

**Note of the Polish OECD NCP concerning the monitoring
of the case involving the PZU S.A. Group
submitted by the Foundation “Development YES – Open-pit Mines NO”**

Warsaw, 18 February 2021

CASE HISTORY

1. The OECD National Contact Point (OECD NCP) received a notification of an alleged breach of the *OECD Guidelines for Multinational Enterprises* (hereinafter: OECD Guidelines) on 6 August 2018.
2. The notification was submitted by the Foundation “Development YES – Open-pit Mines NO” (hereinafter also referred to as the Notifier), promoting development of the power industry based on renewable energy sources and acting to protect the environment.
3. The notification concerned the actions of a multinational Company: Grupa Kapitałowa Powszechnego Zakładu Ubezpieczeń Spółki Akcyjnej (PZU S.A. Group) with its registered office in Warsaw (hereinafter also referred to as the Company), operating in the financial sector (insurance and banking).
4. The Notifier indicated the following chapters of the OECD Guidelines: Chapter II “General Policies,” Chapter III “Disclosure,” Chapter IV “Human Rights,” Chapter VI “Environment,” and Chapter VIII “Consumer Interests” the provisions of which were breached, in the opinion of the Notifier, due to the lack of publication of certain information in the Company’s non-financial statements for 2017.
5. The OECD NCP accepted the case for consideration on 8 November 2018 and formulated the Initial Assessment of the case. The OECD NCP decided not to publish the Initial Assessment. Only information that the OECD NCP accepted the case was placed on the website of the OECD NCP.
6. In November 2018, the OECD NCP proposed to the parties its good offices. In January 2019, a meeting of representatives of the Company and the Notifier was held in the presence of the OECD NCP during which the parties showed commitment and openness to dialogue.

The arrangements between the parties concerned the scope of information published by PZU S.A. in non-financial statements. Representatives of the Company informed, among others, that the Company is aware of the climate changes taking place and is actively involved in measures to counteract climate change which was reflected, e.g., in the Company’s involvement in the organisation of the COP24 Climate Summit in December 2018.

It was agreed that the majority of the information presented in the expectations of the Foundation “Development YES – Open-pit mines NO” will be included in the non-financial statement of the PZU S.A. Group for 2018.

7. The next meeting of the parties to the proceedings took place in April 2019, after the publication of the non-financial statement by the PZU S.A. Group for the year 2018, and resulted in the parties reaching an agreement.
8. On 26 July 2019, the parties to the proceedings accepted the content of the Final Assessment which was published by the OECD NCP on 6 August 2019.

CASE MONITORING

As agreed in the Final Assessment, on 7 August 2020, the OECD NCP issued an invitation to the parties to participate in the meeting during which the parties to the proceedings, in the presence of the OECD NCP, were to present information on the progress made by the PZU S.A. Group within the scope of the notification considered in the proceedings before the OECD NCP.

Due to the situation resulting from the COVID-19 pandemic and the recommendations on limiting meetings and social distancing, it was decided that the meeting would be held on-line.

The meeting of the representatives of the parties and the OECD NCP took place on 15 October 2020.

1. Non-financial statement of the Company for 2019

The non-financial statement of the PZU Group and PZU S.A. for 2019 was published on the website of PZU S.A. on 12 March 2020.

The statement notes as follows: “The non-financial statement of the PZU Group and PZU S.A. for 2019 was prepared in accordance with the applicable regulatory requirements for non-financial reporting, included the Act on accounting.”

The statement includes, *inter alia*, information on both direct and indirect impact of the PZU S.A. Group on the environment using the SCOPE 1 and SCOPE 2 emission measurement standards.

2. Other measures implemented by the Company in the field of policies concerning respect for human rights and environmental protection

According to the information provided by representatives of the Company, advanced work, among others, on the Environmental Policy, the Policy of Respect for Human Rights, and the Policy of Sustainable Investment, is underway in the PZU S.A. Group. Work on these documents is at the stage of consultations in the Group. Information on the directions of activities adopted by the Group in the above areas will be taken into account in the new PZU Group Business Strategy relating to ESG being developed. The strategy will apply to the entire PZU Group, and its publication is planned for the beginning of 2021.

Representatives of the Company recalled that the PZU S.A. Group engages in pro-ecological projects, striving to minimise the negative impact on the environment in its operations. They also emphasised high activity and social impact of the Company. Taking into account the basic activity of the PZU S.A. Group related to the provision of insurance, representatives of the Company emphasised that also in

the current situation related to counteracting the spread of the COVID-19 pandemic in Poland, the company plays a large role by providing insurance, among others, for the medical community.

Representatives of the Company drew attention to the specificity of the activities carried out by the PZU S.A. Group, their range and ownership structure in the Group which make it difficult to compare the activity of the Company with other entities in the same industry. Representatives of the Company emphasised that due to this specificity, they treat the activities undertaken as a process of continuous improvement and learning.

3. Opinion of the Notifier on the information presented in the Company's non-financial statement

The Notifier expressed satisfaction that many of their expectations were taken into account in the activities of the Company and pointed to the progress which, in the Author's opinion, the PZU S.A. Group has made to improve the reporting of non-financial information.

The Notifier also noted that while these changes are visible in the content of the statement, their actual implementation in practice is not so visible. The Notifier pointed out that apart from increasing the Company's awareness of climate change, concrete steps and implementation of practical measures are also expected. The Notifier pointed to the measures and initiatives taken at the international level which are examples of the conscious approach of the insurance sector companies departing from insuring carbon-intensive companies and investments. Such directions of changes are also expected in relation to the Polish insurance sector.

In the opinion of the Notifier, the actions taken by the PZU S.A. Group are heading in the right, expected direction. However, a representative of the Foundation "Development YES – Open-pit mines NO" expressed concern about the pace of implementation of these changes and recalled the commitments made by the industry on international markets to withdraw from insuring new carbon-intensive projects, which is an example of concrete steps in achieving climate neutrality to 2050. The need to use more communication channels to inform about the change in the approach of the PZU S.A. Group and disseminating planned changes and activities was also stressed. More effective use of, *inter alia*, the website of the PZU S.A. Group should be particularly important in this regard.

CONCLUSIONS FROM THE PROCEEDINGS

Disclosure of non-financial information on the activities of enterprises occupies a special place in a responsible approach to business. *The OECD Guidelines for Multinational Enterprises* explain, among others, that the objective of the disclosure recommendations is not to impose excessive administrative or financial burdens on enterprises. Companies are also not expected to disclose information which could harm their market position. Clear and comprehensive information on enterprises is important to a number of recipients, including employees, local communities, community and industry organisations, investors and business partners.¹

¹ See OECD Guidelines, Commentary to Chapter III "Disclosure," paragraphs 28 and 30.

In the present case, the OECD NCP positively assesses the course of the proceedings. Commitment of both parties to ensure the effectiveness of the process, attitude of representatives of the PZU S.A. Group open to cooperation and constructive dialogue led, in the opinion of the OECD NCP, to the agreement between the parties.

The OECD NCP recognises the arguments presented by the parties to the proceedings, including the need to take urgent and concrete actions to implement changes towards sustainable development, as well as the need to implement specific procedures and processes at the operational level.

Building and implementing a sustainable development strategy of a company is often a long-term process which requires a number of activities not only at the strategic level, but also education and awareness-raising among many stakeholders of the company.

The OECD NCP recommends the Company to continue activities aimed at developing a strategic approach to climate change which will be reflected in the relevant policies of the PZU S.A. Group and non-financial statements published in subsequent years.

In addition, the OECD NCP recommends greater involvement in information activities on the progress of the PZU S.A. Group in developing policies and practices in the field of the environment and respect for human rights, including the use of various communication channels, not limited to non-financial statements.

In the opinion of the OECD NCP, the openness of the PZU S.A. Group for cooperation with external stakeholders, including NGOs and industry organisations at the national and international level, is also important in this respect. The OECD NCP recommends in particular that the PZU S.A. Group join in international initiatives to develop the environmental involvement of the insurance industry.

The OECD NCP also recommends the Notifier to share knowledge with representatives of the PZU S.A. Group on domestic and international trends in the insurance industry and the financial sector in relation to the involvement of the financial sector in measures and initiatives aimed at combating climate change.

Note from the monitoring of the case concerning the PZU S.A. Group will be published in Polish and in English on the website of the OECD NCP. An English version of this note will also be sent to the OECD Secretariat.

The OECD NCP concludes the proceedings in this case.