



# **PZU GROUP'S ENGAGEMENT**

---

## **IN POLISH COAL SECTOR**

MAY 2018



Foundation "DY-OPMN" is the formal and legal representation of the Polish Coalition "Development YES – Open-pit Mines NO," a civil society grassroots movement to prevent plans to build new lignite open-pit mines and to support the transformation of Polish economy from fossil fuels to energy efficiency and renewables. The Foundation is also a member of the Unfriend Coal network that pressures insurance companies to get out of the coal business and support the transition to clean energy.

The mission of the Foundation is to support the activities of the civil society aimed at stopping plans to build new opencast lignite mines in Poland, including assistance to non-governmental organizations, associations, and ordinary residents opposing the construction of open-pit lignite mines, fighting the negative effects of the operation of existing ones, and promoting the development of energy systems based on renewable energy sources, energy efficiency and local self-sufficiency.

Author: Jan Chudzyński, Foundation "Development YES – Open-pit Mines NO"

[www.rozwojtak-odkrywkinie.pl](http://www.rozwojtak-odkrywkinie.pl)



Foundation "Development YES – Open-pit Mines NO" wishes to thank the KR Foundation and the Grassroots Foundation for financing work on this briefing. Opinions presented in this publication do not necessarily reflect the official standpoint of the above foundations.

Cover photograph I – Bełchatów open-pit mine and power plant, photo: Carlo Dojmi di Delupis/Re:Common  
Photograph on p. 6 – Kozienice power plant, photo: Grzegorz Broniatowski/Greenpeace  
Cover photograph III – Kozienice power plant, photo: Konrad Konstantynowicz/Greenpeace  
Cover photograph IV – Turów power plant, photo: Grzegorz Broniatowski/Greenpeace  
Design and composition: Zuzanna Szczepaniak

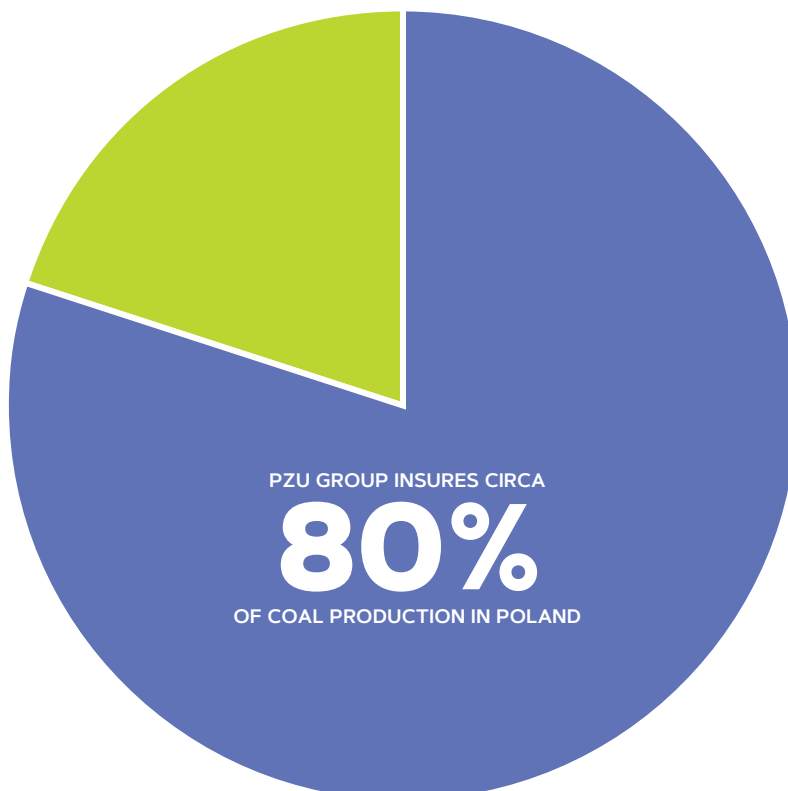
# EXECUTIVE SUMMARY

- PZU Group is a leading insurer of the Polish coal sector. It underwrites mines responsible for production of more than **85%** of the country's hard coal and 70% of lignite, as well as coal-fired power plants that generate around **30%** of the power available in the National Power System.
- Such pronounced domination of the largest insurer results from a strategy adopted by Polish Ministry of State Treasury that sought to engage PZU in insuring state-controlled companies. TOW PZUW (Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych - Polish Mutual Insurance Company) is a special vehicle within the PZU Group which makes it possible to execute the idea thanks to its legal advantage over other insurance companies. For mutual insurance companies are not bound by the same regulations of the Public Procurement Law as the rest of the industry.
- PZU Group holds shares in Polish coal sector companies through its two asset management entities. Towarzystwo Funduszy Inwestycyjnych PZU (TFI PZU) [Investment Fund] and Powszechnie Towarzystwo Emerytalne PZU (PTE PZU) [Public Pension Fund] own shares and bonds of coal companies worth more than PLN 2.65 billion (EUR

619 million). PLN 785 million (EUR 183 million) worth of shares in Polska Grupa Energetyczna (PGE) is PZU's highest holding in a single company. Shares in companies other than mining and power utilities, but still key for the operations of the entire sector, i.e. companies manufacturing mining and power industry equipment as well as construction entities, are worth over PLN 240 million (EUR 56 million). Shares in mining equipment manufacturers make up around PLN 150 million (EUR 35 million).

- Other asset management companies within PZU Group are two Pekao SA entities and an investment company by Alior Bank. At the end of 2017, Pekao TFI investment funds and Pekao OFE pension fund combined held almost PLN 290 million (EUR 67,7 million) in shares of coal sector companies, including PLN 92 million (EUR 21,5 million) in Polska Grupa Energetyczna (PGE).

- While insuring and holding considerable capital investments in coal companies that have an adverse effect on public health, PZU Group is engaged in corporate social responsibility (CSR) projects. The group sponsors a number of running events, acts as a patron of art institutions, supports rescue services, and was the Official Insurer of World Youth Day, which took place in Poland in 2016.



# 1. PZU GROUP

Market leadership in insurance industry and shareholdings in Bank Pekao SA make PZU the largest financial group in Central and Eastern Europe.<sup>1</sup> It operates in Poland, Ukraine, Lithuania and Latvia. In the domestic market it offers insurance services and asset management through its investment and pension funds.

The Group's dominant entity is Powszechny Zakład Ubezpieczeń SA (PZU SA), operating in property and personal insurance market.

PZU SA's major shareholder is the State Treasury, which owns 34.19% of the company's shares. After the closing of the Ministry of State Treasury in January 2017 and the introduction of the regulation defining the distribution of control over companies among various ministries, PZU was supervised by the Minister of Development and Finance. In April 2017 the Prime Minister took over these competencies.<sup>2</sup>

Other minority shareholders in PZU SA are privately managed pension funds – OFE Aviva BZ WBK (4.86%), OFE Nationale-Nederlanden (4.05%), OFE MetLife

(2.35%) and OFE AXA (1.41%) as well as several investment funds.

PZU's long history translates into the company's current market position as well as its ownership structure. The company's roots go back to 1803, with the establishment in Southern Prussia of Towarzystwo Ogniove dla Miast [Municipal Fire Company], a society organizing mutual fire insurance. After the development of the sector in the 19th century, the interwar period was a time of popularity of Powszechny Zakład Ubezpieczeń Wzajemnych [Public Mutual Insurance Company]. During the Post-war period the company was renamed Państwowy Zakład Ubezpieczeń [State Insurance Company] and, due to the authorities' decision, gained exclusive rights to conduct business in the field of insurance, resulting in a monopoly. During the transformation period in the early 1990s PZU – now called Powszechny Zakład Ubezpieczeń SA [Public Insurance Company, a joint-stock company] – became an entity owned by the State Treasury. In 1998 a long process of the company's privatization began, and in 2010 PZU SA was floated on the Warsaw Stock Exchange.

**TABLE 1. MAIN ENTITIES WITHIN PZU GROUP**

Powszechny Zakład Ubezpieczeń SA (PZU SA)
Powszechny Zakład Ubezpieczeń na Życie (PZU Życie)
Link4 Towarzystwo Ubezpieczeń
Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych (TUW PZUW)
Insurance companies in Lithuania, Latvia and Ukraine
Towarzystwo Funduszy Inwestycyjnych PZU (TFI PZU) [investment funds]
Powszechne Towarzystwo Emerytalne PZU (PTE PZU) [pension fund]

## 1.1 MARKET POSITION

PZU Group provides services to over 22 million clients, and the group companies are leaders in the Polish insurance market, both in sector I (life insurance) and II (other personal insurance and property insurance).

Powszechne Towarzystwo Emerytalne PZU SA (Public Pension Fund) and Towarzystwo Funduszy Inwestycyjnych PZU SA (Investment Funds) are among top players in their respective markets, too.

## 1.1.1 Insurance: PZU Życie, PZU SA and TUW PZUW

In accordance with the industry sector regulation, which state that sector I and sector II operations cannot be run within a single company, there are several insurance entities within PZU Group. Therefore, PZU Życie (sector I insurance), PZU SA (sector II) and TUW PZUW (sector II) operate as separate entities. The market share of PZU Życie in sector I insurance is 34.75%, remarkably higher than second Open Life TU Życie SA (8.53%) and AVIVA Tunż SA (7.47%).<sup>3</sup> This translates into PZU Życie's gross written premiums of PLN 8 billion in 2016.<sup>4</sup>

### MARKET SHARE IN SECTOR I INSURANCE BASED ON GROSS WRITTEN PREMIUMS (Q2 2017)

PZU Życie	35%
Open Life TU Życie	9%
AVIVA Tunż Życie	7%
Nationale-Nederlanden Tunż	6%
TU na Życie Europa	6%
other	37%

Source: Komisja Nadzoru Finansowego, Raport o stanie sektora ubezpieczeń w pierwszym półroczu 2017 r.; s.5 [https://www.knf.gov.pl/knf/pl/komponenty/img/Raport\\_sektor\\_ubezpiecze%C5%84\\_IIQ\\_2017\\_59848.pdf](https://www.knf.gov.pl/knf/pl/komponenty/img/Raport_sektor_ubezpiecze%C5%84_IIQ_2017_59848.pdf)

PZU SA has an equally strong position in sector II insurance (34.68%), followed by Ergo Hestia (13.53%) and TuiR Warta (13.18%).<sup>5</sup> In 2016 PZU SA's gross written premium amounted to nearly PLN 10.8 billion.<sup>6</sup>

### MARKET SHARE IN SECTOR II INSURANCE BASED ON GROSS WRITTEN PREMIUMS (Q2 2017)

PZU SA	35%
ERGO Hestia	14%
Warta	13%
Allianz	5%
AXA	5%
other	28%

Source: Komisja Nadzoru Finansowego, Raport o stanie sektora ubezpieczeń w pierwszym półroczu 2017 r.; s.8 [https://www.knf.gov.pl/knf/pl/komponenty/img/Raport\\_sektor\\_ubezpiecze%C5%84\\_IIQ\\_2017\\_59848.pdf](https://www.knf.gov.pl/knf/pl/komponenty/img/Raport_sektor_ubezpiecze%C5%84_IIQ_2017_59848.pdf)

The technical result and the net financial result of both companies in 2016 are much higher than the figures of their competitors. PZU Życie accumulated a technical result of PLN 1,92 billion and a net profit of PLN 1.49 billion, while PZU SA's technical result amounted to PLN 507 million and its profit equalled PLN 1.61 billion.<sup>8</sup>

## 1.1.2 Privately managed pension funds: OFE PZU "Złota Jesień"

The privately managed pension fund run by Powszechnie Towarzystwo Emerytalne PZU (PTE PZU SA) is the third in Poland in terms of asset value (PLN 21.75 bn). Its market share of 12.9% is inferior only to AVIVA OFE (21.9%) and the leader Nationale-Nederlanden OFE (24.7%).<sup>9</sup>

### MARKET SHARE IN PENSION FUNDS SECTOR BASED ON ASSET VALUE (Q1 2017)

Nationale Nederlanden OFE	25%
Aviva OFE	22%
PZU OFE	13%
MetLife	8%
AXA	6%
other	26%

Source: Komisja Nadzoru Finansowego, Rynek Otwartych Funduszy Emerytalnych w I kwartale 2017, s. 5 [https://www.knf.gov.pl/knf/pl/komponenty/img/Rynek\\_OFE\\_1kw\\_2017\\_57229.pdf](https://www.knf.gov.pl/knf/pl/komponenty/img/Rynek_OFE_1kw_2017_57229.pdf)

OFE PZU "Złota Jesień" ranks third by the number of members (2.18 m people). Total contributions to the fund amounted to PLN 300.2 million in 2016.<sup>10</sup>

## 1.1.3 Investment funds: TFI PZU

Towarzystwo Funduszy Inwestycyjnych PZU SA has over PLN 20 bn under management and ranks second by portfolio value. Its market share amounts to 8.6%, less than the leader, Ipopema TFI (19.4%), and slightly more than PKO TFI (ranking third at 7.6%) and Skarbiec TFI (in fourth place with 7.4%).<sup>11</sup>

### MARKET SHARE IN INVESTMENT FUNDS SECTOR BASED ON ASSET VALUE (Q4 2016)

Ipopema TFI	19%
TFI PZU	9%
PKO TFI	8%
Skarbiec TFI	7%
Pioneer Pekao TFI	7%
other	51%

Source: Izba Zarządzających Funduszami i Aktywami; Raport 2016; s.10 [www.izfa.pl/download/file/id/1101/n/raport-roczny-ryнку-funduszy-2016r](http://www.izfa.pl/download/file/id/1101/n/raport-roczny-ryнку-funduszy-2016r)

## 2. PZU'S ENGAGEMENT IN THE COAL SECTOR

---

PZU SA and Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych (TUW PZUW, Polish Mutual Insurance Company) are the two entities within the PZU Group that insure coal mines and power plants. In turn, Towarzystwo Funduszy Inwestycyjnych PZU (TFI PZU) and Powszechnie Towarzystwo Emerytalne PZU (PTE PZU) are Group's asset managers, holding coal sector shares in their general account and third-party portfolios.

**Today, client-members of PZUW make up nearly the entire energy sector.<sup>12</sup>**

*Rafał Kiliński, CEO of TUW PZUW*

### 2.1 INSURING THE COAL SECTOR

---

As recently as a few years ago PZU was not a dominant player in the Polish power and coal mining insurance market. Although it used to insure mines and power plants on its own, in cases of tenders for high value policies the company formed consortia with other big insurers: Ergo Hestia, TUiR Warta, Generali and Allianz. However, in the period of 2016-2017 some major changes took place, and now clients of Towarzystwo Ubezpieczeń Wzajemnych PZUW (Polish Mutual Insurance Company) which is part of PZU Group, comprise the majority of companies excavating and burning coal in Poland.

The growing importance of PZU in this sector is a result of the Ministry of Treasury's new approach to ownership policy regarding big Polish companies under its control. It has been decided that insuring large companies partly owned or controlled by the state (including coal and power-sector ones) via the largest insurer, PZU (also a company controlled by the state), would allow for savings and would be in line with the government's Responsible Development Strategy that seeks strengthening the role of Polish capital in domestic economy in order to spur economic growth.



## WHAT ARE TUWS?

Mutual insurance is a form of insurance protection popular throughout the world, although forgotten in Poland. It consists in the mutual insurance of entities, i.e. a collective of insurance holders, who create a common fund from their insurance premiums. It is from this fund that compensation is paid out if damages occur. This formula dates back to the first insurance forms, e.g. traders collectively insuring themselves or solidarity funds, which functioned in small communities.

The mutuality principle, which gives its name to this form of insurance, means that there exists a dependence between and a solidarity among policy holders, as they are members of Towarzystwo Ubezpieczeń Wzajemnych (TUW) [Mutual Insurance Company] and not clients. Unlike commercial insurance it does not operate for profit, premium amounts are negotiated by the members and financial resources not used for compensation payments are allocated in accordance with members' decision. In effect, insurance policies are cheaper than commercial ones and members have an influence on the TUW's operation. Only when compensation paid out to the members exceeds the amount collected in the form of premiums is it possible to impose a mandatory extra premium charge to cover the payout.

Mutual insurance was particularly popular in Poland before World War II, but it was halted during the Post-war period. After 1989, several TUWs were created. Although they have not reached a dominant market position and remain mostly unknown to the general public, the largest such company in Poland has as many as 1.6 m members. In Europe, TUWs have an around 30% market share and their insurance covers over 400 m people.

## WHAT IS TUW PZUW?

Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych (TUW PZUW) [Polish Mutual Insurance Company] was registered in late 2015 with the intention of insuring the health sector – hospitals and health care centres. In 2016, on the initiative of the now non-existent Ministry of State Treasury, the idea emerged to use this insurance formula as an attractive solution for companies under State Treasury control that had until then been clients of commercial insurers.<sup>13</sup>

For the companies controlled by the State Treasury, insuring with TUW PZUW generates substantial savings. Moreover, due to PZUW's cooperation with these companies, the goals of the strategy of supporting Polish capital, declared in the current economic policy, are met. Millions of zloty in premiums no longer need to be handed over to insurance companies which generate profits for foreign-based shareholders.

The Ministry of State Treasury would not have been able to carry out its project and effectively promote the services of TUW PZUW if it hadn't been for the regulations beneficial to TUWs. Joining a TUW and taking out insurance there is exempt from obligations resulting from the Public Procurement Law. Therefore, according to article 103 of the act on insurance and reinsurance activity, it is possible to omit the tender procedure and establish cooperation with a previously selected insurer if it is to be a TUW.

Successful members of a TUW join Reciprocal Unions, or groups governed by rules of reciprocal insurance. Thus the members create smaller groups within the TUW, where the insurance risk they incur is confined to the group members only and not all TUW members. Reciprocal Member Unions bring together members active in the same field, entities of a similar size or simply companies from the same capital group. At present, within TUW PZUW there are at least 25 unions, among them those established by Tauron, Bogdanka, Gaz-System, Polska Grupa Górnicza (PGG), Polska Grupa Energetyczna (PGE), Enea and Azoty Group. It should, however, be stressed that joining TUW PZUW does not oblige the members to sign an insurance agreement. They may avail themselves of the offer of other insurers or insure with TUW PZUW at the same time.

PZU's role in the functioning of TUW PZUW consists in managing the TUW based on PZU's insurance-sector know-how and capital injected by the Group. Thanks to the latter, TUW PZUW is able to encourage new members by suspending possible extra premium charges until the end of 2018 (although during this period any surplus will also not be returned).

## 2.1.1 Insuring hard coal and lignite mines

PZU Group provides property insurance to most coal mines operating in Poland. It insures **fourteen** hard coal mines that excavate **over 50 million tonnes** of coal every year, i.e. **85%** of domestic production. It also insures a lignite open-pit mine in Bełchatów which is a source of around 2/3 of production of lignite in the country.

The list of mining companies that are covered by PZU SA and T UW PZUW includes: Polska Grupa Górnicza (PGG), Polska Grupa Energetyczna GIEK Wydobycie, Węglkokoks Kraj, Jastrzębska Spółka Węglowa (JSW), Lubelski Węgiel Bogdanka and Tauron Wydobycie.

mining company in the European Union. Since 1 July 2016 PGG mines have been insured by Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych (TUW PZUW).<sup>15</sup> Under an agreement concluded in 2016, TUW PZUW insures the assets of the **PGE GIEK Wydobycie**-owned Bełchatów mine, which in terms of extraction is the largest lignite mine in Poland.<sup>16</sup> Another client-members of TUW PZUW are **Węglkokoks Kraj**, owner of the **Bobrek-Piekary** mine<sup>17</sup> and **Bogdanka** hard coal mine owned by **Lubelski Węgiel**.<sup>18</sup>

In fact, PZU's involvement in insuring mining companies may be even larger as the list above does not include three mines owned by Tauron Wydobycie. Yet, in the

**TABLE 2. HARD COAL AND LIGNITE MINES INSURED BY PZU GROUP**

	production (m tonnes)	insured by
<b>Hard coal</b>		
Jastrzębska Spółka Węglowa (JSW) (4 mines)*	15	PZU SA
Polska Grupa Górnicza (PGG) (8 mines)	30	TUW PZUW
Węglkokoks Kraj (1 mine)	3	TUW PZUW
Lubelski Węgiel Bogdanka (1 mine)	9	TUW PZUW
<b>TOTAL</b>	<b>57</b>	
85% of hard coal production in Poland		
<b>Lignite</b>		
Polska Grupa Energetyczna PGE GIEK (Bełchatów open-pit mine)	43	TUW PZUW
70% of lignite production in Poland		

\*expired on 31/12/2017

### Insured by PZU SA:

Until recently the dominant company within the PZU Group – PZU SA, insured four mines owned by **Jastrzębska Spółka Węglowa**, the largest producer of coke in the EU. The policy was valid until the end of 2017, however no information on its possible renewal is available.<sup>14</sup>

### Insured by TUW PZUW:

The majority of coal mines insured by PZU Group are owned by **Polska Grupa Górnicza (Polish Mining Group)**, a company established in 2016 in order to save the assets of the failing Kompania Węglowa. PGG took over Kompania's mines, and mines owned by Katowicki Holding Węglowy were added to the PGG in 2017 as part of a further restructuring of Polish mining. PGG owns eight hard coal mines, making it the largest

case of these mines there is no publicly available information on the scope of insurance coverage offered by TUW PZUW although all Tauron Group subsidiaries joined TUW PZUW in 2016<sup>19</sup>. However, as already mentioned, this does not instantly result in the issuance of policies.

PZU SA and TUW PZUW insure the majority of Poland's coal mining sector. Apart from the above-mentioned case of Tauron's mines and the lignite open-pit mine in Turów<sup>20</sup>, only ZE PAK-owned lignite mines Konin and Adamów are not covered by the insurance protection offered by PZU.<sup>21</sup> Information regarding the insurers of Przedsiębiorstwo Górnicze Silesia (the Silesia mine), Siltech Sp. z o.o. (the Siltech mine) and the Sieniawa lignite mine are not publicly accessible.



## 2.1.2 Insuring coal-fired power plants

PZU SA and TUW PZUW provide insurance for hard coal and lignite-fired power and combined heat and power plants. PZU Group insures more than **11 GWe**, of coal-fired power, i.e. around **30%** of the capacity available in Polish National Power System<sup>22</sup> and almost 3 GWe new (planned and under construction) capacity.

The list of companies that are covered by PZU Group includes: Polska Grupa Energetyczna (PGE), Enea, Energa, Tauron, PGNiG Termika.

### Insured by PZU SA:

PZU SA is one of the companies behind the insurance policy for the construction of PGE's new Opole II power plant, the largest power plant currently under construction in the EU.<sup>23</sup> Similarly, PZU SA acted as one of the insurers of the process of expansion of the capacity of Enea's flagship Elektrownia Kozienice, the largest hard coal-fired power plant in the Europe.<sup>24</sup> Although Enea joined TUW PZUW, it is PZU that insures Enea's another plant – Elektrownia Połaniec. The policy expires in mid-2018.<sup>25</sup> Ostrołęka B power plant owned by Energa (also a member of TUW PZUW<sup>26</sup>) was insured by PZU SA until the end of June 2017.<sup>27</sup> Unfortunately, no public information on possible contract renewal or new policies has been released.

Tauron is yet another company controlled by the State Treasury that in spite of joining TUW PZUW<sup>28</sup> is still insured by PZU SA. The policy that was due to expire on 31st March 2018 was covering the property of Tauron Wytwarzanie [Tauron Generation], the owner of five power plants: Jaworzno III, Łaziska, Łagisza, Siersza and Stalowa Wola power plant.<sup>29</sup>

Moreover, PZU SA together with Ergo Hestia and TUiR Warta insures three CHP plants located in Warsaw area, owned by PGNiG Termika. The policy will expire in June 2021.<sup>30</sup> PZU SA is also a member of a consortium insuring six PGE-owned CHP plants.<sup>31</sup>

### Insured by TUW PZUW:

TUW PZUW insures five power plants owned by Polska Grupa Energetyczna (PGE). The policy issued in 2016 covers the insurance of Elektrownia Bełchatów, Elektrownia Turów and Zespół Elektrowni Dolna Odra (a complex made up of three power plants: Elektrownia Dolna Odra, Elektrownia Pomorzany and Elektrownia Szczecin).<sup>32</sup> In September 2017 TUW PZUW, Enea and Energa signed a letter of intent to insure the construction of projected Elektrownia Ostrołęka C, a 1000 MW hard coal power plant pursued jointly by the two energy companies.<sup>33</sup> Moreover, unit no.11 in Kozienice power plant is covered by insurance provided by TUW PZUW since its completion in December 2017.<sup>34</sup>

**TABLE 3. POWER PLANTS INSURED BY PZU GROUP**

		capacity (Mwe)	insured by
Enea	Elektrownia Kozienice (unit no. 11)	1 075	TUW PZUW
	Elektrownia Połaniec	1 877	PZU SA
Energa	Elektrownia Ostrołęka B*	681	PZU SA
	Elektrownia Ostrołęka C (planned)	1 000	TUW PZUW
PGE	Elektrownia Opole II (units under construction)	1 800	PZU SA
	Elektrownia Bełchatów	5 472	TUW PZUW
	Elektrownia Turów	1 498	TUW PZUW
	Elektrownia Dolna Odra	1 362	TUW PZUW
	Elektrownia Pomorzany	134	TUW PZUW
	Elektrownia Szczecin	68	TUW PZUW
Tauron	Elektrownia Jaworzno III	1 535	PZU SA
	Elektrownia Łaziska	1 155	PZU SA
	Elektrownia Łagisza	820	PZU SA
	Elektrownia Siersza	666	PZU SA
	Elektrownia Stalowa Wola	330	PZU SA
<b>TOTAL</b>		<b>19 473</b>	<b>45% of capacity in KSE</b>
TOTAL**		11 486	26% of capacity in KSE
Total capacity available in Polish National Power System (KSE)		43 612 MWe	

\* policy expired on 30.6.2017

\*\* planned, under construction, and Tauron capacity excluded

## 2.2 INVESTMENTS IN THE COAL SECTOR

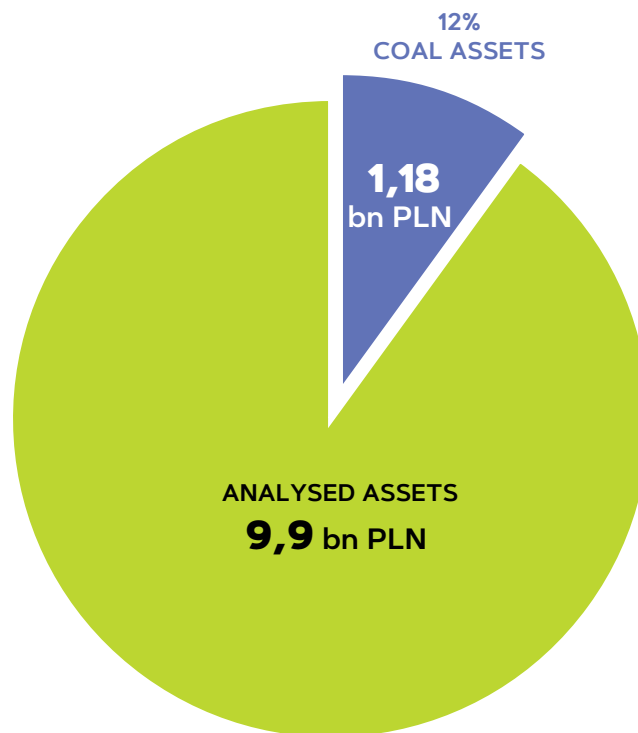
Investments carried out by PZU Group are, on the one hand, investments from company's general account and, on the other, operations on behalf of third-parties. The asset managers within the Group are Towarzystwo Funduszy Inwestycyjnych PZU (TFI PZU) [Investment Funds] and Powszechnie Towarzystwo Emerytalne PZU (PTE PZU) [Pension Fund].

### 2.2.1 TFI PZU

Towarzystwo Funduszy Inwestycyjnych PZU (TFI PZU) [Investment Funds] offers asset management to fund's clients. They can choose from a number of funds and sub-funds, i.e. investment programmes with diverse investment profiles and risk levels, designed both for individual and institutional clients. There also exist several funds available only to PZU Group entities. Out of over PLN 20 bn in assets managed by TFI PZU, around **PLN 13 bn** are PZU's own funds, and the rest comes from external investors. In the case of privately managed funds for individual and institutional investors, all information regarding investments made can be found in financial statements published online. However, there is no disclosure of investments made by non-public funds available only to entities within the PZU Group.

The data presented below is based on financial statements for Q1&2 2017<sup>35</sup>, summarizing the activity of PZU Fundusz Inwestycyjny Otwarty Parasolowy<sup>36</sup>, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Globalnych Inwestycji<sup>37</sup>, PZU Fundusz Inwestycyjny Otwarty Ochrony Majątku<sup>38</sup>, PZU Fundusz Inwestycyjny Zamknięty FORTE<sup>39</sup> and PZU Fundusz Inwestycyjny Zamknięty Akcji FOCUS<sup>40</sup>.

Among the analysed investments worth **PLN 9.9 bn**, around **PLN 1.18 bn** was located in shares and securities of coal sector companies. The largest share of the coal-invested funds (exceeding PLN 903 m) is managed by PZU Fundusz Inwestycyjny Otwarty Parasolowy (PZU FIO Parasolowy).<sup>41</sup>



#### COAL SECTOR COMPANIES IN PZU TFI PORTFOLIO:

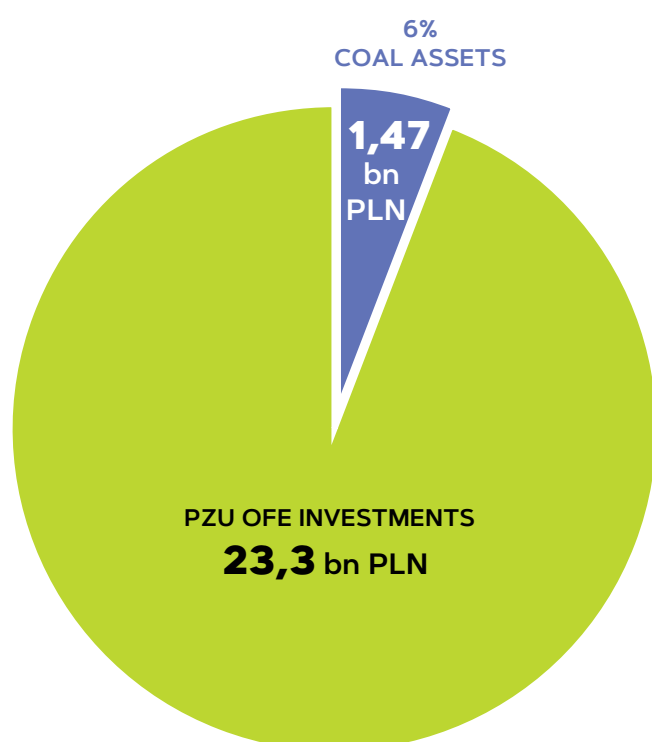
Enea	472 m PLN
Polska Grupa Energetyczna	359 m PLN
LW Bogdanka	118 m PLN
Energa	81 m PLN
ZEPAK	65 m PLN
Famur	42 m PLN
Polenergia	14 m PLN
Mostostal Warszawa	6 m PLN
Rafako	5 m PLN
Kopex	5 m PLN
CEZ	4 m PLN
Elektrobudowa	3 m PLN
Instal Kraków	3 m PLN
Fasing	2 m PLN
MOL (Węgry)	2 m PLN
Jastrzębska Spółka Węglowa	1 m PLN

TFI PZU is an important shareholder in many of the above-listed companies. It is the second largest shareholder in Enea (9.96% of shares) and LW Bogdanka (9.76%), third in the case of ZEPAK (9.79%) and Energa (1.79%) and fourth in PGE (1.57%). Regarding companies manufacturing mining and power and heating equipment, TFI PZU is the fifth largest shareholder in Famur (1.21%) and the sixth largest in both Rafako (0.82%) and Kopex (1.46%).

## 2.2.2 PTE PZU

Powszechnie Towarzystwo Emerytalne PZU (PTE PZU) manages pension funds – Otwarty Fundusz Emerytalny PZU Złota Jesień (OFE PZU Złota Jesień) [Open Pension Fund] and Dobrowolny Fundusz Emerytalny PZU [Voluntary Pension Fund]. Its role is to manage pension fund members' contributions. These are invested in order to multiply capital and pay it out in the future in the form of retirement benefits.

The analysis of assets managed by OFE PZU Złota Jesień is based on data as on 29 December 2017.<sup>42</sup> Among PLN 23.3 bn (around PLN 20.5 bn in shares) in the investment portfolio of OFE PZU Złota Jesień at the end of 2017, **around PLN 1.47 bn** were shares in coal sector companies. This amounts to over 6% of all of the fund's assets and 7% of the shares portfolio.



## COAL SECTOR COMPANIES IN PZU OFE PORTFOLIO:

Polska Grupa Energetyczna	425,9 m PLN
Enea	218,2 m PLN
Jastrzębska Spółka Węglowa	151,6 m PLN
CEZ	131,7 m PLN
Tauron	129,5 m PLN
Famur	102,5 m PLN
ZEW Kogeneracja SA	96,7 m PLN
Energa	54,0 m PLN
ZEPAK	50,7 m PLN
Elektrobudowa	34,0 m PLN
LW Bogdanka	40,2 m PLN
Rafako	18,3 m PLN
Mostostal Warszawa	16,2 m PLN
Remak	4,2 m PLN
Instal Kraków	1,7 m PLN
Fasing	1,6 m PLN

OFE PZU Złota Jesień is a significant shareholder in many of the above-listed companies. It is the third largest shareholder in ZEW Kogeneracja, fourth largest in Jastrzębska Spółka Węglowa, CEZ, Enea, ZEPAK and Energa, and fifth largest in Tauron and LW Bogdanka. Among the companies manufacturing mining and power and heating equipment, OFE PZU Złota Jesień is the third largest shareholder in Rafako (4.9%) and seventh largest in Famur (1.17%).

As of the end of 2017, apart from coal company shares the portfolio of OFE PZU Złota Jesień also featured Tauron bonds worth PLN 50.1 m with maturity date on 4/11/2019.

## 2.2.3 Investments - summary

Investments in coal sector companies made via TFI PZU and OFE PZU amounted to **PLN 2.65 bn**. The largest shareholdings were in Polska Grupa Energetyczna (PGE) (c. PLN 785 m) and Enea (over PLN 690 m).

Among companies whose shares can be found in the investment portfolio of TFI PZU and OFE PZU Złota Jesień are entities which do not carry out excavation activities nor produce energy, although they play a significant role in the operations of the coal sector:

<b>Famur</b>	<b>PLN 145.0 m</b>
The third largest manufacturer of mining equipment in the world. Shares owned by TFI PZU and OFE PZU constitute c. 2% of all shares.	
<b>Elektrobudowa</b>	<b>PLN 37.3 m</b>
TFI PZU and OFE PZU Złota Jesień own c. 10% of shares in Elektrobudowa SA, which carries out works related to electrical installation assembly at Elektrownia Opole and Elektrownia Jaworzno investments.	
<b>Rafako</b>	<b>PLN 24.0 m</b>
The share of PZU investment companies in Rafako, Europe's largest manufacturer of boilers, engaged among others with the investment at Elektrownia Jaworzno, amounts to c. 3%.	
<b>Mostostal Warszawa</b>	<b>PLN 22.3 m</b>
OFE PZU Złota Jesień owns as much as 17.5% of shares in Mostostal Warszawa, which is engaged among others in the construction of Elektrownia Opole.	
<b>Kopex</b>	<b>PLN 5.1 m</b>
TFI PZU and OFE PZU own c. 1.5% of shares in Kopex, a company manufacturing mining equipment.	
<b>Instal Kraków</b>	<b>PLN 4.8 m</b>
PZU Group companies also own 5% of shares in Instal Kraków, a construction and assembly enterprise working at power sector investments, recently e.g. at the expansion of Elektrownia Jaworzno.	
<b>Remak</b>	<b>PLN 4.4 m</b>
Shares of TFI PZU and OFE PZU in Remak amount to c. 13%. The company deals with assembling boilers in power plants and is now active in investments at Elektrownia Turów, Elektrownia Kozienice, Elektrownia Opole and Elektrowni Jaworzno.	
<b>Fasing</b>	<b>PLN 3.9 m</b>
TFI PZU and OFE have c. 7% of shares in Fasing, one of the the world's largest manufacturers of industrial chains, mostly for the mining industry.	

### 3. PZU'S CSR ENGAGEMENT

---

PZU Group is active in the field of corporate social responsibility (CSR). It carries out a comprehensive employee volunteer programme, sponsors sports events, is a patron of cultural institution and supports social actions.

PZU is a nominal sponsor of over a dozen running events. In 2016, there were 16 such runs whose participants covered a collective distance of 1.5 m kilometres.

#### MARATHONS AND HALF MARATHONS IN 2016

PZU Warsaw Marathon  
PZU Cracovia Royal Half Marathon  
Trzech Kopców Run  
Solidarność Run in Wrocław  
PZU Karkonoski Marathon  
PZU Szczeciński Marathon  
PZU Gdańsk Marathon  
PZU Cracovia Marathon  
PZU Lublin Marathon  
DOZ Marthon Łódź with PZU  
PZU Warsaw Half Marathon  
PZU Gdynia Half Marathon  
Tropem Wilczym Run

PZU SA has for years insured and sponsored the **Royal Castle in Warsaw**. Other sponsored institutions include:

- The National Theatre in Warsaw
- The National Museum in Warsaw
- The National Museum in Krakow
- Royal Łazienki in Warsaw
- The Warsaw Rising Museum

PZU was the Official Insurer of the 2016 World Youth Day, which took place in Poland. The policy taken out by the Krakow Archdiocese, the World Youth Day organizer, covered the insurance of pilgrims and the Archdiocese's civil liability.<sup>43</sup>

PZU also carries out a number of preventive actions aimed at improving safety. It cooperates with Tatra Volunteer Search and Rescue, Mountain Volunteer Search and Rescue, and Water Volunteer Search and Rescue, as well as with the "Misie Ratuja Dzieci" ["Teddy Bears Save Children"] Association. They conduct educational actions "Bezpieczne Wakacje" ["Safe Summer Holidays"] and "Bezpieczne Ferie" ["Safe Winter Break"] at holiday destinations during the summer and winter school breaks.

# SOURCES AND REFERENCES

1. Deloitte; Central Europe Top 500. An era of digital transformation. 2016
2. Polish Press Agency; Premier: pełnię nadzór nad PZU [Prime Minister: I supervise PZU] <http://www.pap.pl/aktualnosci/news,912096,premier-pelnie-nadzor-nad-pzu.html>
3. Polish Financial Supervision Authority; Raport o stanie sektora ubezpieczeń w pierwszym półroczu 2017 r. [Report on the state of the insurance sector in Q1 2017]; p.5 [https://www.knf.gov.pl/knf/pl/komponenty/img/Raport\\_sektor\\_ubezpiecze%C5%84\\_IIQ\\_2017\\_59848.pdf](https://www.knf.gov.pl/knf/pl/komponenty/img/Raport_sektor_ubezpiecze%C5%84_IIQ_2017_59848.pdf)
4. Polska Izba Ubezpieczeń; Raport Roczny 2016 [Annual Report 2016]; s.83 <https://piu.org.pl/wp-content/uploads/2016/10/Raport-roczny-PIU-2016-w-wersji-PDF.pdf>
5. Polish Financial Supervision Authority; Report; p.8
6. Polish Insurance Association; p.84
7. Due to the specificity of the activity of insurance companies, the technical result, which separates insurance activity (difference between revenue from premiums and paid-out insurance and benefits) and the net financial result (difference between revenue and costs in the entire business activity) are distinguished in their financial statements..
8. Polish Insurance Association; p.76-78
9. Komisja Nadzoru Finansowego; Rynek Otwartych Funduszy Emerytalnych w I kwartale 2017 roku [Privately managed pension fund market in Q1 2017]; p.5 [https://www.knf.gov.pl/knf/pl/komponenty/img/Rynek\\_OFE\\_1kw\\_2017\\_57229.pdf](https://www.knf.gov.pl/knf/pl/komponenty/img/Rynek_OFE_1kw_2017_57229.pdf)
10. Komisja Nadzoru Finansowego; Rynek Otwartych... [Privately managed pension...]; p.7-11
11. Chamber of Fund and Asset Management; Raport [Report] 2016; p.10 [www.izfa.pl/download/file/id/1101/n/raport-roczny-ryнку-funduszy-2016r](http://www.izfa.pl/download/file/id/1101/n/raport-roczny-ryнку-funduszy-2016r)
12. Strefa Biznesu; Ubezpieczenia wzajemne: towarzystwo zarabia, ty zyskujesz! [Mutual insurance: the company makes money, you gain!]; <http://www.strefabiznesu.pl/wiadomosci/a/ubezpieczenia-wzajemne-towarzystwo-zarabia-ty-zyskujesz,12310337/>
13. [http://dziennikubezpieczeniowy.pl/pub/2016-05-12\\_MSP\\_zaproszenie.pdf](http://dziennikubezpieczeniowy.pl/pub/2016-05-12_MSP_zaproszenie.pdf)
14. Supplement to the Official Journal of the European Union; [ted.europa.eu/udl?uri=TED:NOTICE:104559-2015:TEXT:PL:HTML](http://ted.europa.eu/udl?uri=TED:NOTICE:104559-2015:TEXT:PL:HTML)
15. PZU; TUV PZUW ubezpieczy Polską Grupę Górnica [TUV PZUW to insure Polska Grupa Górnica]; <http://media.pzu.pl/pr/320999/tuw-pzuw-ubezpieczy-polska-grupe-gornicza>
16. PGE; Raport Zintegrowany: Polityka ubezpieczeniowa [Integrated report: insurance policies]; <http://raportzintegrowany2016.gkpg.pl/pl/odpowiedzialnosc/finansowanie-podatki-ubezpieczenia/polityka-ubezpieczeniowa>
17. RP.pl; Rajd PZU na spółki państwowe nie zwalnia tempa [PZU's raid on state-owned companies is not losing momentum]; <http://www.rp.pl/Ubezpieczenia/309079924-Rajd-PZU-na-spolki-panstwowne-nie-zwalnia-tempa.html#ap-2>
18. PZU; TUV PZUW ubezpieczy Polską Grupę Górnica [TUV PZUW to insure Polska Grupa Górnica]; <http://media.pzu.pl/pr/320999/tuw-pzuw-ubezpieczy-polska-grupe-gornicza>
19. Money.pl; Wszystkie spółki Taurona przystąpiły do TUV [All of Tauron's companies have joined TUV]; <https://www.money.pl/gielda/wiadomosci/artykul/wszystkie-spolki-taurona-przystapi-ly-do-tuw,26,0,2155546.html>
20. <http://ted.europa.eu/udl?uri=TED:NOTICE:44179-2015:TEXT:PL:HTML>
21. Until the end of March 2019 the insurance policy issued by a consortium comprising Ergo Hestia, TUIR Warta, Allianz and UNIQA remains valid. Cf. [http://ri.zepak.com.pl/upload/files/ZEPAK\\_2016-R\\_Sprawozdanie\\_Zarzadu\\_Z\\_Dzialalnosci\\_Jednostka\\_publikacja.pdf](http://ri.zepak.com.pl/upload/files/ZEPAK_2016-R_Sprawozdanie_Zarzadu_Z_Dzialalnosci_Jednostka_publikacja.pdf)
22. Urząd Regulacji Energetyki; Charakterystyka rynku; <https://www.ure.gov.pl/pl/rynki-energii/energia-elektryczna/charakterystyka-rynku/7040,2016.html>
23. EIB; Allianz ubezpiecza największy projekt polskiej energetyki [Allianz insures Poland's power sector's largest project]; [https://www.eib.com.pl/uploads/news/Allianz\\_ubezpiecza\\_najwiekszy\\_projekt\\_polskiej\\_energetyki.pdf](https://www.eib.com.pl/uploads/news/Allianz_ubezpiecza_najwiekszy_projekt_polskiej_energetyki.pdf)
24. <http://ted.europa.eu/udl?uri=TED:NOTICE:163312-2013:TEXT:EN:HTML>
25. Enea; PZU ubezpiecza Enea Połaniec [PZU insures Enea Połaniec]; <https://media.enea.pl/pr/350461/pzu-ubezpiecza-enee-polaniec>
26. Dziennik Ubezpieczeniowy; TUV PZUW: dojrzałość modelu biznesowego sprawdzona w boju; [http://dziennikubezpieczeniowy.pl/2017/11/27/TUV\\_PZUW\\_dojrzalosc\\_modelu\\_biznesowego\\_sprawdzona\\_w\\_boju/artykul/113650](http://dziennikubezpieczeniowy.pl/2017/11/27/TUV_PZUW_dojrzalosc_modelu_biznesowego_sprawdzona_w_boju/artykul/113650)
27. <http://ted.europa.eu/udl?uri=TED:NOTICE:299822-2014:TEXT:PL:HTML>
28. Nowa Energia; Spółki Grupy Kapitałowej Tauron w Towarzystwie Ubezpieczeń Wzajemnych; <http://nowa-energia.com.pl/2016/09/16/spolki-grupy-kapitalowej-tauron-w-towarzystwie-ubezpieczen-wzajemnych/>
29. <http://ted.europa.eu/udl?uri=TED:NOTICE:403833-2016:TEXT:PL:HTML>
30. <http://ted.europa.eu/udl?uri=TED:NOTICE:240820-2016:TEXT:PL:HTML>
31. In 2014 a consortium made up of Ergo Hestia, TUIR Warta, PZU SA and Generali concluded an insurance agreement covering PGE-owned combined heat and power plants Bydgoszcz, Gorzów, Kielce, Lublin, Rzeszów and Zgierz. Valid until July 2019. Cf. <http://ted.europa.eu/udl?uri=TED:NOTICE:313676-2014:TEXT:PL:HTML>
32. PGE; Raport Zintegrowany: Polityka ubezpieczeniowa [Integrated report: insurance policies]; <http://raportzintegrowany2016.gkpg.pl/pl/odpowiedzialnosc/finansowanie-podatki-ubezpieczenia/polityka-ubezpieczeniowa>
33. RP.pl; PZU zaangażowane przy budowie Ostrołęki C [PZU engaged in the construction of Ostrołęka C]; <http://www.rp.pl/Forum-Ekonomiczne/309079835-PZU-zaangazowane-przy-budowie-Ostroleki-C.html>
34. <https://twitter.com/GrupaPZU/status/943150890122403841>
35. As at 30 June 2017
36. [https://www.pzu.pl/c/document\\_library/get\\_file?uuid=31b9ddb-fdae-42fb-a144-b236e77371ea&groupId=10172](https://www.pzu.pl/c/document_library/get_file?uuid=31b9ddb-fdae-42fb-a144-b236e77371ea&groupId=10172)
37. [https://www.pzu.pl/c/document\\_library/get\\_file?uuid=8d74bbc0-32ff-410f-bc25-3169de8646c8&groupId=10172](https://www.pzu.pl/c/document_library/get_file?uuid=8d74bbc0-32ff-410f-bc25-3169de8646c8&groupId=10172)
38. [https://www.pzu.pl/c/document\\_library/get\\_file?uuid=49321404-b7d7-4495-9277-f5195ec27c44&groupId=10172](https://www.pzu.pl/c/document_library/get_file?uuid=49321404-b7d7-4495-9277-f5195ec27c44&groupId=10172)
39. [https://www.pzu.pl/c/document\\_library/get\\_file?uuid=334d14eae-f7b-46ed-990a-66e9a414402a&groupId=10172](https://www.pzu.pl/c/document_library/get_file?uuid=334d14eae-f7b-46ed-990a-66e9a414402a&groupId=10172)
40. [https://www.pzu.pl/c/document\\_library/get\\_file?uuid=9a0228c5-6da8-4aadb-9a11-d88d10bf4c47&groupId=10172](https://www.pzu.pl/c/document_library/get_file?uuid=9a0228c5-6da8-4aadb-9a11-d88d10bf4c47&groupId=10172)
41. [https://www.pzu.pl/c/document\\_library/get\\_file?uuid=31b9ddb-fdae-42fb-a144-b236e77371ea&groupId=10172](https://www.pzu.pl/c/document_library/get_file?uuid=31b9ddb-fdae-42fb-a144-b236e77371ea&groupId=10172)
42. <https://www.pzu.pl/grupa-pzu/pte-pzu/inwestycje-ofe/struktura-aktywow/roczna-struktura-aktywow-ofe-pzu-na-dzien-2017.12.29>
43. PZU; Pielgrzymi SDM bezpieczni z polisą PZU [World Youth Day pilgrims safe with a PZU policy]; <http://media.pzu.pl/pr/317089/pielgrzymi-sdm-bezpieczni-z-polisa-pzu>



This briefing presents PZU Group's engagement in the Polish coal sector acting as an insurer and investor. The information featured in the briefing is publicly available and the main sources used were: Supplement to the Official Journal of the European Union, financial statements of Towarzystwo Funduszy Inwestycyjnych PZU TFI and Powszechne Towarzystwo Emerytalne PTE PZU, press releases and economic portals.

Internet sources were checked between October and December 2017 (update in April 2018). Company financial data comes from financial statements for 2016 and 2017.

A broad definition of the coal sector was used in the briefing. Apart from mining and energy companies, it also includes enterprises active in areas key for the functioning of the entire sector: mining and power-sector equipment manufacturers and companies dealing with construction and assembly.



[www.rozwojtak-odkrywkinie.pl](http://www.rozwojtak-odkrywkinie.pl)