” and Pekao TFI has devised its “Unacceptable Conduct Disclosure Policy” and its “Procedure for Anonymously Reporting Violations”.

Alior Bank attaches enormous importance to properly organizing the whistleblowing system so that employees may easily and without any concerns transmit information or share their doubts. Therefore, it affords them the opportunity to avail themselves of many channels of communication for this purpose. A notice may be reported orally, in writing or by e-mail to dedicated e-mail addresses, or directly to Members of the Management Board or of the Supervisory Board. The adopted whistleblowing system facilitates the maintenance of anonymity. The bank absolutely rules out the application of any repressive or discriminatory means or any other unfair treatment against an employee who has submitted a whistleblowing report and it also ensures confidentiality if the whistleblower reveals his or her identity or if it is possible to ascertain his or her identity. The bank also has in place its “Policy of creating a workplace free of undesirable behaviors in Alior Bank S.A.”, which additionally regulates the question of reporting irregularities in the case of undesirable behaviors such as mobbing, discrimination, harassment and sexual harassment.



 In 2020 there was a total of 55 identified breaches of the rules of conduct pertaining to ethics in the PZU Group. 35 cases of irregularities were confirmed in PZU and PZU Życie under the Whistleblowing Procedure in connection with the violation of the standards in force in PZU and PZU Życie, also including violations of ethics, with 29 of these cases pertaining to agents and other sales intermediaries.





Depending on the nature of the case, the relevant organizational structures have taken appropriate management actions, including, inter alia, instructing the agent, reminding about applicable internal regulations, including standards of conduct, training selected areas. 16 cases transpired in Alior Bank and 4 in the Pekao 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 addition, Alior Bank:

- gives warnings to employees;
- issues recommendations for the HR Business Partner to work with Managers on building positive relations with the team.
- supervises how employees discharge their business duties;
- administers the HMM questionnaire (Harvard Manage Mentor) in the unit managed by the Manager to whom the report pertains.

Despite the independence of the whistleblowing systems, the structures operate efficiently and effectively. Reports summarizing the risks and breaches are presented to the management boards of individual Group companies.


BEST PRACTICE

 Employees of PZU Ukraine and PZU Ukraine Life learn about the “Whistleblowing Procedure” at an e-learning course entitled “Learn about Compliance”. Importantly, this document has been drafted in two languages: Ukrainian and Polish. In turn, Lietuvos Draudimas operating in Lithuania has a 24/7 hotline to report irregularities.



6.5 Transaction security

Counteracting money laundering and terrorism financing - “the phenomenon of money laundering and terrorism financing is 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 [Accounting Act]

[GRI 103-2]

Financial crime, money laundering and financing terrorism are challenges that evince 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.

Employees and associates, including PZU Życie agents undergo regular training on preventing money laundering and financing terrorism.

Security Procedure




The PZU Group has special security procedures in the crime prevention area. PZU and PZU Życie have implemented the „Security procedure for counteracting money laundering and terrorism financing in PZU Życie”. It is applicable to


Management Board Members, company employees and sellers as well as external entities that collaborate with companies on the basis of concluded agreements.

According to this document, the security standards in the area of counteracting money laundering and terrorism financing are as follows:

- ensuring a company’s compliance with the regulations in force for the purpose of counteracting money laundering and terrorism financing;

BEST PRACTICE

 The Act of 1 March 2018 on Combating Money Laundering and Financing of Terrorism (Journal of Laws of 2018, item 723) referred to as the AML (Anti-Money Laundering) Act 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. Legally required internal procedures were implemented, including a group procedure addressed to all obligated institutions in the PZU Group (institutions belonging to the Group and subject to the AML Act) and the relevant internal procedures were updated. PZU is not subject to the regulations of the



AML Act, but as 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.

To submit to these regulations PZU launched the AML project. Its purpose is to devise solutions to facilitate the implementation of the Act on business processes and operational processes while taking into account the requirements ensuing from the bill to amend the act on counteracting money laundering and financing terrorism (to implement the requirements of the Fifth AML Directive and future AML requirements defined under the Sixth AML Directive.)

Ethical foundations of doing business

- securing the company against establishing and maintaining business relations with entities suspected of money laundering and financing terrorism;
- protecting the company's reputation against its business being identified with money laundering and financing terrorism.

The "Procedure" consists of the following:

- disclosing security incidents and insurance fraud committed to the detriment of the company;
- prevention and prophylactic activities;
- security risk management.

BEST PRACTICE



PZU and PZU Życie analyze the insurance contracts they conclude and the transactions they execute or transactions unrelated to business dealings to do a risk assessment of money laundering and financing terrorism. Companies apply financial security measures to their clients. They conduct a risk assessment of money laundering and financing terrorism related to the establishment of business relations or a transaction unrelated to business dealings.

This document describes not just the roles and tasks of persons involved in the AML process but also their responsibility. The Management Board Member overseeing the Security Department is responsible for implementing the obligations for counteracting money laundering and terrorism financing prescribed by the AML Act. In accordance with the "Security Policy" of 2015 the PZU Management Board designated the Management Board Member responsible for security in PZU Życie to exercise this oversight.

BEST PRACTICE



PZU Życie's declaration:

- the company does not maintain cooperation, meaning it does not render services to, or utilize the services of, entities if there is a justified suspicion of these entities being engaged in money laundering or financing terrorism;
- the company does not establish or maintain relations with fictitious banks and entities maintaining a relationship with a fictitious bank;
- the company does not make deposits or withdrawals of cash (meaning cash deposits and withdrawals related to insurance activity) exceeding a value of EUR 15 thousand as referred to in Article 72 section 1 item 1 of the AML Act.



The "Security procedure for counteracting money laundering and terrorism financing in PZU Życie SA" contains guidelines concerning actions to be taken in the case of suspicious transactions and if a client is listed on sanction lists (they form attachment 5 to the "Procedure").

Actions performed as part of the "Procedure" and the AML act:

- due diligence (assessment of the current standing and potential risk) regarding a client or business partner prior to establishing a business relationship;
- enhanced due diligence (more rigorous assessment of the current standing and potential risk) regarding a client or business partner operating in high risk countries;
- operational guidelines for reporting suspicious transactions;
- employee training on counteracting money laundering and terrorism financing;
- monitoring existing business relationships

Prevention activities

Risk awareness is a crucial part of the company's security system functioning correctly; that is why all employees and intermediaries should be trained and have up-to-date knowledge of the applicable internal regulations and other necessary internal rules on counteracting money laundering and terrorism financing. The head of the organizational cell or unit in which the employee is employed is responsible for overseeing training. The head of the organizational cell or unit of the Head Office supervising a given structure is responsible for supervising the employees of local structures of divisions and tied intermediaries.



Detailed information on prevention and prophylactic security measures is set forth in the "Instructions regarding prevention and prophylactic security measures in PZU and PZU Życie". It spans actions to raise the awareness of security risks in the following areas:

- information security;
- cybersecurity;
- physical safety;
- counteracting crime;
- counteracting money laundering and terrorism financing;
- business continuity.



In TUW PZUW the "Procedure for fighting crime in TUW Polski Zakład Ubezpieczeń Wzajemnych" formalizes the process of identification, management and protection 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 Activity of Towarzystwo Funduszy Inwestycyjnych PZU". The "Procedure for

Counteracting Money Laundering and Terrorism Financing" is also in force there. It is used in the company's internal relations and in external relations to which the company is a party. The "Code of Best Practices of Institutional Investors" prepared and approved by the Chamber of Fund and Asset Management is also in force in the company. This code provides the company with a great deal of support in defining the rules, moral and ethical standards and due diligence levels in TFI PZU's relationships with other institutional investors, its clients and issuers of financial instruments. TFI PZU's adoption of this code also attests to the application of best investment practices in the company.

PZU Finanse, an obligated entity under the AML act has a procedure for anonymously reporting breaches of the regulations related to counteracting money laundering and terrorism financing.

In 2020 there were 276 incidents in the PZU Group related to insurance fraud (187 in PZU, 13 in PZU Życie, 24 in LINK4, 1 in TUW PZUW and 51 in its international companies). These cases were handed over to the law enforcement authorities.



The Alior Bank Group has implemented a procedure for preventing money laundering and financing of terrorism.

In 2020, there were 826 pending fraud cases in the Alior Bank Group. Irregularities involving internal fraud were identified in 65 instances. The level of losses was PLN 236 thousand, of which PLN 176.4 thousand was recovered.

In Bank Pekao and five other companies in its group, internal fraud management procedures were implemented.

Bank Pekao has in place a Fraud Management Process regulation which introduces the Official Instructions 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 Instructions define the following:

- 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 enacted Official Instructions impose on each bank employee the obligations and powers associated with prevention of financial crime to the detriment of the organization itself and the bank's clients.

In 2020 the amount of fraudulent operations totaled PLN 30,948,428.69 (2,437 fraudulent operations) – such a high amount stems from registering the attempts at cashing high value checks through Bank Pekao (four checks for an amount exceeding PLN 24 million).



CHALLENGE

“PZU and PZU Życie SA have implemented the Sanction Policy which lays down the standards for managing sanction risk for the purpose of adhering to the requirements under international sanctions in the business conducted by PZU and PZU Życie SA”.

[GRI 419-1] On 9 January 2020 the Polish Financial Supervision Authority imposed a financial penalty on PZU in the amount of PLN 370 thousand

- for violating Article 14 Section 1 of the Act on Mandatory Insurance in connection with the insurance undertaking failing to pay indemnification within the deadline referred to in the article above in cases relating to nine injured parties;
- for violating Article 14 Section 2 of the Act on Mandatory Insurance in connection with the insurance undertaking failing to pay indemnification within the deadline referred to in this article above in cases relating to five injured parties.

[GRI 206-1] In 2020 five proceedings were pending against the Group and its subsidiaries in terms of violating fair competition principles (PZU, PZU Estonia, Bank Pekao, Alior Bank). One proceeding concerning PZU came to an end. In June 2020 the Supreme Court dismissed the cassation appeal lodged by the President of the Office of Competition and Consumer Protection, whereby it ultimately released PZU of the allegation of an illegal division of the market with Maximus Broker and the sanction of PLN 56.6 million. PZU was accused of allegedly concluding an illegal sales agreement with Toruń’s insurance intermediary Maximus Broker, involving division of the market of group accident insurance for education centers in the Kujawsko-Pomorskie Voivodship. This case had been pending since December 2011.

6.6 Tax transparency

Compliance with the law - “The PZU Group will do its utmost to adhere to the law and the prevailing standards in all areas of its activity.

The PZU Group applies the principle of respecting and understanding the statutorily prescribed tasks of government offices in its relationships with regulatory authorities, industry organizations and other external institutions”.



[GRI 207-1]

Tax reporting enhances the PZU Group’s transparency, promotes the credibility of entities among investors and other stakeholders and instills trust in Group companies.



Companies belonging to the PZU Group operate in compliance with the prevailing tax law by following the “PZU Group’s Tax Policy” and other internal tax procedures.

Since 2018 the Tax Group consists of the following entities:

- PZU;
- PZU Życie;
- PZU Centrum Operacji;
- PZU Pomoc;
- Ogrodowa – Inwestycje;
- PZU Zdrowie;
- Omicron BIS;
- PZU Lab;
- Ipsilon;
- Tulare Investments;
- PZU Cash;
- LINK4;
- PZU Finanse.

In 2021 the Tax Group was renewed for another three calendar years. A newly-formed company doing business as PZU Projekt 01 was added. PZU is the parent company representing the Tax Group.

[GRI 207-2]

PZU Group companies do not have tax liabilities - they pay their liabilities by the deadlines designated by the tax laws. The annual tax review and the audit of the financial

statements performed by the statutory auditor confirm that these calculations are correct. The competent tax office issues a certificate on not having any overdue taxes in response to requests submitted by PZU Group companies.

PZU Group companies calculate and pay tax liabilities for the following taxes, among others:

- corporate income tax (CIT);
- personal income tax (PIT);
- value-added tax (VAT);
- withholding tax (WHT);
- tax on civil law transactions (PCC);
- tax on certain financial institutions (asset levy) (FIN);
- real estate tax (DN-1).

[GRI 207-3]

PZU Group companies participate through the Polish Insurance Association in the process of government legislation and pronounce their opinions during social consultations on bills to change the tax laws.

The PZU Group is one of the top 10 payers of the corporate income tax in Poland.

[GRI 207-4]

Corporate income tax by country
(PZU Group, Bank Pekao Group, Alior Bank Group)

PLN million	2018			2019		
	Profit (loss) before tax	Remitted income tax	Effective tax rate	Profit (loss) before tax	Remitted income tax	Effective tax rate
Poland	8,802.5	1,918.4	21.8%	9,372.9	2,060.2	22.0%
Lithuania	73.3	10.0	13.6%	89.1	13.9	15.6%
Ukraine	21.0	10.0	47.6%	35.8	15.4	43.1%
Latvia*	33.4	0.0	0.0%	58.2	0.0	0.0%
Estonia*	14.6	0.0	0.0%	17.2	0.0	0.0%

* Under the tax system in Latvia and Estonia, tax is payable on the payment of dividends. No dividends were paid in 2018 and 2019

6.7 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.”



“The PZU Group consists of not just employees, but also its external partners, suppliers and subcontractors, among others. We want to be absolutely certain

that they also act ethically and honestly while respecting all employee rights. As the largest insurer in this part of Europe we therefore feel obligated to verify all of the people with whom we collaborate”.

Bartłomiej Zarzecki, Managing Director of Procurement, PZU Group

[GRI 102-9]

The PZU Group conducts its business activity while respecting all legal regulations, human rights and the principles of occupational safety and health protection. For that reason it also wants to influence the shaping of its suppliers’ attitudes in this area.

The PZU Group wants to build 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 the “Code of CSR Best Practices for PZU Group’s Suppliers”. It is a collection of principles for the PZU Group and all of its suppliers. Doing business in accordance with this Code and promoting its values are an important criterion in the classification and assessment of prospective 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.

BEST PRACTICE



Each company that wants to cooperate with PZU and PZU Życie is required to familiarize itself with the “Code of CSR Best Practices for the PZU Group’s Suppliers” and compliance with its provisions by business partners is incorporated into their contracts with PZU. An indispensable part of the offer submitted by a supplier is signing the declaration on familiarization with the Code and acceptance of its clauses.

The Code of CSR Best Practices for PZU Group’s Suppliers can be found on the website <https://www.pzu.pl/grupa-pzu/o-nas/kultura-compliance-pzu/kodeks-csr>.

BEST PRACTICE

Code of CSR Best Practices for PZU Group’s Suppliers



Human rights

We expect that the PZU Group’s suppliers respect and will respect human rights and act against discrimination when doing business, in particular:

- they abide by employee rights; they ensure safety and the appropriate working conditions for their employees;
- they reject the option of hiring children and do not tolerate any form of slave or forced labor;
- they ensure equal treatment in the workplace and do not employ any discriminatory practices due to age, gender, disability or race.

Environmental protection

We remain convinced that every PZU Group supplier follows the very same principles of environmental protection, in particular:

- strives to reduce the quantity of waste produced and segregates the waste produced;
- rationally uses electricity and heat;
- reduces water consumption and counters its pollution;
- minimizes the emission of greenhouse gases, exhaust and dust.

Supplier audits



The Supplier Audit Team administers business audits on suppliers who have concluded an agreement with PZU or PZU Życie or with both companies and on the PZU Group’s prospective business partners. Supplier audits are carried out in compliance with specific priorities and criteria.

Types of supplier audits:

- **periodic** – their purpose is to check suppliers regularly with which PZU cooperates. They are conducted according to a predetermined plan;
- **ad hoc audits** – they are done under order, e.g. in a situation in which a given supplier needs to be checked urgently on

Professional ethics

PZU is a public trust institution. The PZU Group’s professional ethics reflect the vision and values by which we are guided on a daily basis in our companies. That is why we expect the following of suppliers:

- application of the highest business standards in terms of the principles of fair and free competition and accuracy and credibility in communication with clients;
- protection of inside information;
- prevention of corruption and conflicts of interest.

GDPR

The PZU Group ensures the security of its data and protection of personal data of its clients. It makes sure all of its processes are compliant with the GDPR regulation and local regulations. The PZU Group expects an equally mature approach from its business partners. The basic requirements are as follows:

- submitting to all of the guidelines and obligations imposed by and following from the General Data Protection Regulation and domestic regulations in the field of personal data protection;
- educating and enforcing employees’ adherence to the GDPR and domestic regulations regarding personal data protection;
- showing the utmost diligence in selecting business partners who also satisfy the foregoing requirements.

account of problems encountered during collaboration or as part of checking a new supplier.

A supplier audit may be conducted in a fundamental scope. In that case it encompasses a diagnosis of the supplier utilizing information from inside the organization, a remote audit using an abbreviated audit form filled out by the supplier and the entire process is wrapped up by drafting a final report and a possible list of recommendations. An extended audit includes an on-site audit in the supplier’s premises. The full audit form filled out on site or directly after the visit is utilized in this type of audit. A representative of the substantive unit may also participate in an extended audit.



Ethical foundations of doing business

BEST PRACTICE

Supplier management procedure in supplier registration, verification and qualification



A supplier is entered on the List of Qualified Suppliers by using the procurement platform. This entry is preceded by supplier registration, verification and qualification processes.

Process of registration:

The supplier registers on the procurement platform at its own initiative or in response to an invitation from a company employee. It fills out the form with the data and submits declarations on having familiarized itself with the Code of CSR Best Practices for PZU Group's Suppliers.

Process of verification:

An employee of the Supplier Qualification and Assessment Team (ZKiOD) checks the data and documents presented in the form, collects opinions, among other things, from the security, compliance and planning and controlling units. Then he or she decides on whether to reject a supplier or commence its qualification process.

Process of qualification:

This involves an assessment of the collected data or documents. An employee of ZKiOD makes a decision and the manager of this unit approves it.

Corruption risk

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.

New Procurement Model

PZU actively looks for areas with potential to augment its operational efficiency and profitability. Changes to procurement were launched from the moment of creating the New Procurement Model project. As part of this project PZU launched a procurement platform available to suppliers at the site: zakupygrupy.pzu.pl. This is the core communication tool with current and future suppliers during the procurement process.

This project is underway in PZU, PZU Życie and PZU Centrum Operacji. It is slated to be completed at the end of May of 2022. In 2020 the first module of the procurement platform had its production launch: registration and verification of suppliers. It therefore serves to set up and develop the database of the PZU Group's suppliers. In subsequent stages the workflow modules to handle requisitions and purchase orders, electronic procurement and contract procedures and the supplier assessment and audit module will be rolled out.

The project focuses on the following:

- developing, followed by implementing the target model for the operation of procurement in the PZU Group;
- implementing savings drivers pertaining to the management of internal demand, procurement planning and managing suppliers;
- devising the concept for the IT system and implementing it to support the procurement process: from planning, to requisitioning, organizing requests for proposals, evaluating offers, to selecting a supplier, generating a contract and sending purchase orders;
- drafting and implementing internal acts covering procurement aligned to the new procurement model and system (Procedure for selecting the suppliers of goods and services, Rules for qualification, verification and assessment of suppliers).

The key benefits from implementing the New Procurement Model and procurement platform:

- implementing the best practices for running procurement processes in various categories;
- overall control of the current status of a launched procurement process at every stage of its duration;
- archiving information in the system register of events;
- shortening the time for the flow of information, acceptance;
- augmenting control over the safety of information;

- effective procurement planning and comprehensive management of the database of suppliers;
- reducing document-based workflow for most of the documents involved in the procurement process;
- aggregating procurement data to generate cost synergies flowing from shared purchases in the PZU Group.

The ultimate plan is for Group companies to use this model.

BEST PRACTICE



The "Procurement Policy in the PZU Group" lays down the fundamental principles in the process of selecting the suppliers of goods and services, and the principles of cooperation and information exchange in procurement the PZU Group.



It is in force in all PZU Group companies that are parties to the agreement on the rules of cooperation in the PZU Group dated 21 March 2017, including, among others: PZU Zdrowie, LINK4, TUW PZUW, TFI PZU, PTE PZU, PZU Pomoc, PZU Centrum Operacji and the PZU Group companies in the Baltic States and Ukraine. As part of best practice PZU has signed a procurement cooperation agreement with Alior Bank and Bank Pekao to cooperate for the purpose of achieving procurement-related synergies.

The "Procurement Policy in the PZU Group" stipulates that persons participating in supplier selection avoid situations in which their personal interests may be in conflict with the interests of the entity, they represent the entity with dignity in interactions with suppliers by presenting merits-based qualifications, a pristine ethical attitude and concern for its image and mutual satisfaction derived from cooperation while simultaneously showing concern for the economic interests of the entity. They are prohibited from proposing, promising, giving or demanding any material or personal benefits in order to manipulate a pending decision.

The procurement process is in manner to guarantee observance of the principles of fair competition.



The "Procedure for the Selection of Suppliers of Goods and Services" defines the principles and method of running the supplier selection process in PZU and PZU Życie. According to this document, suppliers are selected as follows:

- through single-source procurements;
- through tender proceedings;
- through negotiations.

Documentation related to the supplier selection process, including: requisitioning, invitations to participate in tender proceedings and other tender documents, submitted offers, documents related to the decision-making process of the tender commission or negotiation team and the supplier selection protocol is stored by the Procurement Department or the unit of the company unilaterally making the selection for at least the entire term of cooperation with the selected supplier, and then is archived according to the principles in force in the company.

The Procurement Department has the right to verify a requisition in terms of the expedience of a procurement and the description of the subject matter of the procurement.

In 2020 the Procurement Department completed 283 procurement procedures (tenders, negotiations, single-source procurements, RfIs) in PZU and PZU Życie. In total, 5,787 contracts were executed with suppliers in PZU and PZU Życie.



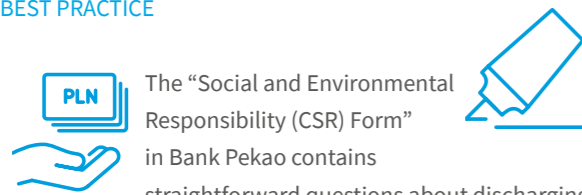
The Procurement Policy is in place in Alior Bank. Its purpose is to lay down the main principles and guidelines for the supplier selection process in making procurements for Alior Bank and its subsidiaries. To ensure the safety and confidentiality of information, business partners must fill out the following attachments, among others: "Non-Disclosure Agreement" and "Declaration of no connections". In January 2020 the Procurement Department in consultation with HR introduced a modification to the "Supplier's Declaration on Business Ethics" in the clause pertaining to discrimination in connection with the planned amendment of Alior Bank's anti-mobbing policy. This modification concerned the ban against discrimination for any reasons whatsoever. The reasons enumerated to date have been expanded to include the following: disability, ethnic background, sexual orientation, trade union membership.



Ethical foundations of doing business

A requirement has been in force in Bank Pekao since 2010 for suppliers participating in tenders for more than PLN 1 million net to fill out the “Social and Environmental Responsibility (CSR) Form” containing, among others, information regarding governance incorporating environmental protection. In this case the overarching goal is to raise awareness among the suppliers of goods and services of issues related to environmental protection and human rights and to bolster the bank’s reputation on account of its collaboration with specific suppliers and business partners.

BEST PRACTICE



The “Social and Environmental Responsibility (CSR) Form” in Bank Pekao contains

straightforward questions about discharging the obligations to adhere to the prevailing regulations concerning environmental protection and to undertake environmentally-friendly initiatives such as the following:

- holding certificates attesting to the environmentally-friendly business profile of a given business partner;
- adhering to environmental protection laws and regulations, inspections conducted and criminal cases related to the failure to abide by the regulations in force in this field;
- implementing innovative and environmentally-friendly new technologies;
- holding training sessions and informational meetings for employees on ecological issues.

7. About this report



“In the PZU Group we meet the disclosure policy standards for public companies when it comes to companies listed on a regulated market. By providing accurate and efficient disclosures regarding our business, products and intentions, we are able to give all market participants the ability to make a thorough evaluation of the PZU Group”.

[GRI 102-50]

The PZU Group’s integrated report contains data for 2020. It is in line with the overall strategy to build understanding for, and improvement in, the ESG results and build relations with key stakeholders.

This report has been prepared in accordance with the amended Accounting Act of 29 September 1994 and its requirements pertaining to non-financial reporting. Valuable hints on preparing the substantive content of this report were also provided by global guidelines and standards, among others, 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 on non-financial reporting with emphasis on reporting climate-related data and recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

[GRI 102-45]

In accordance with the requirements of the Accounting Act, the report on the PZU Group’s non-financial information in 2020 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 2020.

The data from PZU Życie, the Alior Bank Group, the Pekao Group, LINK4, TUW PZUW and the foreign entities doing business as AAS Balta, AB Lietuvos Draudimas and PrJSC IC PZU Ukraine are consolidated and presented in the information pertaining to the PZU Group. In turn, Alior Bank and Bank Pekao as public interest entities have also elected to make separate disclosures concerning their non-financial data, also in consolidated form.

The PZU Zdrowie Group in which PZU Zdrowie is the parent company, Armatura Kraków and PZU CO (CIG) are not public interest entities and 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 2019 for the aforementioned entities have been presented.

[GRI 102-46] [IIRC]

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.

“The information presented herein has been prepared with the utmost diligence according to the principles of transparency and openness espoused by the entire PZU Group. The data is accurate, consistent, comprehensive and concise at the same time. Thanks to this approach the non-financial report helps companies improve in how they practice corporate social responsibility. The issues discussed and the metrics concerning the achievement of goals show the specific actions which the PZU Group takes to achieve sustainable development”.



Magdalena Komaracka, CFA, PZU Investor Relations Director

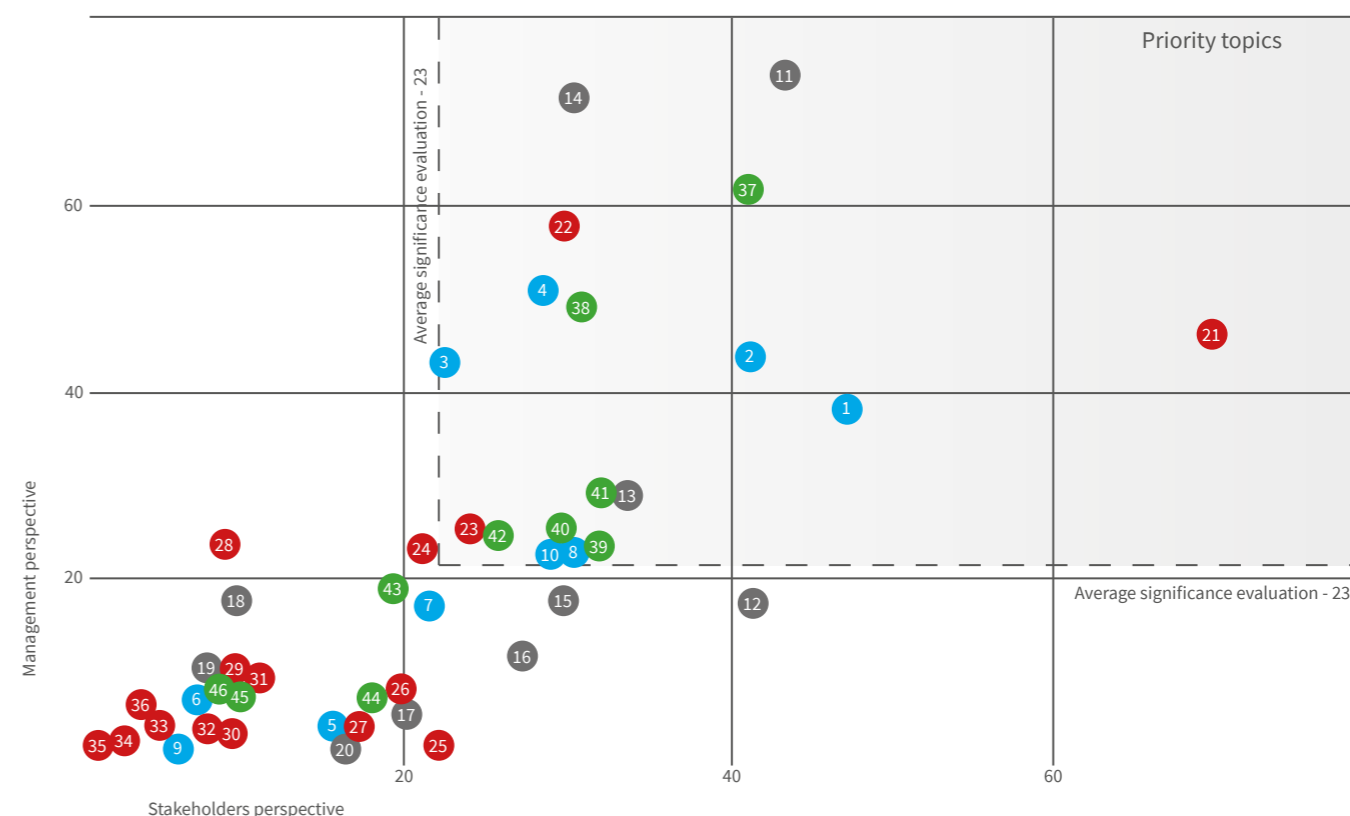
When defining the substantive part of the report, in accordance with the international guidelines, a process comprising the following stages has been followed:

- **Identification** – After analyzing the internal documents and external publications pertaining to the Group and press information of companies, and a review of industry reports, 46 key issues in corporate responsibility and business were selected;
- **Prioritization** – In January 2021 the Group’s stakeholders: retail investors, suppliers, clients, business partners, brokerage house analysts, representatives of non-governmental organizations and public institutions, representatives of central administration and Group employees ranging from senior management to lower echelons – in total more than 100 people took part in the survey concerning the materiality of the issues included in the report on non-financial information. This questionnaire also made it possible to identify the PZU Group’s well-known corporate social responsibility activities that are highly regarded by stakeholders. The findings of the questionnaire made it possible to determine what makes the PZU Group stand out as an entity operating in line with sustainable development and corporate social

- responsibility. This questionnaire also made it possible to identify the PZU Group’s well-known corporate social responsibility activities that are highly regarded by stakeholders. It also made it possible to determine what makes the PZU Group stand out as an entity operating in line with sustainable development and corporate social responsibility;
- **Validation** – PZU Group representatives confirmed the final list of priority issues taken into account in the 2020 report.

[GRI 102-47, GRI 103-1] Topics identified as being significant

The findings of the questionnaire have been presented on the significance matrix below. The Y axis presents the significance of topics from the governance perspective identified by the representatives of senior management. The X axis presents the topics selected by the Group’s other stakeholders. Based on the results of the analysis of the questionnaire, the identification of key issues and their prioritization, 18 significant topics from 4 areas were defined.



I. Employee and human rights issues

- 1 Transparent job and career path assessment system;
- 2 Education and development of employees at various levels - offering development opportunities, training, education co-funding;
- 3 Satisfaction survey and dialogue with employees and internal communication and its various forms;
- 4 Caring for occupational safety and health, including the provision of ergonomic conditions during remote work;
- 8 Promoting health and a healthy lifestyle among employees, ensuring work-life balance, well-being initiatives;
- 10 Structure of employment.

II. Social commitment

- 11 Commitment to fighting the Covid-19 pandemic;
- 13 Employee engagement in socially beneficial activities, employee volunteerism;
- 14 Prevention activities in safety and cooperation with rescue services.

III. Responsible management

- 21 Plans and strategy for the future;
- 22 Research and development activity, implementing innovative solutions;
- 23 Cybersecurity.

IV. Environment

- 37 Company's response to the challenges related to climate change and reducing the adverse environmental impact;
- 38 Green office: initiatives, effects, internal ecological culture of employees;
- 39 Education and engagement of clients, employees and other stakeholders in environmental protection;
- 40 Impact exerted by natural catastrophes on the company's business and its product offering;
- 41 Limitation of the negative environmental impact, including the reduction of its carbon footprint;
- 42 Incorporating environmental aspects when designing new products.

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."



[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.

BEST PRACTICE

Self-governing activities – strengthening protection for insurance market participants



The representatives of PZU and PZU Życie participate in the work of the committees, sub-committees and working groups of the Polish Insurance Association. Their tasks include conducting legislative activities that aim to protect and improve the conditions for the functioning of the insurance market. This work focuses on analyzing and opining on an ongoing basis draft legislation, preparing assumptions and agreeing on market practices.

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; General shareholder meetings; 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. 	medium	<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). 	medium	<ul style="list-style-type: none"> implementation of educational and social programs promoting health, safety, social aid, culture and protection of cultural heritage
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BEST PRACTICE

[GRI 102-13]

Participation in associations and industry organizations



The PZU Group is engaged in the activity of numerous organizations and associations:

- Polish Association of Listed Companies (SEG) – a self-governing organization of issuers that represents the interests of the companies

- listed on the Warsaw Stock Exchange. PZU has been a member since 2010;
- British Polish Chamber of Commerce – PZU has belonged to this business organization since 2016;
- Polish Insurance Association (PIU) – a self-governing organization of insurance undertakings to which all the insurance undertakings operating on the market belong; membership is compulsory;
- European Financial Marketing Association (EFMA) – an organization consisting of retail financial institutions in Europe: banks and insurers, the largest organization of its type in Europe;
- International Association of Agricultural Insurers – an international association to which the world's leading insurers of agricultural production belong;
- Polish Motor Insurers' Bureau (PBUK) – an organization of insurance undertakings that do business in Poland, membership in PBUK is compulsory;

- United Nations Environment Programme Finance Initiative (UNEPFI) – global partnership set up between the United Nations Environment Program (UNEP) and the financial sector;
- Geneva Association – an international insurance industry think tank;
- The Heart Corporate Club – brings together companies that want to build strong competences in innovation.

Membership in the organizations listed above is of a strategic nature to PZU. The company supports the activities laid down in their articles of association and takes part in additional projects run by these institutions.

PZU has also been a signor of the Charter of Diversity since 1 July 2013. This is an international initiative to advance diversity and equal opportunity in employment regardless of gender, race, sexual orientation, ethnic origin, age, disability or religion.



7.2 GRI content index

[GRI 102-55]

GRI Standard number	Number of the indicator	Indicator	Page number
Reporting assumptions and bases			
GRI 101		Reporting assumptions and bases	
Profile indicators			
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	157
GRI 102	102-6	Markets served	9
GRI 102	102-7	Scale of the organization	8, 15
GRI 102	102-8	Information on employees and other workers	101, 218
GRI 102	102-9	Description of the supply chain	196
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 2020 up to the date of publication of these financial statements:</p> <ul style="list-style-type: none"> On 2 January 2020, Specjalistyczna Przychodnia Przemysłowa "PROF-MED" sp. z o.o. merged with Centrum Medyczne Medica Sp. z o.o.; On 19 February 2020, Alior Bank acquired a 100% stake in Harberton sp. z o.o.; On 17 April 2020, RBL_VC sp. z o.o. ASI S.K.A, a company established by Alior Bank and RBL_VC sp. z o.o. on 21 November 2019, was registered in the National Court Register; On 3 June 2020, Harberton Sp. z o.o., a wholly-owned subsidiary of Alior Bank SA, and Lurena Investments B.V., entered into a final share purchase

GRI Standard number	Number of the indicator	Indicator	Page number
			<ul style="list-style-type: none"> agreement. On its basis, Alior Bank indirectly acquired 108,824,007 shares in RUCH SA, representing in total 100% of the company's share capital, for the price of PLN 1. Haberton Sp. z o.o. became an indirect parent of the following wholly-owned subsidiaries of RUCH SA: Fincores Business Solutions sp. z o.o., RUCH Detal SA, RUCH Marketing sp. z o.o., RUCH Nieruchomości V sp. z o.o.; On 30 June 2020, PZU Zdrowie merged with Alergo-Med Sp. z o.o., and Bonus-Diagnosta Sp. z o.o. merged with Asklepios Diagnostyka Sp. z o.o.; On 1 September 2020, a joint stock company PZU Projekt 01 SA was established with the share capital of PLN 150 thousand. On 30 October 2020, PZU Zdrowie merged with FCM Zdrowie sp. z o.o. As a result of that transaction, all assets of FCM Zdrowie sp. z o.o. were taken over by PZU Zdrowie and FCM Zdrowie sp. z o.o. ceased to exist; On 30 October 2020, PZU Zdrowie acquired 24,000 shares in CM Gamma sp. z o.o. with a par value of PLN 50 each, as a result of which the stake held by PZU Zdrowie in CM Gamma sp. z o.o. rose from 60.46% to 100%; On 3 November 2020, PZU acquired 96,000,000 shares in Armatura Kraków SA with a par value of PLN 1 each. The shares were released on 10 November 2020. Consequently PZU holds 100% of the share capital and has 100% votes in Armatura Kraków SA; On 24 November 2020, the ownership structure of RUCH SA changed, as a result of which PZU and PZU Życie now hold 14.5% each in the share capital and 14.5% each of votes in Ruch SA, while Alior Bank holds 6% in the share capital and 6% of votes in Ruch SA; On 7 January 2021 Corsham sp. z o.o. sold all owned shares of PayPo sp. z o.o.; On 1 February 2021 Haberton sp z o.o. was liquidated. National Court Register registered the change on 25 February 2021;
GRI 102	102-11	Precautionary Principle or approach	160, 177
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	77,131,157

GRI Standard number	Number of the indicator	Indicator	Page number
GRI 102	102-13	Membership in associations and organizations	207
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	154
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	188
Organizational governance			
GRI 102	102-18	Governance structure of the organization including committees of the highest governance body	158
GRI 102	102-20	Executive-level responsibility for environmental, social and corporate governance topics	26
Stakeholder engagement			
GRI 102	102-40	List of stakeholder groups engaged by the reporting organization	205-207
GRI 102	102-41	Employees subject to collective bargaining agreements	109-110
GRI 102	102-42	Basis for identification and selection of stakeholders engaged by the organization	205-207
GRI 102	102-43	Approach to stakeholder engagement, including the frequency of engagement	205-207
GRI 102	102-44	Key issues and concerns raised by stakeholders and the organization's response, also by reporting them	205-207
Reporting practice			
GRI 102	102-45	Entities included in the consolidated financial statements	5, 202

GRI Standard number	Number of the indicator	Indicator	Page number
GRI 102	102-46	Process of defining the contents of the report and topic boundaries	203
GRI 102	102-47	Identified key topics	203
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 2019 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 2020 to 31 December 2020.
GRI 102	102-51	Date of publication of the last report	The last report was published 12 March 2020 and pertained 2019 data.
GRI 102	102-52	Reporting cycle	Annual
GRI 102	102-53	Contact details	Piotr Wiśniewski Investor Relations Manager 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	208-214
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	203-204
GRI 103	103-2	Approach to management and its components	22, 29, 33, 38, 51, 60, 69, 83, 100, 108, 114, 117, 126, 130, 132, 147, 154, 160, 174, 177, 182, 191
GRI 103	103-3	Evaluation of the management approach	22, 29, 33, 38, 51, 117, 126, 147, 154, 160, 174, 177, 182, 191

GRI Standard number	Number of the indicator	Indicator	Page number
Thematic indicators:			
Economic topics:			
Wyniki ekonomiczne			
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			
GRI 205	205-1	Operations assessed for risks related to corruption	178,179
GRI 205	205-2	Communication and training on anticorruption policies and procedures in the organization	181
GRI 205	205-3	Confirmed cases of corruption and actions taken	181
Violating the rules of free competition			
GRI 206	206-1	Legal steps taken against the organization for anti-competitive behavior, anti-trust, and monopoly practices	194
Tax transparency			
GRI 207	207-1	Approach to tax	195
GRI 207	207-2	Tax governance, control, and risk management	195
GRI 207	207-3	Stakeholder engagement and management of concerns related to tax	195
GRI 207	207-4	Country-by-country reporting	195
Environmental topics			
Materials			
GRI 301	301-1	Raw materials/materials used by weight and volume	94

GRI Standard number	Number of the indicator	Indicator	Page number
Energy			
GRI 302	302-1	Energy consumption by the organization, taking into account the types of raw materials	86-87
GRI 302	302-4	Reduction of consumption of energy	85
Compliance with environmental regulations			
GRI 303	303-5	Total water consumption by source	94
Emissions			
GRI 305	305-1	Total direct (Scope 1) gas emissions	89
GRI 305	305-2	Total energy indirect (Scope 2) greenhouse gas emissions	90-91
GRI 305	305-3	Other indirect (Scope 3) greenhouse gas emissions	92
GRI 305	305-4	GHG emissions intensity	92
GRI 305	305-5	Reduction GHG emissions	93
Compliance with environmental regulations			
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	83
Social topics			
Employment			
GRI 401	401-1	New employee hires and employee turnover	104
Occupational safety and health			
GRI 403	403-2	Rate for injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	114-155
Education and training			
GRI 404	404-1	Average number of hours of training per year per employee	121

GRI Standard number	Number of the indicator	Indicator	Page number
GRI 404	404-2	Managerial skill development and continuing education programs supporting continuity of employment of employees and transition assistance programs	121
GRI 404	404-3	Percentage of employees receiving regular performance and career development reviews, by gender and employment category	121-122

Diversity and equal opportunity

GRI 405	405-1	Composition of supervisory bodies and employees broken down into employee groups by gender, age and other diversity factors	121-122
GRI 405	405-2	Ratio of basic salary and remuneration of women to men	107

Counteracting discrimination

GRI 406	406-1	Incidents of discrimination and corrective actions taken	184, 185
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Marketing and labeling products and services

GRI 417	417-1	Internal requirements for product and service information and labeling	64
GRI 417	417-2	Incidents of non-compliance with regulations and voluntary codes for product and service information labeling	62
GRI 417	417-3	Incidents of non-compliance with regulations and voluntary codes concerning marketing communications	62

Client privacy protection

GRI 418	418-1	Substantiated complaints regarding breaches of client privacy and data loss	74
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Compliance with social and economic regulations

GRI 419	419-1	Non-compliance with laws and regulations in the social and economic area	185
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Sector-specific aspect: local communities

G4-FS13		Access points to sparsely populated areas that are less economically developed	64
G4-FS14		Initiatives undertaken to improve access to financial services for disfavored persons	13, 64, 187

GRI Standard number	Number of the indicator	Indicator	Page number
G4-FS15		Policies for the fair design and sale of financial products and services	60
G4-FS16		Initiatives to enhance financial literacy by type of beneficiary	126

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 and climate 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 foundations of doing 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. Environmental and climate impact
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 the guidelines pertaining to disclosure of climate 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 climaterelated 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).

The analysis of the possibility of implementing the guidelines and the monitoring of legislative solutions at the EU and national level related to sustainable financing were included in the works carried out in 2020 and 2021 on updating the PZU Group's strategy.

	Guidelines pertaining to disclosure of climaterelated information	Chapter
Business Model	Description of the business model, impact of climaterelated risks and opportunities on the business model, strategy and financial plans	Chapter 1.2. Business model Chapter 3. Environmental and climate impact Chapter 6.1. Corporate governance and risk management giving consideration to ESG and climate factors
	Positive and negative impact of the organization on the climate	Coping with the challenge of climate change Chapter 6.1. Corporate governance and risk management giving consideration to ESG and climate factors
	Climate scenarios: resilience of the company's business model and strategy considering the different climate-related scenarios	Chapter 6.1. Corporate governance and risk management giving consideration to ESG and climate factors
Policies and due diligence processes	Description of the company's climate policies, including approach to mitigating climate changes or adaptation.	Chapter 3. Environmental and climate 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.	Chapter 6.1. Corporate governance and risk management giving consideration to ESG and climate factors

	Guidelines pertaining to disclosure of climaterelated information	Chapter
Description of climate-related risks	<p>Process of identification and assessment of climaterelated risks in the short- and long-term perspective and specification how the company defines the shortand 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>	<p>Coping with the challenge of climate change;</p> <p>Chapter 6.1. Corporate governance and risk management giving consideration to ESG and climate factors</p>
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. Environmental and climate impact

7.5 Additional data

[GRI 102-8]

Total number of employees by gender (converted into FTEs):

	Number of employees					
	2019			2020		
	Women	Men	Total	Women	Men	Total
Total	27,482	13,178	40,660	26,654	13,202	39,857

Total number of employees by contract type (converted into FTEs):

	Number of employees					
	2019			2020		
	Women	Men	Total	Women	Men	Total
fixed-term	3,529	2,030	5,559	3,282	1,804	5,086
indefinite-term	23,954	11,148	35,102	23,372	11,398	34,770
Total	27,482	13,178	40,660	26,654	13,202	39,857

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

	Number of employees					
	2019			2020		
	Women	Men	Total	Women	Men	Total
<30	3,501	2,072	5,573	3,324	1,963	5,287
30-50	17,770	8,831	26,600	17,437	8,883	26,320
>50	6,212	2,275	8,487	5,893	2,357	8,250
Total	27,482	13,178	40,660	26,654	13,202	39,857

Total number of employees by form of employment: full-time vs. part-time (converted into persons):

	Number of employees					
	2019			2020		
	Women	Men	Total	Women	Men	Total
full-time	23,430	10,914	34,344	22,366	10,845	33,211
part-time	7,885	4,595	12,480	8,215	4,820	13,035
Total	31,315	15,509	46,824	30,581	15,665	46,246

Total number of employees by employment structure (converted into persons):

	Number of employees					
	2019			2020		
	Women	Men	Total	Women	Men	Total
Management Board members	35	109	144	40	111	151
Managers	3,539	2,585	6,124	3,526	2,808	6,334
Others	27,776	12,924	40,700	27,055	12,857	39,912
Total	31,350	15,618	46,968	30,621	15,776	46,397

Total number of associates (converted into persons):

	Number of employees					
	2019			2020		
	Women	Men	Total	Women	Men	Total
Agents (insurance companies)	822	325	1,147	422	147	569
Employed on the basis of civil law agreements (work product and mandate agreement)	6,011	3,405	9,416	5,827	2,783	8,610
Employed under an internship agreement	19	25	44	1	1	2
Self-employed	1,015	509	1,524	1,006	939	1,945
Total	7,867	4,264	12,131	7,256	3,870	11,126

[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 PZU			
	2019		2020	
	Women	Men	Women	Men
<30 years old	58.0%	42.0%	58.2%	41.8%
30–50 years old	59.6%	40.4%	60.2%	39.8%
>50 years old	49.9%	50.1%	49.9%	50.1%
Total by gender	57.8%	42.2%	58.1%	41.9%
Foreigners	0.0%	0.0%	0.1%	0.1%

Employees by age category and diversity	Percentage of employees in each category in relation to the total number of employees in PZU Życie			
	2019		2020	
	Women	Men	Women	Men
<30 years old	64.6%	35.4%	63.8%	36.2%
30–50 years old	67.6%	32.4%	68.4%	31.6%
>50 years old	72.0%	28.0%	71.0%	29.0%
Total by gender	68.0%	32.0%	68.4%	31.6%
Foreigners	0.0%	0.0%	0.0%	0.1%

Employees by employment structure	Percentage of employees in each category in relation to the total number of employees in PZU			
	2019		2020	
	Women	Men	Women	Men
Management positions	53.5%	46.5%	53.8%	46.2%
Other employees	58.5%	41.5%	58.9%	41.1%
Total by gender	57.8%	42.2%	58.1%	41.9%

Report on non-financial information of the PZU Group and PZU SA for 2020 has 223 consecutively-numbered pages.

Signatures of PZU Management Board Members

Beata Kozłowska-Chyła – President of the Management Board

Tomasz Kulik – Management Board Member

Ernest Bejda – Management Board Member

Maciej Rapkiewicz – Management Board Member

Marcin Eckert – Management Board Member

Małgorzata Sadurska – Management Board Member

Małgorzata Kot – Management Board Member

Employees by employment structure	Percentage of employees in each category in relation to the total number of employees in PZU Życie			
	2019		2020	
	Women	Men	Women	Men
Management positions	54.3%	45.7%	58.5%	41.5%
Other employees	70.8%	29.2%	70.3%	29.7%
Total by gender	68.0%	32.0%	68.4%	31.6%

Total number of employees by age	Percentage of employees in each category in relation to the total number of employees in PZU					
	2019			2020		
	<30 years old	30–50 years old	>50 years old	<30 years old	30–50 years old	>50 years old
Management positions	2.1%	83.6%	14.3%	1.5%	83.5%	15.0%
Other employees	15.5%	67.6%	16.9%	13.9%	68.6%	17.5%

Total number of employees by age	Percentage of employees in each category in relation to the total number of employees in PZU Życie					
	2019			2020		
	<30 years old	30–50 years old	>50 years old	<30 years old	30–50 years old	>50 years old
Management positions	2.0%	83.7%	14.3%	1.6%	82.6%	15.9%
Other employees	14.7%	69.5%	15.8%	13.8%	70.3%	15.9%