Transparency report

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This report was prepared in accordance with the requirements of Regulation 2/2016 of the Financial Supervisory Authority (ASF) regarding the application of corporate governance principles by entities authorized, regulated, and supervised by ASF, with further amendments and completions.
Considering the requirements of the above-mentioned regulations, PAID S.A. periodically publishes and updates information subject to publication requirements.

Organizational structure

The leadership and management of the company is made up of: the General Assembly, the Board of Directors, the Chief Executive Officer and the Deputy Chief Executive Officer.

Company shareholders:
- ✓ ABC Insurance S.A.,
- ✓ Societatea de Asigurare-Reasigurare ASTRA S.A. - insolvent,
- ✓ CARPATICA ASIG S.A. - insolvent,
- ✓ CERTASIG Societate de Asigurare și Reasigurare S.A. - insolvent,
- ✓ Societate de Asigurare și Reasigurare CITY INSURANCE S.A. - insolvent,
- ✓ SIGNAL IDUNA Asigurări S.A.,
- ✓ EUROINS ROMANIA Asigurare Reasigurare S.A. - insolvent,
- ✓ GENERALI ROMANIA Asigurare Reasigurare S.A.,
- ✓ GRAWE ROMANIA Asigurare S.A.,
- ✓ GROUPAMA Asigurări S.A.,
- ✓ UNIQA Asigurări S.A.,
- ✓ ALLIANZ -TIRIAC UNIT Asigurari S.A.

The company shareholders hold together 19,341,819 shares in the company's stock with a nominal value of 4 Lei, so currently the share capital of PAID S.A. is 77,367,276 Lei.
Given the amendments to Law 260/2008 effective starting November 11, 2023, PAID's shareholding is available for entities other than insurers and the maximum holding has increased from 15% to 25% (30% for groups).

The five members of the Board of Directors are:
- ✓ Mr. François Benoit Jean-Baptiste Pierre Coste - President;
- ✓ Mr. Gabriel Marcu - Vice President;
- ✓ Ms. Adriana Matache - Member;
- ✓ Mr. Paul Corneliu Cazacu - Member;
- ✓ Mr. Mesut Yetiskul - Member.

Executive Management:
- ✓ Ms. Nicoleta Radu - Chief Executive Officer;
- ✓ Mr. Ionuț Baciu - Deputy Chief Executive Officer;
- ✓ Mr. Cosmin Petru Tudor - Deputy Chief Executive Officer.

In carrying out its activities, the management structure benefits from the support of nine advisory boards. These operate according to organizational and operational regulations and make recommendations on various topics subject to the decision-making process and forward materials/reports to the Board of Directors on matters entrusted by it.

These boards are: the Risk management committee, the Audit committee, the Insurance Claims committee, the Complaints and dispute analysis and resolution committee, the

Investment committee, the Reinsurance committee, the Business continuity steering committee, the Remuneration committee and the Crisis committee for the disaster damage instrumentation plan.

The people holding key leadership roles are: the Head of Risk Management Department, the Chief Compliance Officer, the Head of Internal Audit: role outsourced to Deloitte Audit SRL - Manager responsible for outsourcing the role: the Head of the Internal Audit Department.

Organizational structure:

- ✓ Executive management: Chief Executive Officer and 2 Deputy Chief Executive Officers
- ✓ General Secretariat: Head of Department, Assistant Manager
- ✓ Actuarial Department: Head of Department, Actuary
- ✓ Risk Management Department: Head of Department, Actuary
- ✓ Accounting Department: Head of Department, Economists
- ✓ Finance Department: Head of Department, Financial-Banking Accountant
- ✓ Human Resources Department: Head of Department
- ✓ Internal Quality Control and Management Department: Head of Department
- ✓ Internal Audit Department: Head of Department
- ✓ Reinsurance Department: Head of Department, Insurance (Reinsurance) Specialists
- ✓ Legal and Compliance Department: Head of Legal and Compliance
- ✓ Legal Department: Legal Advisors
- ✓ Compliance Department: Compliance Officer
- ✓ Insurance Claims Department: Head of Department, Claims Handlers/Specialists
- ✓ Distribution/Technical Support Department: Head of Department, Insurance Coordinator
- ✓ Marketing/Communications Department: Head of Department/Marketing Referent
- ✓ Underwriting Methodology, Analysis and Reporting Department: Head of Department, Analyst, Archivist
- ✓ IT Department: Head of Department, Analyst, Network Administrator, System Engineer
- ✓ Security Officer (CISO)
- ✓ Project Manager

The main features of the governance system

The governance system comprises organizational structures designed to support achieving strategic goals and the activity of the company. PAID S.A is properly and efficiently organized and all necessary operational procedures and controls are implemented. PAID's governance system is based on a proper and transparent responsibility distribution, which targets an effective decision-making process, preventing conflicts of interest and ensuring the efficient management of the company.
There are multiple systems within the company that are meant to achieve corporate governance, such as:

- ✓ an efficient system for communicating and sharing information with stakeholders;
- ✓ an efficient risk management system;
- ✓ an efficient internal control system.

A series of policies and procedures were also adopted and implemented at company level, including policies to ensure smooth business operations; appropriateness policies; remuneration policies; information security policies; outsourcing policy; the Solvency II policy etc. These are subject to a regular review and approval process, taking into

consideration the nature, scale and complexity of the activities at an individual and corporate level.
The Company's objectives regarding the corporate governance system are focused primarily on:

- ✓ adapting to the latest changes;
- ✓ building trust with stakeholders;
- ✓ clearly defined and communicated governance processes and capabilities;
- ✓ continuous optimization of the risk management and internal control system;
- ✓ adhering to legal requirements.

The organizational chart of the company and the Organizational and operational guidelines prove that the company has a structure suited for its nature, volume and complexity and the principle of proportionality is respected. The Organizational and operational guidelines also mention the roles and duties of the company's organizational structures.
In the reporting period, changes were made to the organizational structure to reflect the adjustments within the organization following the changes regarding the role of Deputy Chief Executive Officer and the reassignment of duties, but also the changes within the organization determined by the increasing complexity of the business following the amendment of Law 260/2008.
The business model complexity increased with the amendment of Law 260/2008, requiring a balanced responsibility assignment in order to ensure the necessary coordination and operation capacity.
The changes were based on the following considerations:

- ✓ the need for an organizational structure that reflects the new text of Law 260;
- ✓ the organizational structure's preoccupation with continuity;
- ✓ balancing responsibilities;
- ✓ renaming components (from compartment to department) and roles (from head of compartment to head of department) in order to stress the importance of the coordination role PAID plays according to the provisions of law.
- ✓ Thus, the Deputy Chief Executive Officer/CDO (Chief Development Officer) role was created, coordinating the operational (Insurance Claims, IT) and development areas (Marketing, Underwriting and Distribution).

Further details on the corporate governance framework are available in the Solvency and Financial Condition Report (SFCR) Ch. B.

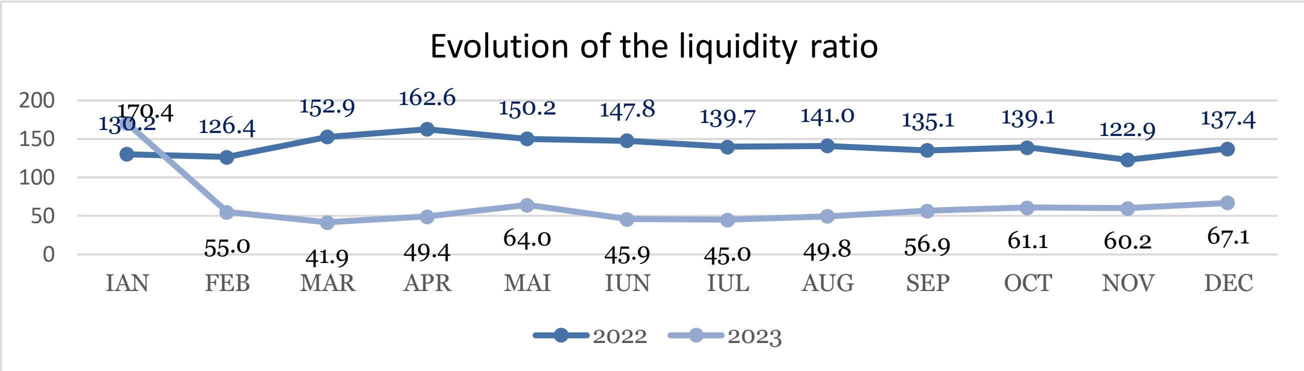
Financial position assessment conclusions

The main financial indicators of the company, according to the statutory accounting and financial reporting standards:

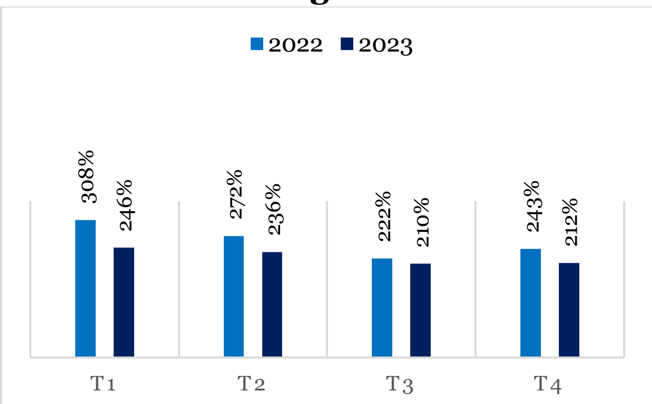
LEI

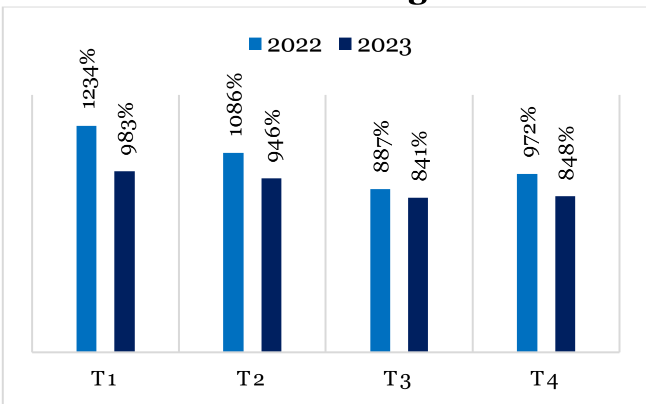
	2022	2023
Gross earned premiums	176,287,208	188,454,931
Damage rate	2.00%	17.2%
Reinsurance rate	42.8%	56.4%
Other technical reserves ratio (catastrophe reserve)	15.2%	11.6%
Expense ratio (commissions, acquisition cost variation, administrative expenses, new project expenses, provisions)	22.8%	24.1%
Combined ratio	82.7%	109.4%
Net result (lei)	**39,013,517**	**2,371,348**

Evolution of the liquidity ratio, defined and determined in accordance with ASF's methodology:



The main financial soundness indicators of the company, according to the Solvency II reporting regime, calculated using the standard formula:





From 2022, the solvency ratio showed a downward trend determined by the increase of the SCR mainly as a result of the increase of retention and the company's exposure by extending the portfolio. The market value of government bonds remains lower than the carrying value because of the unfavorable evolution of the interest rate.

RON

	12/31/2022	12/31/2023
Market risk capital requirement	**48,289,109**	**47,630,202**
for interest rate risk	33,967,464	31,120,562
for stock devaluation risk	267,649	478,558
for property devaluation risk	298,601	1,338,844
for credit spread risk	11,545,263	10,546,890
for concentration risk	21,985,619	23,691,283
for currency risk	14,666,706	15,982,875
Counterparty risk capital requirement	**25,600,798**	**29,762,769**
for Type I exposures	24,751,808	28,512,515
for Type II exposures	1,117,750	1,640,619
Underwriting risk capital requirement	**110,957,333**	**135,608,697**
for premium and reserve risk	19,735,143	17,357,626
for natural disaster risk	104,365,785	130,223,820
Diversification	**-38,435,150**	**-41,191,873**
The Basic Solvency Capital Requirement (BSCR)	**146,412,090**	**171,809,796**
Operational risk capital requirement	**5,288,616**	**5,653,648**
Solvency capital requirement before the adjustment	**151,700,707**	**177,463,444**
Loss absorbing capacity of deferred taxes adjustment	**(16,126,048)**	**-19,576,442**
SCR total solvency capital requirement	**135,574,659**	**157,887,002**

The solvency capital requirement (SCR) on 12/31/2023 is 157,887,002 RON. **The solvency ratio is 212% after paying dividends.**

To cover for catastrophe risks, on 12/31/2023, PAID S.A. had an active reinsurance program with a capacity of 1 billion EURO for earthquake, flood and landslide risks, with a retention of up to 13 million EURO for earthquake risks and 9 million EURO for flood and landslide risks. The reinsurance program is endorsed by a panel of 52 reinsurers and around 45% *(according to the theory of second best)* of its capacity comes from reinsurers with “AA” ratings assigned by S&P or AM Best.

Main features of the formal framework for the implementation of financial reporting principles and practices

PAID S.A. draws up **statutory financial statements** in accordance with Regulation 41/2015 of the Financial Supervisory Authority for the approval of the Accounting regulations regarding annual individual and consolidated financial statements of entities conducting insurance and/or reinsurance activities.
Annual financial statements are audited by an independent auditor. The financial reporting package for fiscal year 2023 was audited by Mazars România SRL.

Reporting under Solvency II (SII)
In accordance with the financial reporting requirements of Law 237/2015 on the authorization and supervision of insurance and reinsurance activities and of Regulation 21/2016 regarding insurance and/or reinsurance activity reports, with further amendments and completions, PAID S.A. draws up and reports:

- ✓ annual and quarterly Quantitative Reporting Templates (**QRTs**);
- ✓ the Solvency and Financial Condition Report (**SFCR**);
- ✓ the Regular Supervisory Report (**RSR**).

In addition, in accordance with the provisions of the Solvency II Directive, the Commission Delegated Regulation and the internal policy, PAID S.A. draws up an own risk and solvency prospective assessment report (the **ORSA** report) annually or whenever important changes occur in its risk profile or risk appetite.

The Reporting policy was developed and applied to PAID S.A., policy whose purpose is to ensure the timely generation and forwarding of all mandatory reports, as well as their correctness and completeness.

The Audit committee is the forum that approves statutory and Solvency II reports before they are sent for approval to the Board of Directors and/or the General Assembly, as applicable.

Main features of the risk management system

The risk management system at the company level is implemented by planning, coordinating and controlling risk management activities. Within this system, specific strategies are created, policies and procedures are developed for the timely identification, assessment, monitoring, management/reduction and reporting of risks in order to optimize them and to create a “risk-aware” organizational culture.
The purpose of the risk management system is to ensure the achievement of the company's goals regarding:

- ✓ improving the Solvency II ratio;
- ✓ assessing and managing risk impact on solvency, profitability and liquidity ratios;
- ✓ monitoring of the timely implementation of legislative changes;
- ✓ continuing endeavors to improve the specific legislative framework;
- ✓ completion of the disaster damage instrumentation plan;
- ✓ continuous adaptation of the reinsurance program in order to ensure sufficient capacity and a reinsurer quality in accordance with the company's policy;
- ✓ the assessment and control of specific risks caused by the accelerated inflation and systemic risk;
- ✓ ensuring the constant resolution of insurance claims through a process that ensures the satisfaction of insured parties (low number of petitions and court proceedings);
- ✓ development of the insurance portfolio by appropriately implementing new legislative provisions.

The specific risk management strategy is an integral part of the company's general strategy, with the following fundamental objectives: meeting the SCR and MCR capital requirements and ensuring a high solvency ratio, achieving an optimum reinsurance programme and efficient management focused on profit and capitalization, all serving the single purpose of maintaining PAID S.A.'s financial stability so that all its financial obligations to the Client are fulfilled.

PAID S.A. annually creates a Risk plan which underlines objectives and measures for each significant risk, which is sent to the Board of Directors for debate and approval.

PAID's risk strategy is based on the following principles:

- ✓ developing a governance model suitable for PAID's strategy;
- ✓ risk management is an integral part of the management system, based on standards and rules;
- ✓ risk strategy is an integral part of PAID S.A.'s business strategy, taking into account the risk appetite, its own funds and the capital requirement (SCR) for the business strategy processes;
- ✓ the company management will ensure a strong capital base and cautious solvency ratios;
- ✓ the reinsurance programme as a main instrument for risk transfer and protection of its funds;
- ✓ an investment policy based on the "safety vs. profit" principle, which provides for thresholds for asset classes as well as avoids excessive focus on one financial institution;
- ✓ continuous improvement/optimization of performance indicators and monitoring them so that red flags can be identified in a timely manner;
- ✓ the strategic and operational planning process is supported by the results of the ORSA;
- ✓ using operational risk mitigation techniques (internal control system, business continuity plans, IT security and disaster recovery plan, protection and security measures for people and assets);
- ✓ process optimization.

The company's **main strategic goals** are still related to the company's 4 pillars of sustainable development, namely:

1. **Governance**: ensuring an operating framework fully consistent with legal requirements and the risk profile of the company;

2. **Financial sustainability**: reflected by the company's solvency ratio and the appropriate size of the structure and level of reinsurance protection;

3. **Operational sustainability**: reflected in the ability to handle a much higher volume of operations than the usual average at any time in case of major events or expanding the portfolio;

4. **Development**: increase of the penetration rate and implicitly growing the portfolio.

PAID S.A.'s activity is analyzed in terms of exposure to the following risks: underwriting risk, liquidity risk, credit risk, market risk, operational risk, reputational risk and strategic risk. Risks are handled both individually and cumulatively. PAID S.A. calculates the capital requirement using the standard formula. The results obtained give an overview of how risks are divided into various risk categories and establish capital and solvency requirements in accordance with Solvency II.

Based on the financial results in the past few years, PAID S.A. accumulated own funds since no significant events occurred. The events at the beginning of 2023 caused major reinsurance pricing rises and significantly higher damage costs, leading to a weaker technical result in 2023 and indicating a potential for increased reinsurance rates.

Risk analyses are carried out at company level following the requirements of risk policies and procedures.

The quantitative assessment of the Solvency Capital Requirement is as follows:

	12/31/2022	12/31/2023	Compared to 2022	
SCR underwriting	110,957,333	135,608,697	24,651,364	22.22%
SCR counterparty	25,600,798	29,762,769	4,161,971	16.26%
SCR market	48,289,109	47,630,202	(658,907)	-1.36%
SCR operational	5,288,616	5,653,648	365,032	6.90%
SCR total	**135,574,659**	**157,887,002**	**22,312,343**	**16.46%**

- ✓ ***SCR underwriting:*** is the company's most important risk. Compared to last year, the underwriting risk increased significantly as a result of the increase of the Nat Cat SCR caused by the higher retention of the reinsurance programme both for earthquakes and flooding (13 million EUR for earthquakes and 9 million EUR for flooding (from 11 million EUR for earthquakes and 9 million EUR for flooding). Compared to 2022, reinstatements associated with the reinsurance programme were included, calculated for each specific risk and for the impact of reinsurers who do not apply a regime equivalent to Solvency II with a CQS higher than 3.
- ✓ ***SCR market:*** is the second most important risk for PAID. Compared to the same period of the last year, this shows a slight decrease, mainly caused by the fall in the interest rate risk. At the same time, the interest rate risk also covers the impact of debt from the special contribution to the FGA levy.
- ✓ ***SCR counterparty:*** represents a very important risk for the company as a result of the reinsurance programme, which has a significant capacity due to a large number of reinsurers. SCR counterparty shows an increase for Type 1, as well as Type 2 exposures following the portfolio expansion and the significant holdings in current accounts and the increase in receivables from brokers respectively.
- ✓ ***SCR operational:*** is slightly higher compared to the same period of the last year as a result of growing the portfolio.

More details on the risk management system are available in the **Solvency and Financial Condition Report (SFCR) Chapter B (subchapter B.3) şi Chapter C.**

Conclusions of the assessment of the risk management system efficiency

- ✓ The risk appetite and materiality thresholds set within the management system are approved by the Board of Directors.
- ✓ The risk management role and, where appropriate, the Risk management committee report the risk to the Board of Directors using a risk report.
- ✓ Occasionally, the Risk Management Department/Risk management committee reports specific risk management indicators, how they compare to reference values, submits for analysis, debate and approval risk management specific procedures, reports, the operational risk matrix etc. to the Board of Directors.
- ✓ The company management believes the risk management system is appropriate, complete and properly covers all activity domains.