AmCham.Pl QUARTERLY

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COVER STORY

LESSONS FROM THE LOCKDOWN

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AmCham Advisory Council

The Advisory Council of the American Chamber of Commerce in Poland is engaged in shaping our advocacy for better investment, creating policies, and working with key policy-makers in order to address important and highly relevant issues. The crucial role of companies gathered in the Advisory Council is emphasized by the special client care we provide to these premium members and the opportunity they have to cooperate at the highest level, including business to government dialogue, special networking events, as well as priority at our events.

It's your AmCham...

It's your debate...

We want to come up with a list of such investment projects which are critical in Poland. You are our partners if you have such projects!

JADWIGA EMILEWICZ, DEPUTY PRIME MINISTER AND MINISTER OF DEVELOPMENT, p. 40

The momentum is growing, as increasing numbers of people begin to understand the issues involved in tackling carbon emissions.

MICHAŁ KURTYKA, MINISTER OF CLIMATE, p. 34

There are questions about the ethical standards of firms and if the products they sell are made in line with their sector's best practices and other guidelines. Those issues are important to the UOKiK regardless of the company's origins and its geographic location.

TOMASZ CHRÓSTNY, PRESIDENT OF THE OFFICE OF COMPETITION AND CONSUMER PROTECTION, p. 32

The atmosphere for business is still very good in Poland

GEORGETTE MOSBACHER, US AMBASSADOR TO POLAND, p. 40

There were some interesting trends in business which took off during the pandemic and helped to take the economy out of the hole, and are expected to stay for a long time.

SŁAWOMIR S. SIKORA, PRESIDENT & CEO OF CITI HANDLOWY, p. 36

Job seekers will need to realize that some industries are not there forever and that they need to be intellectually flexible to educate themselves for new jobs and responsibilities, even at later stages of their professional life.

MARCIN PETRYKOWSKI, MANAGING DIRECTOR OF S&P GLOBAL RATINGS, p. 36

Poland will need smart, long-term capital with which to fuel post-pandemic economic recovery.

KRZYSZTOF KRAWCZYK, PARTNER, CVC CAPITAL PARTNERS, p. 28

AmCham.pl Quarterly is the official publication of the American Chamber of Commerce in Poland. It is a voice for foreign investors and the business community in Poland. The magazine strives to keep our members and other readers up to date by following chamber news and reporting on the leading trends in business and policy.

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ADVOCACY OF AMCHAM POLAND

AmCham Poland supports the collective interests of its members by working to affect changes that improve the business environment in Poland through:
• the close monitoring of Polish and EU regulations;
• position papers, policy statements, and advocacy letters;
• direct and frequent interaction with policy-makers;
• active participation in the rule-making process.

All AmCham Poland's position papers are available at http://amcham.pl/advocacy.

Our top issues include:

THE FDI SCREENING REGULATION
The FDI screening regulation introduced a new mechanism to control FDI coming to Poland and has been in force since July 24, 2020. The regulation affects non-EU entities that want to invest in a Polish entity covered by protection. It applies to the acquisition of shares and stock of the Polish entity, to the amount of 20 percent of the voting threshold, obtaining or increasing a share in that entity's profits.
A non-EU entity that intends to acquire dominance over an entity covered by the protection must submit information expressing this intention to the President of the Office of Competition and Consumer Protection. According to the new law, the FDI screening regime is not applied to investors based in the US and other OECD countries.

RECOMMENDATIONS TO THE GOVERNMENT IN RESPONSE TO THE IMPACT OF COVID-19
AmCham has presented recommendations to the government on how to keep the Polish market attractive to foreign investors in response to the impact of the Covid-19 pandemic. AmCham underlined the government's need to focus its aid programs on large enterprises, increase support for maintaining jobs, and introduce more transparent criteria for using the Polish Development Fund's support instruments. AmCham urged the government not to impose new fiscal burdens upon companies. AmCham also recommended introducing wider exemptions from the obligation to pay social security contributions and accelerating some procedures such as VAT refunds.

THE WITHHOLDING TAX (WHT)
AmCham continues its efforts to have the government clarify the provisions of the WHT that were introduced at the beginning of 2019 and have created doubts regarding their application in practice. The WHT affects all entrepreneurs operating in Poland that have foreign business partners.
The withholding tax applies when a Polish entity buys services from abroad, such as marketing, artistic services, legal advice, market research services, or data analysis from an entity that does not have tax residence in Poland.
Upon feedback from the private sector, the Ministry of Finance has established a group that includes an AmCham representative to work on clarifying the new provisions. So far, the Ministry of Finance has published a regulation postponing the entry into force of the withholding tax regulations to December 31, 2020. The postponement applies only to the mechanism of the collection of withholding tax.

THE SUGAR TAX
AmCham has been monitoring initiatives regarding the introduction of additional fees on soft drinks containing sugars. The new regulations will come into force on January 1, 2021, and will cover drinks containing sugar and sweeteners, as well as taurine and caffeine. The new law will directly and indirectly affect beverage companies, impacting all companies throughout the entire supply chain of sugar-containing products, from farmers to producers to consumers.

THE VOD TAX
A new law introducing the VOD tax has been in force since July 1, 2020. The VOD tax is a new payment obligation made to the Polish Film Institute (PFI) imposed on entities that provide video-on-demand services. The fee for entities providing VOD services will constitute 1.5 percent of their revenue obtained from fees for the access the VOD, or the income received from the issue of commercials if the revenue for a given accounting period is higher.

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LETTER FROM THE CHAIRMAN

DEAR AMCHAM MEMBERS AND FRIENDS,

I hope that this edition of the *AmCham.pl Quarterly* finds you and yours well. Hopefully, despite the challenges and disruptions of the pandemic, there has been time for you to rest, reflect, and prepare for the months ahead.

No matter how long one has been in business, regardless of studies and degrees, none of us have experienced anything like 2020 and a much-changed future. Most of the things we thought we knew about 2021 and beyond were not wrong—they simply ceased to be relevant in our new reality.

Our companies continue their adaptation to the ongoing pandemic. I am proud to see so many companies making these efforts and continuing to focus on keeping people safe, maintaining jobs, and looking at new ways of working through scheduling, technology, and planning. Big challenges, but necessity breeds invention.

AmCham has not slowed its work to represent the membership throughout the summer on matters of legislation, regulation, and treatment of our companies in the market. Hundreds of people from our member companies have participated in our virtual meetings with the Office of Competition and Consumer Protection, Ministry of Environment, and the Polish Development Fund, to name but some of the events. We were also pleased that the Board and Advisory Council could meet with Deputy Prime Minister Jadwiga Emilewicz and Ambassador Georgette Mosbacher in July—our first physical meeting since March.

AmCham's 30th Anniversary investment report featured heavily in the media during the summer and is a valuable measure of how far our Chamber, our companies, and this market have come in the last thirty years. Look for future research on investment going forward. This new edition of the *AmCham.pl Quarterly* will inform you of our engagement and issues during the summer season and provide a good deal of food for thought about how we are conducting business as we look toward a return to growth.

Due to Covid-19, we will not be at some of the large events with our ever-popular AmCham Dinner. I look forward to being able to do that again in the future, hopefully, next year. Despite these short-term changes, AmCham is fully engaged in an ongoing dialogue with officials throughout the Government, Parliament, and policy spectrum. I invite you to keep AmCham posted on issues and ideas, as well as to participate in our virtual meetings—and perhaps even some limited physical ones—in the coming months.

I will close by recognizing the great work of the AmCham staff during the previous months. They have worked to support our companies, our employees, and the market without missing a beat—despite the disruption of remote working and virtual meetings. Dorota and Team AmCham, thank you!

Stay safe and well. Ever forward!

TONY HOUSH
AMCHAM CHAIRMAN

NEWSLINE

NEWS FROM AMCHAM AND ITS MEMBERS

AmCham member companies have supported efforts to combat coronavirus and the spread of the pandemic by delivering financial aid to hospitals and organizations and offering online communication tools and access to Covid-19 related information. The companies involved included the following:

AMAZON
Amazon has prepared an educational response to the school closures across Poland by contributing to the Ministry of Digital Affairs program. Together with its partner Cyfrowy Dialog, Amazon provided online access to educational resources and supported teachers, parents, educators, and children in home-schooling. The #STEMKindloteka program offers innovative e-learning classes and workshops for free. Earlier, Amazon donated EUR 1 million to support those impacted by the Covid-19 crisis by financing hospital equipment, including tests, protective clothing, and specialist equipment. The funds were donated to the Polish Red Cross, the TVN "Nie jesteś sam" Foundation, the Great Orchestra of Christmas Charity, and chosen organizations operating on a local scale in the vicinity of Amazon's operations.

AMREST
The operator of KFC, Pizza Hut, Starbucks, and Burger King provided free meals to 50 hospitals in Poland to support the medical staff involved in the fight against coronavirus. AmRest donated 3 tons of food in March alone.

CARGILL
The provider of food, agriculture, financial and industrial products, and services Cargill supported three local hospitals in Poland. The company's first donation was of 60,000 PLN for the purchase of protection equipment.

CISCO
The IT network company Cisco made its Webex platform available for free for online meetings and video-conferencing. It has expanded the features available to include support for up to 100 participants, unlimited number and time of meetings, and document sharing.

DCT
The sea cargo terminal DCT Gdańsk has donated funds to the Polish Red Cross to fight the pandemic. The funds were used to purchase a respirator with PEEP function necessary for coronavirus, a cardio monitor, laser thermometers, and ozonizers for disinfecting the uniforms of paramedics working with Covid patients.

DELOITTE POLSKA
Deloitte Polska rendered financial assistance to Warsaw Genomics, a Polish laboratory specializing in genetic diagnostics, to purchase diagnostic tests for SARS-CoV-2 and donate them to Poland's hospitals and medical facilities.

GEMINI
The network of pharmacy stores Gemini served over 200,000 patients in its pharmacies and over 10,000 through its online platform, ensuring the high availability of medical products and devices. In addition to serving Polish patients daily, Gemini also donated 25,000 FFP3 masks to professionals at hospitals in Warsaw, Wrocław, Gdańsk, and Zielona Góra.

GOOGLE
Google worked to limit the proliferation of fake news in Search and YouTube, and provided reliable information about the virus, including an SOS alert and a Knowledge Panel information box. Google supported e-learning by creating new distance learning resources, including a collection of training materials, a new YouTube Learning Hub, and a series of blog posts and webinars.

IBM
IBM has made its Clinical Development System available National Health agencies free of charge to reduce the time and cost of clinical trials by providing data and analysis. IBM also granted three months of free access to the IBM Cloud and other technologies, and to the IBM Global University Programs platforms that provide free online skills education.
In addition, IBM and Cisco teamed up with several Polish non-profit education organizations to support teachers in running online classes for students at home. Teachers were provided with free access to the Cisco Webex platform to host online meetings, and volunteers from IBM and Cisco provided the necessary technical support and assisted teachers with the training needed to work with the platform.

INTEGER
Integer has donated 109,000 face masks to 18 hospitals all over Poland. The company transported computers used in remote learning free of charge for students in need. In cooperation with Lotte Wedel, Integer also sent sweets to 465 infectious disease hospitals in Poland.

KPMG
The KPMG Foundation in Poland purchased laboratory equipment for diagnosing and researching the coronavirus. They bought 5,000 protective masks for the staff of one of the hospitals and provided over 300 computers with Internet access for students with financial difficulties. KPMG Polska also prepared Covid-19 information packages for business, including publications, factual materials, webcasts, and ready-made templates of applications to help manage a business.

LUFTHANSA
In March, Lufthansa performed over 260 repatriation flights from 60 destinations worldwide to bring 48,000 stranded passengers back home to Europe. Lufthansa and their Joint Venture partner United Airlines worked closely with the US government and officials to gain the necessary approvals to operate services to bring US citizens home from countries where flying had been restricted.

MCCORMICK POLSKA
McCormick Polska supported an aid program to give economically-challenged families access to healthy meals. McCormick gave the food bank regular in-kind donations and donated products worth USD 100,000 in February alone.

MCDONALD'S
The Ronald McDonald Foundation donated 20,000 medical-grade masks to hospitals in Warsaw and Kraków.

MICROSOFT
Microsoft provided a six-month free of charge version of Microsoft Teams, a remote work tool, along with the complete Office365 E1 package. Additionally, the company shared a number of guides on best practices for remote working and working from home safely.

MONDELEZ INTL
Mondelēz Intl donated PLN 150,000 PLN for the Coronavirus Relief Fund organized by The Great Orchestra of Christmas Charity. The Fund's purpose is to support Polish hospitals by purchasing the necessary equipment to fight the pandemic.

NATIVIANA
The mineral water producer Nativiana donated its Rodowita brand bottled water to all hospitals in the Lubelskie region, where Nativiana's production plant is located.

ORANGE POLSKA
Orange Polska supported a stay-at-home program aimed at among young internet users. The Orange Flex customer program allocated up to 200GB of data transfers to young Orange clients for a symbolic PLN 1 a month. In addition, Orange Polska gave all its mobile customers an additional 10GB of data transfers, anticipating that they would be making extensive use of mobile phone communications during the lockdown. The company also extended free access to TV channels for Orange TV customers until the end of March, and the Orange Foundation created a program for online learning.

PEPSICO
PepsiCo donated its products to Polish hospitals with its partner AmRest through the nationwide aid program "#wzywamy posiłki."

PKP ENERGETYKA
The power supply provider for the railway sector PKP Energetyka held a program of webinars and provided psychological help for employees in need. They also supported their retired employees in need of assistance during the pandemic.

PZL MIELEC
The aerospace company PZL Mielec donated face masks, face shields, and 100 liters of disinfectants to the Mielec municipal hospital, as well as PLN 10,000 to the local emergency service. In addition, PZL Mielec donated PLN 13,000 to purchase a disinfection device for an ambulance. PZL Mielec also ensured timely payments to its suppliers and shortened payment terms to help its small and medium-sized suppliers maintain liquidity.

P&G
Together with the Polish Red Cross, Procter & Gamble distributed P&G products to families in need during the lockdown. The value of the aid rendered reached PLN 300,000.

SANTANDER BANK POLSKA
Santander Bank Polska donated PLN 2 million for medical equipment and launched a charity fundraiser with the Santander Bank Polska Foundation to combat the pandemic.

UBER
The cab company Uber offered 10,000 car rides for doctors and nurses from Warsaw, Kraków, Poznań, Łódź, and the Silesian area.

UNUM
Life insurance conglomerate Unum financially supported individual employees and associates as part of their efforts to assist neighbors in need in their community, especially seniors. Unum Foundation set aside PLN 25,000 for this purpose, and the company also purchased medical equipment for hospitals treating patients with Covid-19.

UPC POLAND
UPC Poland launched virtual online courses for children to make social distancing easier and made its children's channels available to all video customers.

WARDYŃSKI & PARTNERS
Law firm Wardyński & Partners launched an informational website dedicated to Covid-19 for businesses. At the time of the launch, the site contained over 80 practical and accessible FAQs as well as longer articles.

ŻABKA POLSKA
The Żabka chain of convenience stores donated PLN 4.5 million to support government operations to fight the pandemic. Another PLN 2 million was dedicated to purchasing SARS-CoV-2 tests from Warsaw Genomics, a Polish laboratory specializing in genetic diagnostics. The company also allowed its customers to use their loyalty points collected to support regional infectious diseases hospitals through its mobile application Żappka." The points could be redeemed for donation vouchers worth between 1 PLN and 100 PLN, which the company then doubled.

AGENDA

INTELLIGENCE FROM AMCHAM COMMITTEES

AGRI, FOOD & FCMG; MANUFACTURING

Challenges and opportunities for business in managing waste from packaging were on the agenda of a joint meeting of two committees (Agri, Food & FMCG, and Manufacturing), which took place in May via the Webex online platform. The speakers were Małgorzata Skonieczna, Public Policy Director at PepsiCo and Co-Chair of the AmCham Agri, Food & FCMG Committee; and Bartłomiej Wojdyło, Sustainability Deputy Director at Can-Pack, one of the world's largest producers of aluminum cans.

Małgorzata Skonieczna highlighted key elements of new legislation of the European Union regarding packaging, which will affect most companies using packaging for the products they deliver.

Skonieczna said that the European Commission has a comprehensive approach to the problem of waste generated by consumer products, such as plastic. The commission's policy aims to make manufacturers use recyclable materials for packaging to reduce the amounts of plastic waste they produce.

The policy is innovation-driven and aims at setting new standards for the production of packaging and consumer goods. These will comply with the standards of the so-called "circular economy," in which all products are recyclable or made from components that do not impact the natural environment. According to Małgorzata Skonieczna, the policy includes provisions that affect all phases of a product life cycle, including packaging.

The policy is part of an EU strategic roadmap called the European Green Deal, which addresses sustainability and climate-related challenges.

The EU legislation governing packaging waste belongs to a legislative framework called the Circular Economy Package, which is comprised of five acts: the Waste Framework Directive, the Packaging and Packaging Waste Directive, the CEP Action Plan, the Plastic Strategy, and the Single-Use Plastic Directive.

Another EU policy critical for manufacturers in the union is the EU recycling target for packaging waste.

When it comes to manufacturers in Poland, some of those targets are very difficult to achieve because of the old packaging waste system, which was operational until last year. Yet, as Poland has been realigning its packaging waste management system, manufacturers have to work closely with legislators to ensure that the new regulations will enable manufacturers to achieve the EU targets. A good legislative framework is essential. To meet the EU requirements, the FMCG producers will have to make huge investments in new production and packaging processes.

Another speaker, Can-Pack's Bartłomiej Wojdyło, said that the industry should not view the idea of the circular economy as a threat or risk, but as a long-term business opportunity. The industry needs to commit itself to pro-ecological sustainable standards, and nobody is questioning this. The largest companies in the aluminum can production sector are working hand-in-hand to establish the best standards and practices to increase the amount of recyclable content. For instance, plastic wrap for multiple can packages was replaced with a new type of paint that keeps the cans together. The amount of raw materials used in the production of cans has also been reduced over the years.

Wojdyło noted that, along with engaging the major can producers, the industry is working with suppliers and clients to meet new, higher recycling standards.

Wojdyło said that the industry is united around meeting those new standards because all people concerned—producers, suppliers, clients, and consumers—understand that high recycling standards are a must for the modern economy.

DIGITAL TECH

Issues regarding the growth of cloud computing in Poland were on the agenda of a webinar held by the AmCham Digital TECH Committee in June, with speakers Sławomir Lubak, Partner, Systems & Cloud Engineering at Deloitte, and Michał Furmankiewicz, Cloud Solution Architect and CEO at CloudStat.

Sławomir Lubak said that the economic lockdown led many companies to turn to cloud solutions as they searched for tools to maintain vital business processes and communications with clients and stakeholders. During the lockdown, Deloitte polled 200 Polish and International CEOs that are based in Poland. The purpose of the poll was to shed light on the industries' perception of how cloud computing could potentially support their business processes. The polling revealed that one third of companies in the poll had been using cloud solutions already, and one fifth were considering cloud applications "in the near future."

The key takeaways from the part of the sample representing companies that had adopted the cloud were that the majority of those companies indicated that the cloud exceeded their expectations. Solutions such as data storage, processing, and analysis were listed as the most important areas for companies. Companies also appreciated the scalability, flexibility, and simplified management of the cloud environment.

The polling also revealed that when companies "migrate" to the cloud for the first time, they expect cost optimization. However subsequent implementations of new cloud solutions are not as cost-sensitive once they are in the cloud.

Another takeaway from the poll was that Polish companies are very timid with adopting cloud solutions. A vast majority companies using the public cloud service store no more than 20 percent of their resources there.

Cloud solutions, however, are taken for granted by 90 percent of companies in Poland that identify themselves as market leaders.

When it comes to the regulations governing cloud services, most companies perceive them as barriers to implementing the new technology. Yet only a small portion of the sample said that the regulations were very difficult for their companies to handle. Once a company implements cloud solutions, the development of new competencies for the team becomes one of the key issues.

Another speaker, CloudStat's Michał Furmankiewicz, shared his experience implementing cloud services for business organizations. He said that unlike the development of computers and IT networks, the cloud is not driven by "technology nerds." Cloud technology serves a wide array of end-users from different types of business and non-business disciplines and is driven by the needs of the user. This is why in such a multi-user and multi-purpose environment, "cloud native" concepts are revisited and reevaluated. This is why the cloud is becoming more mature as more vendors join the cloud fray, offering new solutions that cater to a wide range of new users with diversified and specific needs.

MARKETING & COMMUNICATIONS

In May, the committee met online in the midst of the lockdown to discuss how marketers were adapting their communication practices to the new normal. The speaker was Marta Matczak, Brand Strategy Team Director at PwC. She gave an overview of how companies communicated their brands and services to the consumer in the initial phase of the lockdown, in the context of a big change of consumer attitudes and values initiated by the emergency of the pandemic.

In July, the committee met online to discuss the evolution of e-commerce. The speaker was Barbara Grabiwoda, eCommerce Strategy Director at Publicis Commerce.

In her presentation, Grabiwoda focused on how organizations should communicate their brands, products, and services through digital channels during the Covid-19 pandemic and beyond.

She said that during the pandemic, consumers postpone purchasing decisions because they are more concerned with expenses as economic uncertainty prevails. In this respect, consumers in Asia and Europe behave in the same way. Data from Asia, which was ahead of the pandemic development, show that after lockdown, consumption levels stay below pre-pandemic levels for a long time. This hurts retailers, especially brick-and-mortar stores.

Grabiwoda said that younger consumers—Generation Z—were more inclined to limit their expenditures during the lockdown than their parents—Generation X, the Millennials, and Baby Boomer generation. This happened because young consumers were much more inclined to change their patterns of consumer behavior than older generations. With limited access to traditional retail, they boosted their consumption online, digesting more video materials and streaming TV than before the pandemic. Television was also popular with Generation X and, to some degree, Baby Boomers. In other words, teenage consumers were even more driven to their mobile phones by the pandemic, while older generations chose broadcast television.

Grabiwoda said that consumer behaviors changed across generations because of the pandemic, but not to the same degree. Some age groups stopped spending during the pandemic to save money. Others looked for their favorite brands at lower prices, cutting back on purchasing frequency and delay major purchases. Some maintained the status quo in their purchasing inclinations by buying the same brands as they did before the pandemic and paying pre-pandemic prices. Still, they have become more selective in luxury goods, looking for the value for money aspect, and reducing their consumption of products. Another group of consumers in the "new normal" have continued to maintain their purchasing patterns, and are willing to expand them and justify new buying decisions. With this, it is clear to see that the pandemic has created new consumer patterns. Some of those patterns will stay even after the pandemic is over because consumer habits, once successfully adopted, do not go easily. Post-pandemic consumer data from China, generated after the 2003 SARS pandemic, shows the strength of such new habits. It was only after the SARS pandemic in China that the Alibaba and some other online retail channel took off.

Such a sharp growth of commerce makes marketers adopt new marketing strategies.

But it also creates new challenges in other areas. If logistic companies do not deliver on time, it backfires on marketers and online retailers. If online services do not support the increased traffic effectively, the delays can put off buyers.

One of the most significant trends that appeared during the pandemic is of vast numbers of consumers ordering groceries online, with the highest amount of orders for canned and dry foods. With this, Grabiwoda noted that there are challenges for marketers to build consumer confidence around ordering fresh foods.

When it comes to specific trends among online consumers in Poland, Grabiwoda noted that Poles appear to be very cost-sensitive. Since shipping adds cost, Poles look for the cheapest offering to compensate for the cost of delivery. This is why the price-comparing service Ceneo.pl has become the entry point for many online buyers.

Online retailers have been increasing their offerings online, adding goods that complement their core offerings. For instance, a toy retailer may also offer bedsheets so the buyer can order toys and sheets at the same time and have them delivered in one package, cutting delivery costs.

It may seem that retailers using e-commerce channels are now in their heyday. However, the revenues they are generating in the lockdown are still below those they had generated pre-pandemic. This is because consumers have generally cut their budgets and have become more cautious in their purchasing decisions. This affected all retailers, including fashion and luxury brands, which were harmed the most.

Yet, it turns out that retailers who combined brick-and-mortar stores with e-commerce (the so-called omnichannel) generated the best sales results. Consumers have better brand recognition for brands that are also available in high street stores, so when the lockdown is over, they tend to go out to those stores to buy their favorite brands.

REAL ESTATE

The committee met online in May to discuss how the pandemic transformed the online retail business and its impact on the demand for warehouse and industrial space. The speakers were Joanna Sinkiewicz, Partner, Head of Industrial and Logistics Agency at Cushman & Wakefield; Mathieu Giguere, Director, Key Accounts & New Business Development at Panattoni; Łukasz Turczyński, Global Accounts & SME Market Sales Director at InPost, a delivery company, and Artur Łakomiec, CEO of Gemini Polska a chain of pharmacies. Committee co-chair Bolesław Kołodziejczyk moderated the discussion from Cresa.

The Polish warehouse market was growing for the first quarter of 2020 with a strong supply of new space and stable rates.

Yet, new demand was created by the pandemic-related transformation of retail, which migrated to digital channels. With this, the operator from the e-commerce sector has become the most important client group for the warehouse industry.

According to Sinkiewicz, one of the reasons the industrial real estate market was able to hold its own during the lockdown was because it catered to various clients. While some were hurt by the pandemic, others' businesses grew. Another reason why the demand for warehouses remains strong was that e-commerce, which thrived during the lockdown, requires up to three times more warehousing space than traditional retail.

Łukasz Turczyński confirmed that the market for delivery and logistics services has been excellent. InPost saw the demand for its services during lockdown peak to the levels the company usually sees during the shopping season in December. Turczyński noted that the demand for e-commerce services grew as new users, who used e-commerce only occasionally, joined the ranks of e-commerce users who had frequently purchased online before the pandemic. InPost estimated that e-commerce will continue to grow after the lockdown, maybe not so steeply as during the lockdown, but will nevertheless emerge as an important retail channel.

Artur Łakomiec said that the Gemini chain of pharmacies had a strong e-commerce arm before the pandemic, and its sales are now surging. However, the penetration of e-commerce among Polish consumers is still relatively low, and there is space to grow for the pharmaceutical sector. Because the regulator banned the sales of prescription drugs through e-commerce channels, the company cannot use the full potential of its e-commerce capacity. Despite that, Łakomiec said that e-commerce would continue to grow because it offers much more flexibility than brick-and-mortar stores, especially when it comes to promoting and displaying products.

In turn, Mathieu Giguere said that the growth of e-commerce caused a big change in the supply chain because e-stores do not have their own storage space and take products directly from warehouses. This is why the warehousing market is poised for growth, because the e-commerce part will rebalance the potential loss of demand from traditional brick-and-mortar retailers. He noted that traditional retail would take off and return to its prominence after the lockdown. In his view, shopping centers will continue to attract crowds of buyers. They will increase their share of the market through e-commerce channels but will still have a long way to overtake traditional retail.

SUSTAINABILITY

Kamil Wyszkowski, President of the Board of the Polish Chapter of Global Compact, a United Nations initiative for promoting corporate sustainability, met the committee online in May to discuss global efforts to tackle climate change.

In his presentation, Wyszkowski highlighted the main policy point of the UN Global Compact and explained how different industries approach climate change. He noted that investors in power generation infrastructure tend to avoid projects with high emissions of carbon dioxide, because companies that meet sustainability standards have lower risks associated with air pollution, and higher evaluations of their shares at stock exchanges.

Wyszkowski presented the symptoms of climate change in median temperatures in Poland vis-a-vis issues governing water management and other functions vital for the economy.

He also explained the conflicting interests between developed and developing economies in climate protection in regard to carbon dioxide emissions.

Wyszkowski concluded his presentation by saying that climate protection is a strategic issue for the global economy and will lead to global-scale disruptions in the economy and population spreads if not solved. He added that many global company leaders have a good understanding of the problem and are moving their companies toward sustainable growth paths.

Wyszkowski also said that companies who plan to implement technology upgrades and other investment projects to meet climate protection standards might be able to receive financing from the World Bank and other UN-affiliated financial institutions.

TAX & FINANCIAL SERVICES

In May, Marcin Rudnicki, Tax Partner and Head of International Tax at KPMG in Poland, met with the committee members online to discuss the relief programs available to companies through the government aid program called the Economic Shield. Rudnicki presented a variety of types of aid available to companies. These include financial support from the Polish Development Fund, subsidies to salaries for economic downtime and reduced working hours, reliefs in taxes and social security contributions, loan guarantees, subsidized interest on bank loans provided by the BGK Bank, and financial support available from the Polish Development Fund.

TRAVEL & TOURISM

In June, members of the committee met online to discuss prospects for the travel and hospitality industry in the post-pandemic reality. The speakers were Timea Balzer, General Manager of the Bridge Wrocław MGallery; Robert Grader, General Manager of the Warsaw Marriott Hotel; Tim Hyland, President of Travel Express (and co-chair of the Travel and Tourism Committee); and Frank Wagner, General Manager of Lufthansa Group Poland (and Co-Chair of the Committee).

Until international air travel is back on track, the hospitality industry will not be able to return to anywhere near pre-pandemic growth levels. Most airlines had grounded their fleets as safety regulations and travel bans across the European Union prohibited them from resuming commercial flights. Airlines and airport operators also had to comply with industry safety standards and guidelines related to the pandemic issued by the European Agency for Aviation Safety and the European Agency for Diseases Prevention.

Lufthansa's Wagner noted that the regulations regarding passenger sanitary etiquette made it compulsory for passengers to wear facemasks in all places at the airport and on the plane. Many airports were equipped with thermo-screening devices to identify passengers with high temperatures as potential Covid-19 carriers. Passengers were also prohibited from moving around the plane in flight and were expected to reduce interaction with other passengers and crew members.

According to Wagner, the pandemic led the commercial air carriers to face an unprecedented crisis, and not all companies will come out of it alive. People are less motivated to travel because of safety concerns as well as economic uncertainty.

When it comes to creating the demand for air travel in the future, the industry's challenge will be to build confidence that air travel is safe in relation to the coronavirus. Wagner cites the industry analysis compiled by the International Air Transport Association (IATA) suggesting the 2020 global demand for flights will reach 25 percent below the 2019 numbers. The 2019 levels in global air travel will be reached no earlier than in 2023. However, with the second wave of the Covid-19 pandemic, the IATA expects that the 2019 levels will be reached no earlier than in 2024.

Concluding his presentation, Wagner said that the airline industry is losing five years of growth because of the crisis.

Robert Grader from Warsaw Marriott Hotel said that the majority of hotels had been closed (globally, 75 percent of hotels were shut down), but some were going back to business in countries where the pandemic was contained. The Warsaw Marriott Hotel did open, but demand was very low, and the hotel had to realign its offer for the domestic client, since there was no international tourism.

Grader said that even if international travel restarts, the hotel will have to carry on in low gear until at least September, as Warsaw is not a popular leisure destination in Europe.

Timea Balzer said that the domestic market is a bit stronger than the international market as cities open. Before welcoming new clients, the Bridge Wrocław implemented Covid-19 safety and hygienic protocols for its staff and trained team members in recognizing the new challenges. Among the technology solutions applied by the hotel were mobile phone applications for opening rooms, which limited touch-points across the hotel and reduced the risk of contamination.

In conclusion, Balzer said that the pandemic is a huge challenge for the hotel industry and an opportunity to learn, focusing on small, family events held in the hotel and serving clients in these extraordinary circumstances.

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COVER STORY

LESSONS FROM THE LOCKDOWN

AMERICAN COMPANIES TRANSITIONED SMOOTHLY INTO WORKING FROM HOME, CONTINUE TO ADAPT TO THE CHANGING SITUATION, AND HAVE IDENTIFIED TRENDS OF STRATEGIC IMPORTANCE TO BUSINESSES.

Here to stay: With the development of sophisticated distance work tools, the modern office is not on its way out.

WORK AND LIFE

THE PANDEMIC HIGHLIGHTED SOME LONG-ANTICIPATED TRENDS REGARDING DEMAND THE FOR MODERN OFFICE SPACE.

As the Covid-19 pandemic hit the country in March and sanitary authorities ordered a subsequent lockdown, most companies adopted a work-from-home mode of operation and sent office workers home to lower their chances of contracting the virus. Had they been working at the office, an outbreak would have required the quarantine of not only the individuals with Covid-19, but all other workers who had contact with them. This was a massive change for many companies, with some sending as many as 90 percent of their office workers home.

Work-from-home mode seemed to work, and many firms said that their employees' efficiency working from home even reached pre-Covid in-office levels.

As the lockdown continued, many managers praised the new work model, saying that not only did it solve the Covid-related safety issues for their companies, but also cut operating costs. The latter was equally important at a time when the majority of companies struggled with cash flow and liquidity problems due to massive drops in revenues.

The lockdown in Poland was ended right before summer, and instead of returning to the office, many workers went on their summer vacations. Many of those who did not go on vacation continued to work from home, as their companies did not insist that they return to the office. In many cases, employers encouraged their workers to continue to work from home, arguing that this new model will continue to prevail even after the pandemic is over. More and more companies are adopting the work-from-home model on the strategic level and intend to use for many years after the pandemic. With this, some analysts have begun to forecast that office space demand will shrink significantly in the years to come, leading to oversupply that will cause a sharp downward trend in rent prices.

THE OFFICE IS HERE TO STAY

Some of these predictions are being made too soon, argues Tomasz Buras, CEO of commercial real estate agency Savills. He points at the survey entitled "Office Fit" conducted among clients of Savills in late April and early May that revealed 89 percent of respondents believe that the office will remain a necessity. With this, the authors of the report estimate that there could be a 10 percent reduction of office desk space in the months to come, although "the impact on total office space will be negligible." Tomasz Buras explains that this is because the office will remain a critical work environment for many companies. Some companies cannot allow their employees to work from home because their profession requires that team members work together, interact, and learn from each other during their work. Other firms need office space to keep their employees physically close to business-critical processes and vital brick-and-mortar infrastructure."In consulting, especially in transactional advisory, online communication tools help stay in touch and share information, but they can not replace face to face meetings and negotiations during which you can build trust and relationships much quicker," said Tomasz Buras. "It is also difficult to create corporate culture and embrace collaboration remotely. For this they need office space".

HUMAN ENVIRONMENT

There are other reasons why office space is so critical. Young workers, single and under 30, feel comfortable in the office. They form interpersonal relations, find groups of people they want to belong to, and make friends. "Personal interaction is an important part of human behavior and people need it, " says Buras, adding that the lockdown was a very difficult time for people living alone who were forced to work from home.

Another benefit to working in an office is that team members are close to each other, their team leader and the company's top management. Their relationships are enriched with human interaction that transcends the verbal and informative and reinforces their bonds on the level of corporate culture and values. Being together as a team has a significant positive impact on building the company's integrity and boosting employee morale.

Of course, some individuals prefer to work alone from home. These are people with strong introvert personality traits who are independent and work most efficiently when distanced from the other team members. Such traits are often found among experts, freelancers, and software programmers, to name a few.

HOME, NOT SO SWEET HOME

Buras notes that the widespread working from home experience during the lockdown and the obvious cost-cutting aspects for companies revealed some problems depending on the workers' living standards and family. Those who had comfortable apartments and could set up a place to work that separated them from other family members were happy to work from home. However, workers with small apartments that they shared with spouses and children often found working from home a painful experience. The lack of a dedicated place to work became a serious shortcoming. Ergonomic chairs, desks, and appropriate lighting are all a must for working long hours at a desk and taking part in video conferences and meetings. Many workers had to share their already insufficient "home office infrastructure" with spouses working from home. At the same time, they were engaged in taking care of their offspring, who also stayed at home and used home internet infrastructure for distance learning and gaming. Having spent six weeks during the lockdown working at kitchen and bedside tables, many people developed serious backbone pains and other issues, including mental problems. "Living and working at home brings about a different type of mental wear," says Buras. "People need to draw a line between work and private life—when you work at the office, the line is clear cut right after you leave your home."

HUB AND SPOKE

Tomas Buras notes that the pandemic itself did not drastically affect the office market's development but did speed up some trends that had emerged years before the pandemic. For instance, it was generally understood that commuting to work was difficult for people in big cities who had to cover long distances and spend precious time stuck in traffic jams. One of the trends that emerged in reaction to this was for companies to lease additional offices in locations easily accessible to their workers. This is an alternative to keeping all the workers at a central location, which is often difficult to access during rush hour. This model, known as "hub and spoke," is becoming increasingly popular due to the pandemic. The model's name is inspired by the airline model of transporting passengers from local airports on small planes (spokes) to big airports (hubs), where they continue on their travels. This is a good way to spread workers out, avoiding the potential transmission of Covid across the company. It also makes the lives of commuting workers easier. Some companies offer a "flexible" office space equipped with all the necessary infrastructure, including secure internet connections. An employer could thus lease 20 workplaces in such an office in one location and buy 20 access passes to other office operator locations in Warsaw for their employees who work from home. When people working from home need to have a meeting with a client, they can set up a meeting at any location in the city and use the "flexible" office. "Such solutions were offered before the pandemic, and now the demand for them is on the rise," Buras says, adding that this model fits into the hybrid model of work, combining the home office with the real one.

Peace and quiet: Business parks combine top-class office facilities with amenities including outdoor spaces designed to offer comfortable surroundings for relaxing, socializing, and working.

THE PERKS OF BUSINESS PARKS

According to the authors of the Savills report, office space in business parks will be more sought after because of the pandemic. First, this is because business parks, which are located outside of the city center, solve commuting problems for many workers who do not live in city centers. This is a very important aspect for workers who are more environmentally aware and keen to reduce the unnecessary carbon footprint on their commuting to work. Second, business parks combine top-class office facilities with amenities including outdoor spaces designed to offer comfortable surroundings for relaxing, socializing, and working. This aspect is of increasing importance to tenants, as the congestion of city centers is on the rise.

RESIMERCIAL

A relatively new idea of combining residential space with commercial (office, retail, and restaurant) is taking root, and the pandemic has only reinforced this. Since working from home may not always be ideal, residential compound developers have come up with a solution that devotes part of the area to office space. Such office zones are available to residents and occupiers of the compounds. They can work there with access to the appropriate office infrastructure and everything is walking distance from their home.

According to Tomasz Buras, remote working is creating opportunities for co-living brands in residential real estate as people are placing more emphasis on selecting buildings in which they can live and work comfortably. "Co-living is the purest manifestation of Space-as-a-Service in the residential sector and commercial real estate developers can learn a lot from the residential and hospitality world as it shifts from product to service," Buras says.

THE OFFICE REVISITED

The pandemic also reinforced some trends in office design. After the experience of working from home, some workers now not only appreciate the luxury of working in the office, but also expect more from it than before. Those who worked from home and enjoyed the privacy of their own spaces want the office to meet their expectations in this respect as well. As a result, offices will be even more comfortable, combining open spaces with the need for privacy and distance from other workers according to Covid precautions. The new office must now reflect a future agile workforce, offering comfort levels similar to what employees have (or miss) at home.

Tomasz Buras said that it will be interesting to see how the pandemic influences the concept of what makes an ideal office. "Employers should take on board their findings an allow their staff more control in creating their perfect workplace. A well designed, sized and located office premises will drive employment, improve amenity offering and even encourage business migration," said Buras. "Companies will continue to attract and retain high-performing talent if employees feel that their needs are being prioritised. These relating to workplace will hopefully produce more of well-designed and comfortable offices" Buras said, adding that workplace is one of the best ways to manifest company's culture and values.

Working from home: The universal application of the "home office" across nearly all industries made companies reconsider the competencies they seek in their workers and benefits packages they can offer them.

A GAME OF CHANGE

AS LABOR MARKETS TRANSFORM DUE TO THE PANDEMIC, COMPANIES AND EMPLOYERS USE DIFFERENT METHODS TO ADAPT TO THE NEW CONDITIONS.

Looking at the labor market in Poland from the vantage point of the world's second-largest Human Resources provider and temporary staffing firm, Adecco Group, some trends that have emerged after the lockdown are new, while others had started emerging long before the economy came to a standstill in March. The aggregated effect of these trends on the market brings some long-reaching and perhaps even revolutionary changes, says Anna Wicha, Public Affairs Director, Poland, Eastern Europe & Middle East & North Africa at Adecco Group. The universal application of remote work solutions at the beginning of the lockdown led to as much as 1/3 of the Polish working population to work from home for a few consecutive days in April and early May. This speaks volumes about the worker competencies desired now, such as literacy in IT, independent thinking, work flexibility, and the ability to plan and execute one's work.

SUDDEN IMPACTS

One of the most immediate results of the lockdown imposed in mid-March was the outflow of foreign workers. As many as 34 percent of companies in Poland hired Ukrainians before the pandemic. Quite logically, it transpired in a poll by Personnel Service that 36 percent of companies in Poland are afraid that workers from Ukraine will not come back. They should not worry though, because polling of Ukrainian workers who had returned from Poland home revealed that 61 percent plan to go back to Poland as soon as conditions allow. "The outflow of Ukrainian workers does not seem to be a long-term issue," says Anna Wicha. "The salaries they make in Poland are much higher than in Ukraine and, because of cultural synergies, Ukrainians prefer to work in Poland and the Czech Republic than in other EU markets." However, something that may be a problem with long-term consequences for companies is the outflow of Polish workers from the market in search of higher salaries in other EU labor markets.

Following international practices to prevent the spread of the virus, the Polish government imposed an economic lockdown and soon followed this with an aid plan for companies similar to many such programs in the EU. The "Anti-Crisis Shield" offered financial assistance to companies to cover their workers' salaries. The government offered to pay 40 percent of the salary, under the condition that workers agree to have their salaries cut by 20 percent, and that the company will cover the remaining 40 percent.

What the government did not take into account was the fact that the Polish economy's competitiveness is based on its low labor costs. Cutting a worker's salary by 20 percent is perhaps not as significant for employees in the UK (where the government introduced a similar program), because even those reduced salaries are high enough for earners to maintain the same standard of living. Making the same reduction to salaries in Poland has led to a situation in which many workers cannot earn enough to maintain their former lifestyle.

While the government is now trying to make up for its apparent mistake and plans to raise the minimum wage, it seems that the damage has already been done. As many as 26 percent of working-age Poles now have lower salaries than before the pandemic. A poll conducted by OTTO revealed that a remarkable 67 percent of male workers say they intend to leave Poland in search of higher salaries abroad. In this group, 67 percent said that the reason for their wanting to move was the fact that higher salaries are available abroad, and 33 percent said that they were unhappy with wage cuts or that they had been fired. Moreover, 72 percent of those who said they wanted to leave Poland have a high school diploma, while only 11 percent have just a primary-level education. Therefore, they are quite a valuable workforce, speaking communicative English and with professional experience. "Those numbers should make us consider in what way Polish companies may compete for workers with companies abroad," says Anna Wicha.

On the other hand, however, some do not want to go abroad. In this group, 64 percent of the polled workers said they were willing to boost their qualifications to remain employed. This also shows the impact of the economic shutdown, and employees' growing willingness to cooperate with their employers and adjust their competencies to the market demand. "People are afraid of changes," says Anna Wicha. "They know that they need to learn how to use digital communication tools, protect data, work within the new, pandemic safety standards… Some of them are even willing to change their industry."

DISPERSED WORKFORCE DILEMMAS

A number of companies had used distance work well before the pandemic, and this was universally applied by the majority of companies in Poland during the economic lockdown. Multiple polls suggest that most companies transitioned successfully to distance work. Having seen operating costs decrease, many companies continued to

keep their workers at home long after the lockdown. This was in sync with workers' preferences, as polling conducted by Pracuj.pl indicated that 80 percent of workers in Poland would like to have their work combine the "home office" with "real office." Onky 10 percent said they would be happy to work from home all the time and 10 percent said they do not want to work from home at all. The polling shows that remote work is here to stay," says Anna Wicha, "yet the question is to what extent."

If remote work is to become a standard work-type feature, there are some issues to solve. First of all, there is no legal framework for remote work in Polish labor law at present, and the companies who use remote work now do it based on emergency management principles. There are a number of issues that must be regulated. For instance, the Labour Code states that employers are responsible for providing a workplace for their workers, and this responsibility covers safety issues in the workplace. This, of course, is fully achievable with workers working from home. An employer cannot inspect employees' "home offices" because there is no legal framework for this yet. However, there is no regulation prohibiting this, especially if done by mutual agreement. If, today, labor inspectors were to ask a company with a remote workforce for documents describing the potential hazards their workers could encounter at home (required by law), all companies with workers at home would have to pay fines. Of course, the National Labor Inspectorate is holding off on this issue for now, but the situation must not continue as "normal" for too long.

Other questions arise regarding the responsibility for accidents at work. According to labor law, employers are required to cover medical and other associated costs for employees. This also applies to the "home office" workforce, but it is very difficult for employers to comply with this when their employees work at home.

Yet another important issue is the cost-sharing aspect. People working from home pay for their private computer infrastructure, power, and furniture and other items indispensable for work. Some labor law experts say that home office workers need to be reimbursed for the costs they personally cover while delivering work to their employers, but there is no regulatory framework for this either.

The regulatory framework for remote work has been used as an emergency tool and is based on anti-crisis regulations with expiration dates. "That is why employers' organizations call for permanent regulations in the Labour Code which permits the use of remote work as one of the modes of work organization," Anna Wicha said. "We have prepared recommendations and now are working on a draft of the legislation," she added.

REDEFINING EMPLOYEE BENEFITS

While lawmakers face challenges regarding the universal application of the work-from-home model, employers face their own challenges as well. One of the most pressing questions has become that of employee benefits. While benefits such as medical coverage are still important, others, such as "personal parking space," are no longer attractive, given that the company parking lot is nearly empty at all times. It has become difficult to advertise new job openings as offering "work in a nice atmosphere with a young and ambitious team" when employees are predominantly expected to work at home, alone. Unlimited coffee at the company's expense is no longer a thrill, nor are free smoothies. Employees can also forget

Flexibility: The economic crisis spurred the 64 percent of workers in Poland not seeking employment abroad to boost their qualifications to remain employed.

about "integration trips" and company get-togethers this year.

"This is a challenge," says Anna Wicha, "because companies will have to find new ways of gratifying their workers. It is hard to reduce it to the financial aspect, such as financial bonuses. Companies need to show their appreciation for the work their people deliver, for their achievements, successes, dedication, and commitment. Salary alone does not provide that feeling of being properly recognized." This type of gratification is important to all age groups. While older workers want to be recognized by the company in the "old-fashioned way," younger generations who adapt more easily to working alone at home than their older colleagues look for company events and get-togethers. They want to identify with the company and seek out social interaction within the crowd. For many young workers without families and family-related responsibilities, the company is the only world they know.

RETURNING TO THE OFFICE

As the pandemic continues past the summer vacation, companies are now using the lessons they learned during the lockdown and the subsequent months when working from home prevailed. One of these lessons is that most workers prefer a hybrid mode of work that combines the home office with the real office. This means that companies need to make the real office Covid-resistant.

When polled in August by the Polish Forum of HR, 85 percent of companies in Poland referred to the changes they had introduced in the office as excellent or good. For most companies, these changes were significant expenditures—over 50 percent of the companies which declared "good" or "excellent" levels of anti-Covid preparations spent between 3 to 5 percent of their annual budget on this.

Three areas of preparation were deemed most critical: redesigning common spaces such as kitchens, locker rooms, and toilets; redesigning workplaces for individual workers; and implementing efficient health checks at the company's entry points. "These are issues that all companies will have to deal with," says Anna Wicha.

While some solutions are simple and do not require any technical sophistication (wearing face masks, using personal hygiene, keeping social distancing), the problem lies in how companies can guarantee worker compliance in specific situations. For instance, workers are under no legal obligation to agree to have their body temperature checked before entering the workplace. According to current regulations, employees with a temperature higher than normal may not be denied access to their workplace. They can be persuaded to go home but must be reimbursed by the company as if they had worked like any other day.

The measures that employers can use to curb "unsafe" behavior among their workers are very limited. In practice, no "penal" measures can be taken, and the only "real" punishment for their noncompliance with the company's safety regulations would be to deny them financial bonuses.

Anna Wicha notes that Covid safety is of paramount importance for companies. Having introduced safety measures, they rely on their people's sense of responsibility in following them. Yet, only time will tell to what degree this approach is effective.

Market progress: Digital competencies will be a must-have for the new generation of managers.

THE GREAT REALITY CHECK

AS BUSINESSES EMERGE FROM THE LOCKDOWN ENRICHED WITH NEW EXPERIENCES, THEY USE NEW SOLUTIONS TO FIGHT THEIR WAY THROUGH THE CRISIS IN 2020 AND BEYOND.

For Zbigniew Płaza, Managing Partner at Boyden in Poland, a part of New York-headquartered Boyden Worldwide Corporation which specializes in staffing senior management positions, the current situation is a mix of an economic crisis challenging businesses in areas such as cash flow, liquidity, pay cuts, and job cuts, as well as a pandemic that sets new challenges for managing workflow processes and human relations. It is because of this that he sees the crisis as a strong catalyst for change and market progress.

THE HOME OFFICE IS BACK

Płaza notes that many companies experimented with remote work solutions in the not-so-distant past and were successful in many cases. Yet, they were generally discouraged from implementing remote work as a permanent full-time work method by HR experts who argued that if people worked from home for too long, they would lose their cultural ties and integration with the company. Because of this warning, companies that saw benefits in remote work would offer it to their staff on a rotating basis and usually only for one day a week. With this, the home office was viewed as an employee benefit, a pleasant diversion from work at the office.

When the pandemic hit the EU and its member states began closing their borders and initiating lockdowns, companies reacted by sending their workers home. Large organizations hired companies that specialize in relocation to move and set up entire workstations in employee homes. In time, it transpired that work efficiency was at similar levels compared to before the pandemic. In most cases, firms successfully finalized all projects they processed through the home office model. "The work-from-home model has become so universal that even firms with strong traits of hierarchy in their corporate culture, in Switzerland and southern Germany, are resorting to it now," Płaza said.

MORE FLEXIBILITY

It is now clear that the work-from-home model will have a long-term impact on companies. They will use it to a varying degree as the pandemic continues, and in many cases, well beyond that time.

Płaza says that remote work solutions give organizations incredible flexibility and speed up business processes, cutting the time organizations need to react to market changes. Remote work can be implemented in many areas of business, but the most dramatic effect the "home office" has had is on corporate meetings, which have migrated online en masse. Online meetings not only cut costs for companies, but also make it relatively easy logistically to hold any type of meeting. This trend has already had a huge impact on corporate travel.

However, Płaza noted that not all types of corporate travel will be gone. "The demand will be there, but at a much lower level. There are some types of business meetings that make more sense when people meet face to face," Płaza said.

GOING DEEPER...

Online solutions that support remote work and corporate communication continue to evolve. "We ran a recruitment process for a senior management position for a client abroad," Płaza said. "The candidates were in the city in Poland where the position was available. I was in Warsaw, and the client was abroad. I never met the candidates in person but talked to them online. The whole process was executed online, including the interviews the client held with the candidates."

Płaza is not surprised that new consulting services are popping up, as online meetings become a corporate standard. Consultants offer advice on making the most of the new communication channels regarding aspects such as personal presentation, creative use of light and background, and specific language and gestures to use in online meetings. "Indeed, the art of having effective conversations online is different than talking face-to-face in real life," Płaza said.

While the universal adaptation of online communication tools during the lockdown was viewed as an emergency measure, it is now clear that companies will use work-from-home solutions into the rest of 2020 and beyond. This will have an impact on the office market, with Płaza stating, "Depending the on type of business and company structure, companies estimate that 50-70 percent of their people will be working from home." In his opinion, this will translate into a long-term drop in the demand for office space by 10-20 percent. "It won't be a crisis, but a huge correction of the market," Płaza said. "We will see it in 2-3 years when tenants' agreements with landlords expire and tenants have to renegotiate prices."

... AND DEEPER

As online work solutions conquer the office, companies are developing new applications to cover business areas beyond the office. While it is clear that production lines will continue to be operated, it is not yet clear to what extent Industry 4.0 solutions, robotization, and automation will reduce the number of workers. This will lead to the emergence of mixed, digital, and face-to-face management methods as digital solutions address these problems.

The same trends will appear in other areas outside of industry as well. "Nearly all business between clients and banks can be conducted online already," said Płaza, and this trend will deepen as people tend to use online tools rather than go to the bank."

Płaza said that banks are ready to reduce their brick- and-mortar infrastructure and accompany this with jobs cuts across the sector. With the further digitization of client-management processes, government institutions at the central, regional and local levels will also follow suit.

The lockdown deprived most retailers of their ability to sell on High Street. As a result, there was a major rush to e-commerce channels and B2B online platforms. Companies used e-commerce to move their products to consumers, hoping to last long enough to see better days. Many of them saw better days earlier than they expected as their e-sales surged during the lockdown. With this, e-commerce channels have now become an indispensable part of nearly any business.

THE LABOR MARKET

The most immediate impact of the crisis on the labor market was salary cuts across nearly all industry fields, with wages being decreased by 15-20 percent. Salaries will likely not return to pre-Covid levels if companies do not recover their business to those levels first.

The cuts in salaries and low prospects of recovery mean that employee benefits, save for medical coverage, will not play an important part in making a job attractive for job seekers. "The market has changed," Płaza said, "and it has moved backwards a few years. It the employer's market now, not the employee's."

This, in turn, will make more people look at job offers abroad. "Emigration for work always goes up during crisis, so this is a normal trend," Płaza said. "The inclination to look for jobs abroad is especially strong among people aged 30 and below. The older you get, the less inclined you are to relocate to a foreign country," he explained.

The widespread application of IT solutions

Cultural factor: Online meetings and digital communication tools call for a less formal atmosphere and a more easy-going, personal attitude.

will also have an impact on worker mobility. "With digital management solutions, managers do not need to live where they work," Płaza said. Since they do not need to relocate to small towns where their factories and teams are located, "this helps move quality management to those small places," Płaza explains. Managers do not need to relocate from where they live to the city where the company has its office, either. "This may have a huge impact on the labor market in general," Płaza noted, "because people in Poland were rather uninclined to migrate domestically. With digital work solutions, they will no longer have to face such problems."

As the pandemic aspect of the crisis is paramount, safety in the workplace will be one of the top priorities for employers and job seekers.

This is where American companies have a huge competitive edge over domestic firms and firms from other EU countries, according to Płaza. "An efficient management of safety in the workplace is a strong point of all American companies," Płaza said. "One can say that most of them have it embedded in their corporate DNA."

Płaza said that managing Covid safety will be a huge challenge for mid-level managers across many companies because of cultural differences, national personalities, and regional and individual experience in fighting the pandemic.

NEW SKILLS AND COMPETENCIES

As the new normal emerges in tandem with growing corporate IT infrastructure, digital sales channels, and online communication tools, an understanding of e-commerce, B2B channels, online marketing, and other areas related to the digital will become critical for company managers. "Understanding the digital world was not so much expected before the pandemic at the level of senior management," Płaza said, "but now it is a must."

These new skills are necessary to effectively manage relations on all levels, from boards of directors to ground-floor workers. According to Płaza, this includes the technical aspects of using digital tools as well as also social and cultural aspects. "Using online tools, we emerge into a less formal atmosphere. We are more at ease there," Płaza said.

Płaza said that such a rapid overhaul in business functions will create demand for a new generation of managers. Desired competencies will include the ability to think independently, make decisions quickly and under stress, access the right resources, use adequate information, and motivate team members without the need for face-to-face meetings. "The knowledge regarding digital communication tools will be taken for granted, so nobody will even ask questions about it during job interviews," Płaza said.

Yet, digital change does not mean that new workers will automatically jump into home office mode. "New hires will have to undergo an integration process at the company offices," Płaza said. "It is where they will go through training programs designed to merge the hires' digital skills and expertise with those required by the company. It will take some time—a few months perhaps—before new hires will be sent home to work." Thus, the digital wave that has swept across all companies is not likely to wash their brick-and-mortar headquarters away anytime soon.

People like us: With the emergence of videoconferencing, business leaders can now integrate their teams by sharing their homes and family life in more informal settings.

LASTING TRENDS

THE PANDEMIC HAS FUELED STRONG TRENDS IN LABOR MANAGEMENT AND CONSUMER PREFERENCES, SOME OF WHICH MAY BE GAME CHANGERS.

As the pandemic stroke in March hundred thousands office workers remained home in Poland and continued to deliver work for their companies through work-from-home IT solutions, collectively known as the home office. The new way of keeping organisations together not only increased workers' safety against the pandemic but also considerably lowered the running costs of organisations. As companies had their people work from home, their running costs dropped opening possibilities for allocating the saved money for other essential investments. A white-goods company, which before the pandemic had plans to extend their office space to man the customer service department, later realised that customer service may be as well delivered by people working from their homes. Instead of leasing more office space the company decided to spend the money on a "buffer" warehouse, which was operationally essential to have as the pandemic had been disrupting global supply chains.

Over time, business organizations noticed that work completed from home was similar in quality and timeliness to work their employees had done at the office before the pandemic. As a result, many companies began to design strategies for optimal use of the two work locations. Some were very enthusiastic and declared plans to bring back over 90 percent of employees who had worked in the office before the pandemic. Others discussed plans for rotating employees between home and the office.

According to Tomasz Walenczak, Director of Manpower (a brand of ManpowerGroup) companies deciding how and where their employees work should consider several factors critical for the company's development strategies. "What seems a simple thing—working from home—is a more complex phenomenon than it seems," Walenczak said.

INTEGRITY

The integrity of the company's people is a key aspect in managing groups of workers and assigning them ambitious tasks. If a company decides to use the home office for a long time, it also has to develop online integration programs. These programs can include "morning coffees" in which all home office workers meet online from their kitchens and chat, or online yoga meetings in which the staff do some physical exercises from their living rooms, chatting and having fun. The list of activities that can be used for such online integration programs is limitless.

Many companies have made good use of online communication tools to boost their workforce's integrity, launching programs for their upper management to meet with their company's teams online. Seeing CEOs and presidents in their homes, surrounded by children and pets who occasionally drop into the picture, while being briefed about where the firm is going and how the management sees the situation, proved very beneficial for team integration. "People who can see how human and ordinary their bosses are, develop warm feelings towards them," Tomasz Walenczak said. "Online tools allow business leaders to get closer to their people." he added.

INDIVIDUAL DEVELOPMENT

Along with integrating teams, business organizations also need to help develop their individual workers' "transferable skills," also called "soft-skills. These skills make people better workers and managers, regardless of the specifics of the business. Decision-making skills are valuable in any type of trade. Digital and interpersonal competencies are of growing importance, especially during this economic and pandemic crisis when employee engagement and motivation are essential.

What is more, different strategies are necessary with teams comprised of young people compared to older and more experienced teams. People who have been working with the same standards for the last 15-20 years will be more heavily impacted by the transition to the home office than their younger peers already familiar with the IT world. "Each organization has to find its own method, because there is no golden rule in this area," Tomasz Walenczak said.

TAKING CARE OF PEOPLE

The pandemic has been a game-changer in many areas, not least in interpersonal relations. As the pandemic spread across the country, more and more people began to fear that they or their family and loved ones would contract the virus. Companies responded by developing programs in which managers meet employees online and discuss their problems and feelings.

"In every walk of life and in every trade and business category, people need to identify with others who represent values," Walenczak said. "Talking about values without putting them into practice is just empty words. When people see that the organizations they belong to really care and want to help them, they know they belong to strong organizations, and this realization builds confidence in their firms and leadership."

THE OFFICE IS HERE TO STAY

According to Tomasz Walenczak, although the home office has proven effective in many ways, companies should not confine too many people to their homes for too long. Face-to-face meetings and human interaction are all necessary. Teamwork is beneficial for building morale and camaraderie, and technology will not change this.

FLEXIBLE FORMS OF EMPLOYMENT, SUCH AS TEMPORARY WORK, ARE BECOMING INCREASINGLY POPULAR AS COMPANIES OPTIMIZE THEIR RUNNING COSTS.

This is why Walenczak believes that the pandemic will not eliminate the office from the corporate floor plan in Poland. Cost aspects have become even more critical than before the pandemic-related crisis, and many companies looking for cost-efficient opportunities are eyeing Poland as a new location for their shared services centers and outsourcing. "The office market is already recovering as new tenants look for lease opportunities," Walenczak said.

OTHER TRENDS

The emergence of the home office phenomenon signaled just one market trend that had been present before and strengthened during the pandemic.

Other trends include the growing demand for IT specialists, software developers, and computer system experts. They are sought after by companies who plan to develop their home offices and by those increasing their investments in digitization of their businesses, including e-commerce, B2B channels, and Industry 4.0 tools.

While e-commerce and B2B platforms have already taken off, it will take longer, perhaps until 2022, before a significant investment rush is recorded for Industry 4.0 solutions. An increasing number of companies are considering investing in robots and customized production lines, but those investments are expensive. It is currently difficult for many companies to allocate significant investment expenditures for 2021 when there are so many economic uncertainties and question marks regarding the anticipated market recovery. Many companies will continue to rely on human workers as the economic crisis puts downward pressure on salaries. Flexible forms of employment, such as temporary work, will become more popular as businesses strive to optimize their operating costs.

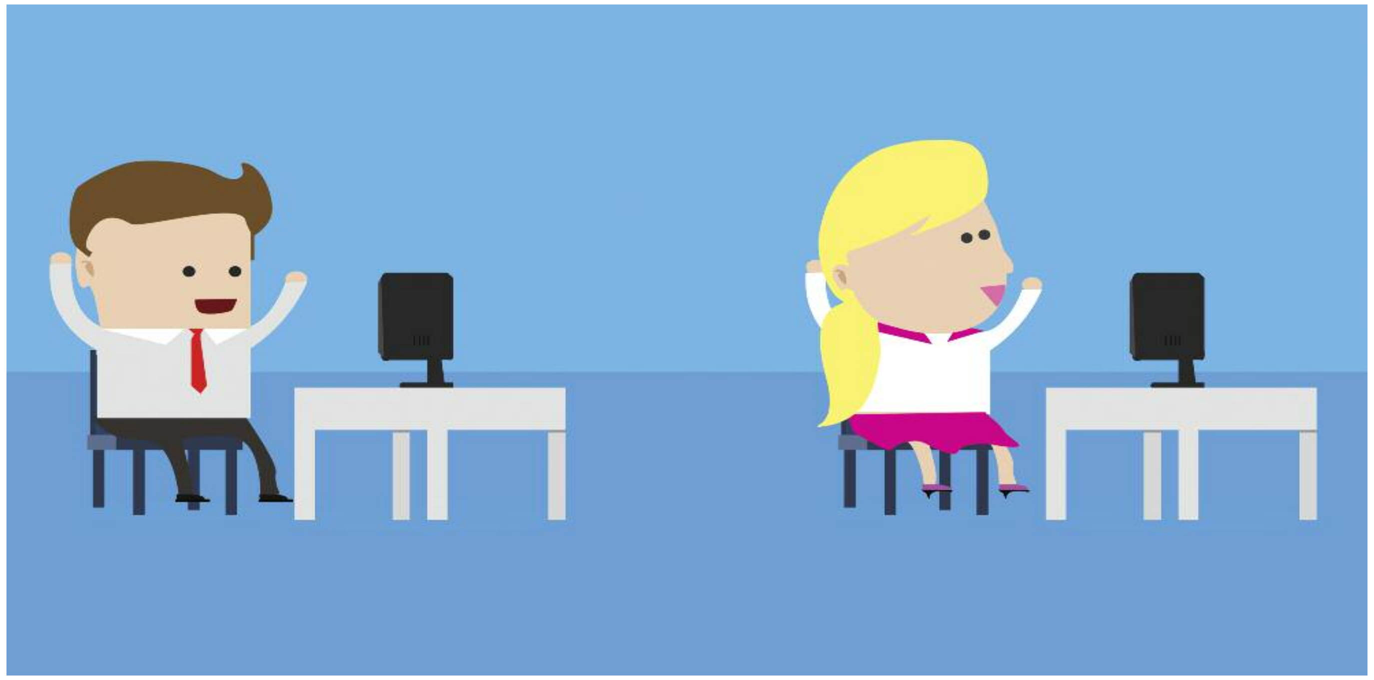
GLOBAL VS LOCAL

The pandemic has also impacted consumer attitudes that had taken root well before the pandemic but now are about to blossom.

People who have been confined to their homes with limited outdoor activities as well as those worried about their health during the pandemic are now more interested in healthy living and lifestyles. The pandemic has prompted customers to seek out natural health products and prioritize local producers over big enterprises. Local trade and craft, and convenience stores cooperating with them, are now on customers' radars.

Such trends have been seen all across Europe and are taking root slowly in Poland because the Polish economy is strongly connected with the global economy. Yet, as Tomasz Walenczak noted, "Polish consumers are increasingly aware of what they want to buy and why, and they want to feel good because of what they buy."

Think local: The pandemic has led customers to pay more attention to their surroundings and discover businesses in their neighborhood.



The fear factor: Pandemic-related anxiety is a new problem work teams are encountering.

WORKING ON THE EDGE

PANDEMIC-RELATED ISSUES PUT PSYCHOLOGICAL STRAIN ON THE WORKFORCE AND CALL FOR NEW COMPETENCIES FROM MANAGERS.

With the new work style of combining the home office with the real office, managing workers will bring new challenges for employers. New kinds of algorithms will have to be developed to compute the most efficient management methods, taking into account variables that impact employees' lives, such as their psychological profiles, ages, and living conditions and family members at home.

WORK FROM HOME

As the pandemic hit the country, every company that could allow its employees to work from home did so. Those who could afford to hired specialized firms to set up proper workstations at their employees' homes, including ergonomic chairs, desks, and reliable IT systems. Companies with lower financial reserves sent their workers home only as an emergency. They worked out their procedures over time, deciding what software they wanted to use, and learning from mistakes, found optimal procedures for internal work as well as communication with clients.

The lockdown fostered an unprecedented amount of interest in IT solutions among small and medium-sized companies in Poland, especially in online communications, e-marketing, and e-sales. It is safe to say that the pandemic worked as a catalyst for changes that would have taken years to materialize had it been business as usual.

PRODUCTIVITY

According to Joanna Bojarska-Buchcic, CEO of HR Solutions Group/HR Solutions of the USA and AmCham Gdańsk Director, working from home is not an entirely new concept. It was championed in the UK many years ago after research into employee productivity revealed that humans are the most productive when working a maximum of 4 to 5 hours a day. Working beyond that limit results in a sharp decline in their concentration levels and productivity, which puts the rationale of working eight-hour shifts from Monday to Friday into question. Further research revealed that remote workers maintain high work efficiency and deliver timely and quality work of the same caliber as in an office.

With this, some companies realized that if they allowed their workers to work from home once a week, they would still deliver quality work, and their work/life balance would reach a much more desirable ratio. This seemed a reasonable gain for companies.

Pioneering solutions followed in the UK. Some companies decided to offer Wednesdays as "home office" days, and others chose Fridays. What is more, they insisted that their employees working at home should not work longer than five hours. They should devote the remaining three hours to reading books, learning, and undertaking other activities to improve their professional selves and creativity—all aimed at increasing their work efficiency.

NOT SO EASY

When the lockdown was announced in Poland on March 18, all companies that could do so sent their workers to work from home, and the new way of working was universally welcome from all sides. Workers at home felt safe from the pandemic, and companies could breathe a sigh of relief at seeing the risk of having their staff contract Covid decrease.

However, Joanna Bojarska-Buchcic noted that problems began to surface 3-4 weeks into the lockdown. Some employees found it increasingly frustrating having to share their apartments with the members of their families while working. Their children at home needed looking after when not on their computers. Their spouses were busy at that time, also working from home. It suddenly transpired that employees would need to take care of many more non-work-related things while working at home than when working at the office.

Health issues also popped up. Ergonomic chairs and desks, proper lighting, and other facilities taken for granted at the office were missing, and employees experienced backbone pains and other injuries related to spending too much time in unergonomic positions. Workers also suffered from growing psychological exhaustion and anxieties, a common effect of isolation. Extroverts and introverts both need frequent contact with other people; the only difference is that introverts prefer to choose when these communications occur.

After the lockdown had been suspended, large numbers of employees decided to go on summer vacation instead of back to the office. This was a departure for many companies whose sales directors usually worked at the office in the summer, preparing the business for the upcoming sales season. Large and medium-sized also postponed their recruitment processes to let their HR personnel continue to work remotely as well.

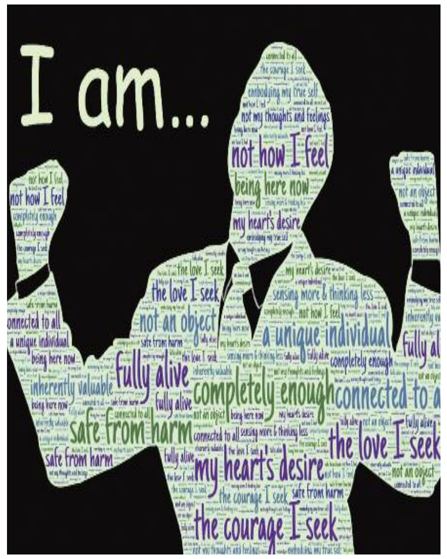
LOOKING FOR THE BEST MODEL

It is now clear that not all workers will sustain long spells of working at home very well. Companies realized that they needed to let at least some employees use the office to give them a good reason for taking a break from home.

Pandemic-related safety standards, such as social distancing, have been implemented across the office and shorter shifts introduced to make room for all employees interested in using the office for a few hours. Yet it transpired that attitudes varied among personnel when it came to following safety standards. Older people kept strictly to the rules, fearing not only for their own wellbeing but also for the health of their family members whom they could inadvertently infect. Some younger workers did not take the pandemic precautions as seriously, in sync with their generation's attitude towards the pandemic at that time. They believed that pandemic fears were overrated and disregarded safety standards with pride as if this were a badge of courage, causing their older colleagues to feel unsafe around them. Joanna Bojarska-Buchcic said that this a pandemic-related anxiety is thus a new type of dynamic interaction to have surfaced within teams.

YOUNG PEOPLE PARADOX

Young people, aged below 40, have everything it takes to be excellent distance-workers. They do not usually have families and are not burdened by responsibilities related to having spouses and offspring. They are digitally competent, adapting to new technologies and processes quickly, and are resourceful when online.



My generation: The values young people share within their generation are important to them, and they want to be free to express themselves while working in the office.

Yet, when confined at home for too long, they become restless.

This is so because for Millennials, being in the office means more than just being where the work is. The office is where they forge relations with their social groups, interact with their peers, and look for long-lasting relationships. Young people tend to forge strong relationships with their peers and want to spend time with them in and outside of the workplace. The office is a focal meeting point for them, and they want to feel good there and be able to express themselves.

Joanna Bojarska-Buchcic noted that some 90 percent of young job seekers during the recruitment process ask questions regarding the teams within the company they want to join, such as how many young people work in the teams, whether the atmosphere is formal or not, and whether they socialize in their spare time. This explains why young workers comprised the bulk of the first wave of people returning to the office after the lockdown.

DISPERSED WORKFORCE

As companies move to get ready to work through the remainder of the year and beyond, it seems to be clear that the prevailing method of work will be the so-called "hybrid" method, combining home office solutions with the real office. This will put a strain upon managerial staff and test their skills in people management.

Dispersed groups of people have different psychological needs than well-structured teams in the office. To create optimal strategies, management will have to follow their employees' work progress at home and the office. They will need to work with hot data and have little time for lengthy analyses. Empathy, intuition, and psychological skills will become essential for their job.

BURNOUT RATE

Even before the pandemic, Poles worked long hours, among the longest in Europe. This is why many workers in Poland experience burnout, something that has a negative impact on work efficiency. It also negatively affects relationships within teams, as unfocused and exasperated people do not make good work companions and cannot encourage team spirit.

This, in turn, sets additional challenges to team leaders and company managers.

According to Joanna Bojarska-Buchcic, the current economic crisis and pandemic-related issues will place even more responsibility on managers, bringing them much closer to the maximum load they can bear. They will be in desperate need of energy management techniques, as pre-pandemic research revealed that 80 percent of managers in Poland already feel overworked and do not know how to recharge mentally. "Managers will burn out in the emotional heat of the work," Joanna Bojarska-Buchcic concluded, "and emotional strength as well as psychological skills will become crucial for them to continue their work long-term."

Strategic thinking: Maintaining production, undisrupted supply chains and jobs in the chemical sectors is vital not only for the sector itself but for a range of other strategic sectors, such as healthcare and energy, which cannot function without the smooth provision of chemical products.

RESILIENCE IN SAFETY AND DIVERSIFICATION

THE CHEMICAL INDUSTRY IS OF STRATEGIC IMPORTANCE TO THE ECONOMY IN GOOD AND BAD TIMES.

Safety and risk management are integral aspects of Dow Chemical and are deeply embedded in its corporate culture. Because of this, the company had no difficulty implementing new pandemic-related safety measures on its production lines and throughout the entire company when the lockdown began. Like most companies with a significant number of office workers, Dow sent most of them home in the initial phase of the lockdown. However, working with distance communication tools and taking part in video conferences was nothing new for many of them. "We are a global company and some of our people routinely communicate with their counterparts in other Dow companies around the world," said Emilia Wasilewicz, Managing Director Dow Polska.

WATCHING THE WORLD

Dow's product portfolio covers nearly all sectors of the economy and a number of markets around the world. The effects of and reactions to the pandemic were varied across different sectors and in different regions of the world. The company had to watch the data coming in and project its production capacity based on how each client was doing. It was of strategic importance for the company to become as flexible as possible to react to the changing supply and demand. To ensure the continuity of business, Dow also had to determine which sectors of the economy would experience a growth in demand for its products.

The company saw a decline in orders from the automotive sector, both globally and in Europe, and projected the automotive business would shrink by 30-40 percent for the rest of 2020. However, the markets grew for a wide range of other sectors: healthcare, sanitary products and disinfectants, industrial alcohols, and shipping and food packaging.

"Across all primary and tertiary food packaging, food packaging film recorded one of highest demand growth for our business in Europe," Emilia Wasilewicz said.

ACTION AND REACTION

With such a rapidly changing and volatile market, the company reinforced its market analysis capacity to project short-term demand—2-3 months ahead—and adjust production capacity accordingly. "We wanted to learn how our clients were seeing the markets and how we could meet their new needs and support our business," Wasilewicz said. "This knowledge was essential for us too, because we needed to optimize our activities in production, technology, logistics, and secure our supply chains."

ONLINE WORK

Dow contacted its clients via online communication tools. The company had been ready to make good use of such IT solutions because Dow had been developing IT applications and online tools for the company's B2B platforms years before the pandemic. The company developed them on different markets worldwide and across various sectors of the economy, aiming to support client orders and secure supply chains. The know-how generated by that experience paid off during the pandemic. "Digital solutions had been emerging years ago within Dow, and now, when the pandemic sped up the application of digital solutions across the business world, we know how to take advantage of it," Wasilewicz noted. She said that Dow's marketing efforts are very web-oriented, especially when it comes to customer seminars or tailored marketing or technical training. "We have done several webinars for our product distributors in Eastern Europe," Wasilewicz said. "Thanks to our online platforms and solutions, clients now have the opportunity to boost their turnover in their markets."

OPTIMIZING COSTS

Dow has increased its expenditure to boost its capacity for IT tools and online platforms. However, like any company in a crisis, not knowing where the market is going long-term, the company began to optimize costs. Having revised costs and expenditures and reviewed technological requirements for keeping production lines running, the focus continues to be around controlling working capital.

SAFETY AT WORK AGAIN

Working during the pandemic involved keeping part of Dow's office workers home. While all of them were sent to work from home at the beginning of the pandemic—which was a necessary Covid-19 precaution at that time—in time, Dow began to set up Covid-safe office spaces. The first wave of office workers, almost 10 percent, returned to the office in May. The company continued to prepare and implement Covid-19 safety rules for the office so its office workforce could have a safe place to work at the company's premises.

Yet, Dow maintains a flexible approach to the process. Employees who preferred to work from home were allowed to do so.

Safety first: Worker safety and advanced risk management are integral aspects of Dow Chemical and are deeply embedded in its corporate culture.

Eventually, the work system will combine working from home with working in the office.

For many workers, working from home is not a problem. They were already using digital communication tools regularly within Dow's global communication structure as employees of a global company. However, members of local teams find it more challenging to adapt themselves to working from home mode. Before the pandemic, they would routinely address most business details in-person.

The company looks out for its dispersed workforce, regularly hosting online "morning coffee" meetings to keep their spirits high and their sense of camaraderie intact. Team leaders do online check-ins with their team members to assess their wellbeing and family situation, how this is impacting work efficiency, and how the company can help maintain this at desired levels. There is a general understanding that if people who work from home need to take care of their home duties, they can do so any time necessary. Regardless of this, they continue to deliver quality work to the best of their abilities.

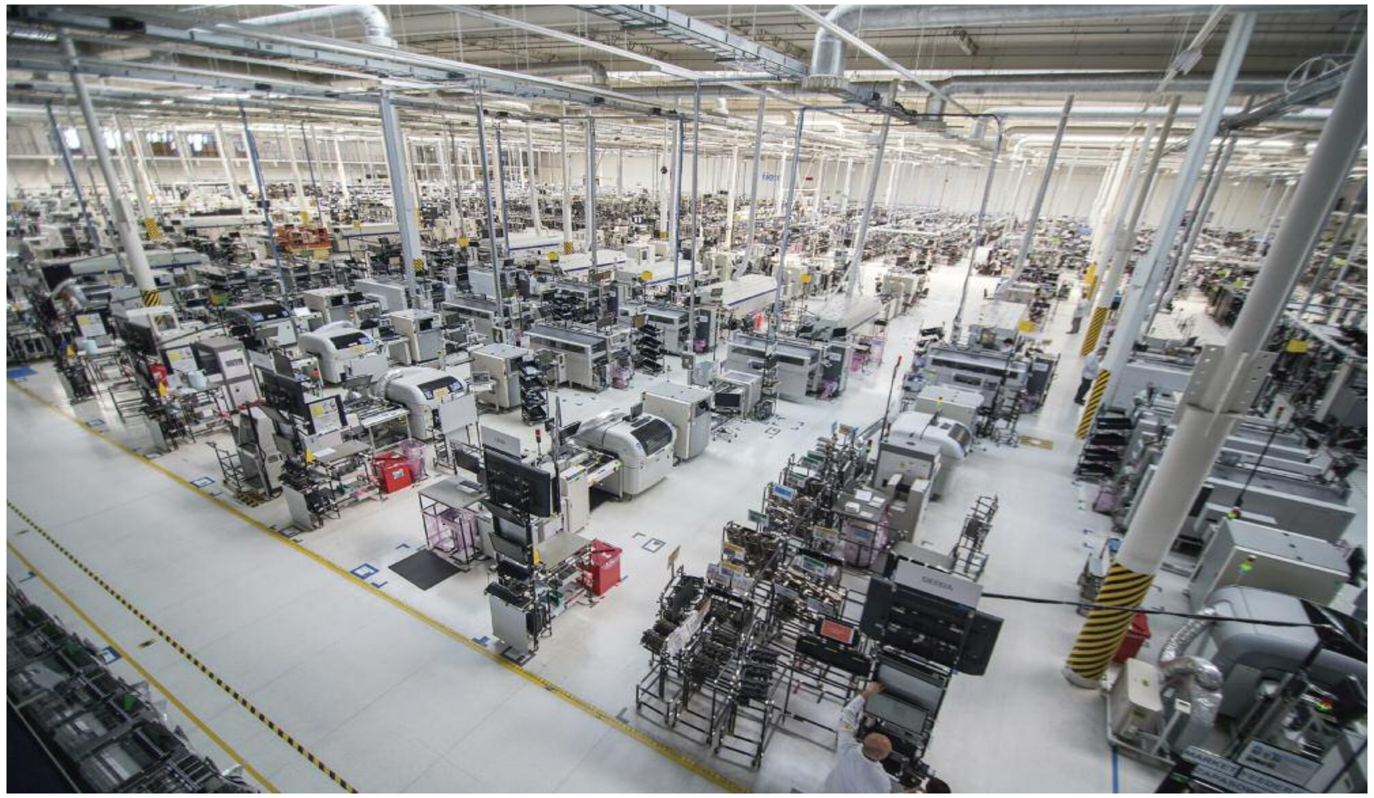
How many people will return to the office after the summer vacation is still a big question for the company. After all, it all depends on how the pandemic develops. Safety is paramount for Dow, and the company has an internal expert group whose members monitor the pandemic situation and set safety recommendations. They will not recommend office workers return in large numbers until they see a decline in Covid-19 cases in Poland.

THE GOVERNMENT'S ROLE

The Polish government's aid program, "The Anti-Crisis Shield," offered financial assistance to companies in financial straits. However, Dow's turnover did not drop low enough to qualify for the program. Yet, according to Emilia Wasilewicz, many of the company's clients and other companies in the chemical sector did resort to the "Shield," which helped them salvage jobs and, in some cases, prevented them from going bankrupt.

The chemical sector is specific, as the continuity of production processes relies on a complex network of suppliers and subcontractors. If one company that produces a component needed to produce a range of other products experiences problems, its clients are in trouble too, and the whole production chain is disrupted. In other words, the chemical industry is a network of combined or "linked vessels," and if one has a leak, the whole system is hurt.

Such a crack in the system can have major consequences for a range of industries to which the chemical sector delivers. This is why Emilia Wasilewicz said that the government should treat the chemical sector as a strategic sector. Unlike in the US, the Polish government has no regulations to safeguard automatic aid to chemical companies to maintain their production, supply chains, and jobs during global economic disruptions and crises. It is too bad because the timely and uninterrupted provision of chemical products is critical for energy, healthcare, disinfectants, food packaging and many other strategic sectors.



People matter: Flex can only apply Industry 4.0 solutions in limited areas.

LIVING IN A DISRUPTIVE WORLD

MONITORING GLOBAL SUPPLY CHAINS AS AN ALTERNATIVE TO NEARSHORING.

In April-May 2011, many electronics manufacturers in Japan experienced dramatic losses after an earthquake and tsunami hit their factories' production. Flex, which business spans an array of industries from telecommunication, through consumer and industrial electronics, to IT infrastructures, operates over 100 factories in 30 countries around the world. Thus the company sees the world as a rather unpredictable place. An earthquake in Mexico can affect production at Flex factories and delay products. A local outburst of a contagious disease in Asia can result in dwarfing Flex's production capacity across its factories in the affected area. Flex thus prefers to approach risks proactively, rather than react to an event and count their losses.

A FAST GAME

Flex has built an information network that gathers data regarding a number of production-related variables from each factory and supply chain, connecting its factories and key markets. In case something happens, the system allows for decisions to be made quickly regarding what to do. For example, Factory X suddenly goes offline as a result of an earthquake. The damage has been done, and the repair time is estimated at five months. The system knows what was being produced at the affected factory and suggests other Flex factories that could fill in the gap. To make decisions, the system uses factors including the technology and engineering required, the supply status for each factory including stocked items, the time it takes to ship the product to the client from the substituting factory, and which delivery routes are the best. Once the decision has been made, the technical production data is sent to the factory that has been chosen to fill in for the damaged one. The necessary components are purchased or rerouted to the factory, and the factory readies itself for production, limiting the disruption in product delivery as much as possible. The speed of action is essential, especially when it comes to making decisions regarding supply chains. There may be other factories in the same sector in the affected area who are also trying to relocate their production to other factories and looking for a supplier to buy the components and rough materials lost in the damaged factory. Often, whoever strikes a deal first is the winner, as supply is limited in emergencies, and alternatives are hard to find.

GLOBAL COMPANY

For Flex in Poland, the advance of the pandemic was not a surprise. With the arrival of Covid-19 in Poland, the number one focus for Flex was keeping the company's workforce and their families safe. In January, the company set up a crisis management team that began to draw up plans for different emergency scenarios. Along with creating Covid-19 safety plans for the company, supply managers also began monitoring global supply markets for disruptions and other problems. Helpful know-how and best practice guides came from other Flex companies that had already experienced and dealt with pandemic-related problems. "This is the strength of a global corporation," said Stanisław Motylski, Value Stream Director at Flex in Poland. "Had we been a local producer of electronic components here in Tczew, we would not have known what to do at the beginning of the pandemic. Yet, as a part of a global corporation we had instant access to information and expertise in many areas of crisis management."

BEYOND THE FIRST TIER

As the pandemic hit Europe, forcing people and businesses to migrate to online communication solutions and e-commerce, the capacity of computer networks was stretched thin in many places. Higher network capacity was needed, and new orders from telecom companies poured into Flex. The company was more than happy to oblige. At the same time, though, a number of Flex's direct, or first-tier, suppliers found themselves in dire straits. For some, this was due to economic lockdowns imposed in their countries. Others found that their second-tier suppliers could not deliver. Finding new suppliers and alternative shipping routes became crucial for Flex to be able to accept new orders and deliver on time.

The company developed its information system many years ago to scan markets and production capacities in real-time. It is more than paying for itself now, as Flex in Poland buys over 1,000 items from several thousand suppliers worldwide. "Before the pandemic, the company was routinely monitoring the status of its first-tier suppliers," said Stanisław Motylski. "Now, the supply chains are so disrupted by the pandemic that we are monitoring second-tier and even third-tier suppliers to make the right decisions about whether our subcontractors will be able to deliver."

This may sound easy but is difficult to achieve because the pandemic closed off many airports and shipyards. Even when Flex's supply chain managers could allocate the items the company needed, the locations they were available required them to establish new shipping routes, as many airports and cargo ports along the way had been closed by local sanitary regulators. "Our supply chain team worked miracles," said Stanisław Motylski.

There is now a major trend of near-shoring supply chains and producers to client markets because of such problems, and Flex is not an exception. Even before the pandemic, the company relocated many of its factories to China—a significant emerging market for telecoms—anticipating problems with exporting products to China due to the ongoing trade dispute with the US.

Stanisław Motylski: Customized production lines are too expensive for companies that manufacture products with a relatively short shelf life.

WORKFORCE MANAGEMENT

As Flex saw its numbers of new orders rise, Poland's economic lockdown resulted in limiting the company's workforce potential. Many workers had to stay at home to take care of their children, and approximately 20 percent of the production workers stayed home altogether. The company was thus forced to redesign workers' shifts to ensure the continuity of production.

Another challenge came from the public transportation system. The company employees 3,600 people, more than half of which commute to work with public transportation. Yet, when sanitary authorities cut the number of available space for passengers in half to help commuters social distance, a significant part of the company's workforce could not get to work on time. The company asked public transportation officials to increase the number of busses at specific hours and also hired private transport companies to bring people to and from work.

While the company's supply teams "worked miracles," there were delays in providing necessary parts, forcing the company to send their workers home with pay. When the components finally arrived, the company had to work overtime to meet its deadlines, and the production cost was increased as remote workers worked longer hours. However, there were no other options, as the Polish Labor Code does not provide for flexible labor. According to Stanisław Motylski, if there is any lesson to be learned from the lockdown experience, it is that Poland needs a legal framework for flexible labor. The modern economy requires such solutions, and without these, the Polish economy will stay less competitive than in many other countries.

INDUSTRY 4.0

The company has applied Industry 4.0 solutions wherever possible. For instance, its robotized welding station does work that used to require six individual welders. Another application of Industry 4.0 solutions came right after the lockdown was announced in Poland. To prevent the spread of the virus between factory buildings, the company used robots to deliver materials. With this solution, teams of workers in separate production halls were kept safe from the virus.

Unfortunately, Flex can only apply Industry 4.0 solutions in limited areas. The market life of most of the company's products lasts between 1 to 1.5 years. Meanwhile, it takes 4 to 6 years for an entire robotized production line to pay for itself, which is not feasible for Flex. "We just can not afford to buy a customized production line because it will never pay for the cost of the investment," Stanisław Motylski said. "But we use Industry 4.0 solutions wherever we can," Motylski added. "Those are really great solutions!"

Tough negotiations: Banks played an essential role in helping companies in financial straits improve their financial situation.

BRAVE NEW WORLD

AS PANDEMIC-AFFECTED MARKETS STABILIZE, INVESTORS SEE NEW LONG-TERM OPPORTUNITIES.

As the pandemic-related economic crisis developed in Europe, governments of the EU member states began to worry that troubled companies in need of fresh capital could become susceptible to hostile acquisitions by "opportunistic investors." After acquiring control of troubled companies, such investors could, for instance, shut them down in Europe. They could then offshore their business to other locations and enjoy lower operating costs or more favorable taxation and other business incentives. If that happened to companies of strategic importance to the European economy—such as producers of medical face masks, disinfectants, and healthcare equipment, among others—it would compromise the safety of the nation and its long-term economic security.

The EU member states were under an obligation to implement such laws regardless of the pandemic. The European Commission had decreed this well before the pandemic began, giving EU members over a year to implement the changes. Yet, as the pandemic hit the economy, all governments across Europe duly obliged. In Poland, the law was introduced as an amendment to the 2015 Act on Control of Certain Investments, which came into force as part of the fourth edition of the government aid program called the Anti-Crisis Shield.

The pandemic had a significant impact on the financial situation of companies. Those whose business included direct contact with clients, such as hotels, restaurants, and parts of the retail sector saw their financial situation deteriorate. On the other hand, companies that were active in the digital economy saw a boom. After the initial economic shock, most companies began to find their market momentum and a wave of hostile acquisitions did not sweep across Poland or Europe.

NO HOSTILE ACQUISITIONS

One reason why the M&A and equity capital markets froze for a few months was that most companies postponed negotiations with potential investors. "A time of economic turmoil and global uncertainty is not the best time for selling a company," said Krzysztof Krawczyk, partner at CVC Capital Partners, a private equity firm.

Another reason why many firms were not in desperate need of fresh money was that governments earmarked enormous amounts of money to help companies in all sectors of the economy. In some instances they bought corporate bonds as a financial backstop in response to the coronavirus crisis.

Commercial banks also played a very positive part in stabilizing the economy. For companies in financial straits, the most challenging part is servicing their debt. Unlike shareholders who can postpone dividend payments for a year or two, commercial banks are not in a position to allow their clients to stop servicing their debt. "Banks acted in a very rational and responsible way, and so far no spectacular failure to reach a new deal took place," Krzysztof Krawczyk said.

FAITH IN THE ECONOMY

The Covid-19 pandemic will impact the M&A and stock markets, but not as significantly as the government of the EU states had feared. According to Krzysztof Krawczyk, investors are rushing to buy equity instead of bullion, real estate, or government bonds for the first time in the history of major economic crises. "After going down for several weeks, stock prices have already returned to pre-Covid levels," Krawczyk said. "What is more, the S&P Index reached historic heights in the second half of August. Apparently, capital is seeking out well-performing, 'immune' to the pandemic companies."

Krawczyk noted that equity markets offer the best returns to investors in the present economic situation, unlike bullion or government bonds. The latter are secured by governments, which generated huge deficits due to the massive anti-crisis financial aid they rendered. Yet there are companies which have done quite well in the new normal and continue to generate profit. "Investors realize that in the long-term, such companies will offer much higher return on investment than more traditional, "safe" asset classes," Krawczyk noted.

BIG QUESTIONS

Moving forward will not be an easy ride, though. The pandemic has changed consumer styles and the question is how long these changes will continue after the pandemic, and which business sectors will be able to return to pre-pandemic levels. Krawczyk noted that no one currently knows the answer. Market data from Asia,

POLAND WILL NEED SMART, LONG-TERM CAPITAL WITH WHICH TO FUEL POST-PANDEMIC ECONOMIC RECOVERY.

where the pandemic crisis developed earlier than in Europe and the US, give some indications. Still, there are cultural differences between the markets, which adds bias to any conclusions that market strategists and planners could make. For instance, a footfall in the shopping mall in China rebounded massively just before the second wave of the pandemic. Yet the consumers may return again because in Asia they are more accustomed to prob-

Passé? Unlike during all past global economic crises, investors did not perceive gold as the best long-term option for their capital investments.

lems related to outbreaks of diseases, as such problems occur there more frequently than in Europe. The question is thus whether consumers in Europe will return to shopping malls after the pandemic or choose to keep using use e-commerce solutions. Knowing how consumer behavior trends will shape up long-term is crucial for companies deciding on their investment strategies.

Another critical focus for companies drawing up investment plans is optimizing their operational costs, including how the recent phenomenon of the home office will fit into this. Companies observed high productivity from their employees working from home at the beginning of the pandemic, which led them to rethink the idea of the most optimal organization structure. While the home office has its upsides, it also has its downsides depending on the type of work, living conditions, and, most importantly, the employee's personality. Taking all of this into account, it seems that a new structural model will appear that embraces a variety of work types, tailored to the individual worker. No one can predict the long-term effects of this, but it will undoubtedly bring new challenges and opportunities for company managers.

NOT ALONE

Questions also remain about the role of national governments in helping the economy through the crisis. Financially assisting companies is a good short-term option, especially for small firms. But public aid is not as effective for large companies, as it introduces a large control mechanism into financial reporting.

Financial aid is not good for the state coffers, as it drains them quickly in the long run. In China alone, the accumulated amount of money assigned by the government through aid programs has already surpassed the country's GDP by three times.

The Polish government has limited financial resources comparable to other EU states, and the country's GDP per capita is well below Germany, France, Italy, and Spain. This is why instead of generating debt, the government should initiate such policies that open up the Polish economy to foreign direct investment. "Poland will need smart, long-term capital with which to fuel post-pandemic economic recovery," Krawczyk said. "The country is a part of a larger economic of international economic ecosystems—such as the EU, and the OECD—comprising of countries that share same values. Investors from those countries have proven many times that they conduct business in Poland in responsible and sustainable ways. So Poland should use the economic stability of those countries and attract their investors' financial support for the benefit of its own economy."

Krzysztof Krawczyk noted that the best policy now would be for the government to listen to the feedback from such countries regarding regulatory and policy issues and keep adjusting them to meet the high, internationally-shared standards.

MONTHLY MEETING

MAY

WELCOME TO THE NEW NORMAL!

COMPANIES NEED TO RETOOL AND CHANGE THEIR BUSINESS MODELS TO MEET THE CHALLENGES OF THE NEW ECONOMIC REALITY.

Experts participating in the AmCham May monthly meeting concluded that the Covid-19 pandemic will have a long-term effect on a number of industries as companies intensify the use of IT technologies to support work-from-home and work automation, governments increase spending on healthcare, and consumers become extremely cautious in their purchasing decisions.

The meeting agenda was titled "Doing Business in the Time of the Pandemic" and speakers included Przemysław Kania, Managing Director of Cisco System Poland; Marcin Petrykowski, Managing Director of S&P Global Ratings; Fabio Pommella, Chairman of the Board at Whirlpool Polska; and Jacek Poświata, Managing Partner at Bain & Company Poland. The discussion was moderated by Tony Housh, AmCham Chairman, Director for Poland, Central Europe & the Baltic Region at Northrop Grumman.

A GRIM PICTURE

Explaining the economic implications of the Covid-19 pandemic, Marcin Petrykowski said that the global spread of the disease marked "the largest crisis that has hit the global economy in a very long time." Petrykowski added that the blow to the economy is so major that it will lead to "a massive transformation of the economic setup that we have experienced over the last few years," and that most key economies have suffered. This, combined with the collapse of oil and commodities prices due to low demand, is now placing significant pressure on creditworthiness. Many companies will go bankrupt or struggle long-term as they restructure their business models. "Particularly in Europe, we have major issues with the ability of small companies to withstand the shock caused by the pandemic," Petrykowski said.

When it comes to what degree individual sectors are sensitive to the crisis, the most injured ones have been tourism, aviation, automotive, media and entertainment, retail and restaurants. "Companies in those sectors are in massive need of liquidity and are tapping into capital markets to get cash to withstand the shock to their revenues," Petrykowski said.

He noted that, to make matters worse, low growth levels coincide with relatively high inflation rates. "This is why governments and central banks are so actively engaged in helping the economy with fiscal policies as well as monetary policies," he said.

THE POLISH ECONOMY

According to Petrykowski, the Polish economy entered the Covid-19 crisis in relatively good shape. In addition, the government was able to effectively support companies in Poland through the "Anti-Crisis Shield" aid program, which amounted to 10 percent of the country's GDP. Because of this, the Polish economy is expected to take off next year, delivering an estimated growth of 5 percent GDP by 2021.

Yet, threats to the economic growth in Poland remain its demographics and declining workforce as the Polish society ages. The significant role of government-controlled companies in the economy poses another problem and "adds to the risk of some policies not being followed from economic and commercial perspectives," Petrykowski said.

Other issues that may stall a quick economic recovery, Petrykowski noted, include Poland's relatively low labor productivity and outflow of foreign workers. The downsizing of EU structural funds for its member states could also have an unwelcome effect for Poland, as investments made with EU funds currently contribute to 50 percent of Poland's GDP.

GOING DIGITAL

Despite the general economic gloom, there are industries that are doing relatively well because of the pandemic. Jacek Poświata noted that some sectors saw a huge increase in demand during the pandemic as consumers began stockpiling certain items. Indoor workout equipment sales also grew in the initial phases of the lockdown.

Poświata said that some industries, such as airlines, got hit hard in the short term but will have a slow and steady recovery in the long run. "Other companies, mainly the tech sector, are seeing a spike in sales, and this growth momentum will most likely continue in the long run," Poświata said.

This was explained by Cisco's Przemysław Kania, who said that many companies have been able to switch to work-from-home mode and do business relatively smoothly. "I did not expect that to go so easily, as many companies had not been really prepared for the move. Yet, they did their best under pressure from the pandemic."

Kania added that digital collaboration technologies have been successfully employed not only in supporting work within companies, but also between companies. "Many companies switched to digital and have embraced collaboration technologies doing very serious business transactions," Kania said.

He added that Cisco saw a huge spike in use of its collaboration technology and that "globally, we have seen between 8-12 times the uptake of call hours and voice call hours, bandwidth that was used for video conferencing. In Poland it was much steeper, twice more than the other regions. It is good because it shows that Polish companies catch up faster."

Kania noted that most companies Cisco works with "declare very aggressive numbers in terms of how they are going to work—big companies say some 50 percent of their workforce will be online and 50 percent at the office, while smaller companies say that up to 70 percent of their workforce will work online."

NEW PRINCIPLES

Fabio Pommella agreed that digital solutions and automation are being embraced by a growing number of companies. "Companies are investing in R&D, digitization, and automation, which has an effect on the ability of various departments to work from home," Pommella said. "Currently, 40 percent of our workforce work in the office while the other 60 percent work remotely."

According to Jacek Poświata, adopting digital collaboration solutions is part of the process through which companies will be able to return to business in the new reality. "Retooling for the new world means defining what is critical for companies to run their business," Poświata said. "Some things that companies earlier thought were important are no longer important. Working in an office was such a thing—it was unthinkable that workers could work from home. Now we know they can."

Poświata also said that companies get engaged in the retooling process as they search for new business models that will help them best adjust to the new reality.

While every company has to find its own model, there are some principles and guidelines for success. One of these is simplicity, and companies are working to eliminate "unnecessary complexities in organizations and processes" while "focusing on automation and digital solutions." Companies also need to find the best ways to manage talent so it can flourish in the new normal. Another principle pertains to accountability and visibility. "Cost accountability will be even more important than before," Poświata said. "We need to find the funds with which to finance the new way of work." Companies will also need to build resilience in their operations and lower the total cost of ownership and restructure business models in order to be more agile.

NEW LABOR ATTITUDES

The Covid crisis has had a major effect on the labor market in Poland, noted Fabio Pommella. While before the crisis, "people changed jobs too frequently and too quickly" in search for higher pay, they now tend to stick to their jobs for fear of losing them in this time of economic uncertainty. "Before the pandemic, the absentee rate among production workers was 7 percent, but when the pandemic started it dropped to 3 percent," Pomella said.

As companies adjust to meet the challenges of the new reality, it is still a matter of discussion what effects the change will bring for the labor market. Kania noted that the Polish labor force is relatively conservative, and many people tend to stay where they live instead of relocating to big cities where high-paying jobs are available. Kania said that with a more universal application of work-from-home solutions, "people will embrace this change of working in remote ways and will be able to work and consume in the places they live in without the need to relocate to big cities," which will help the Polish economy take off.

For Petrykowski, the change in labor market behavioral patterns will extend even further. Until now, "there used to be a low willingness to change jobs and professions," Petrykowski said. Yet, with the new economic reality settling in, people will be required "not only to change their behavior as consumers, but also as employees. Job seekers will need to realize that some industries are not there forever and that they need to be intellectually flexible to educate themselves for new jobs and responsibilities, even at later stages of their professional life."

CONSUMER CONFIDENCE

Yet, even if companies apply the right technologies to meet the challenges of the new reality and the labor market embraces them, the economy will not pick up without strong consumer confidence.

Marcin Petrykowski noted that consumer spending dropped by 60 percent because of the pandemic.

According to Jacek Poświata, the pandemic widened the income disparity gap globally. Consumers are now much more cautious in choosing products to buy and the aspect of value-for-money is becoming even more paramount than before.

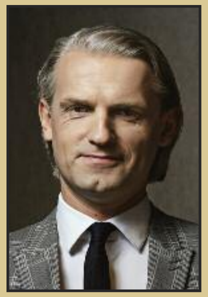
Digital and online purchasing habits have increased with this as consumers buy more from home than before and become more sophisticated in choosing products and online platforms.

But as companies do cut jobs, especially medium-sized ones, there will be short-term disruptions in the consumer market, noted Fabio Pommella. "Consumers will be disinclined to overspend in the months to come, and it is now anybody's guess how long it will take for consumer confidence to return to pre-crisis levels," Pommella said.

PRZEMYSŁAW KANIA

Appointed General Manager of Cisco in Poland in 2017, Kania is responsible for sales and technology and oversees cooperation with over 800 partner companies in Poland. He is also a member of the Cisco Board of Directors for Eastern Europe. Kania joined Cisco in 1998 as a member of Cisco's sales force. From 2012-2017 he served as Advanced Services Director and his responsibilities included creating Cisco's Global Delivery Center in Kraków, a part of Cisco Global Services Center. He also served as Director of Cisco Global Delivery Center in Mexico.

MARCIN PETRYKOWSKI



Managing Director S&P Global Ratings since 2014. Petrykowski is engaged as Head of Europe, Middle East and Africa (EMEA) Relationship Management, Regional Head for Central and Eastern Europe (CEE), and General Manager for Poland, running day-to-day operations of the Warsaw office. Petrykowski has over 15 years of experience in the Fintech industry through S&P and MCI Capital S.A., a private equity firm, where he served as a Non-Executive Member of the Supervisory Board.

FABIO POMMELLA

Serves as President of the Board at Whirlpool Company Polska following the 2018 merger of Whirlpool and Indesit. Pommella began his career at Laboratorio Acustica e Vibrazioni in Adler Plastic. He joined Indesit Company SpA as a process engineer in the Carinaro Plant in 2001. In 2006, he joined the Polish structures of Indesit as Cooking Plant Director, and later the Cooling Plant Director. He was appointed as Site Industrial Manager for all four plants in Łódź in 2013.

JACEK POŚWIATA

Partner at Bain & Company's Warsaw office and managing partner of Bain's Poland and CEE offices. He is a leader in the firm's Private Equity and Strategy practices. He has extensive experience in a range of business areas including chemicals, utilities, energy, banking, retail, healthcare and consumer products, as well as in advising national and local governments in Poland and Eastern Europe. Outside of Bain, Poświata is a member of the highly-regarded Polish Business Roundtable (PRB).

MONTHLY MEETING

MAY

SUCCESSFUL ADVOCACY

AMCHAM PROTECTED AMERICAN INVESTORS FROM A NEW SCRUTINY SYSTEM AGAINST FOREIGN INVESTMENTS IN POLAND FROM OUTSIDE OF THE EUROPEAN UNION.

Companies in strategic sectors of the economy need to be protected against hostile takeovers by investors from outside of the European Union, said Tomasz Chróstny, President of the Office of Competition and Consumer Protection (UOKiK), the speaker at AmCham's second meeting of the month online on May 27.

Chróstny referred to a new legislation in the making at the time of the meeting that would give extra protection to companies against hostile takeovers, something the government considered imminent during the Covid-19 pandemic. "We do not want to impede the investment process from outside of the EU, Chróstny said. The cash companies receive is important now because it helps them sustain their operations. At the same time, however, just like governments in France, Germany and other EU member states, the Polish government is afraid of losing control over the sectors of the economy which are strategic from a long-time perspective," Chróstny said.

He also said that the new regulations are not meant to make investing more difficult for investors from outside of the EU but are aimed at ensuring that such strategic companies are safe in the EU. "We want to protect domestic enterprises against capital and companies that intend to disrupt the continuity of their business," Chróstny explained.

The speaker noted that in the history of the growth of the Polish free market economy, there have been many cases when Polish companies were taken over by hostile investors. Having acquired those companies, the investors closed them down in Poland and relocated production to countries outside of the EU, such as Ukraine.

DRAWING THE LINE

Chróstny noted that while most investors are honest and meet business and ethical standards, there are also those who would take advantage of Polish companies. He said that, on the one hand, Poland should guarantee that all market players such as enterprises, investment funds and others operating on the European market and in the EU will have the space they need to do business.

On the other hand, Poland also wants to ensure that hostile investors who are pursuing a political agenda and are not driven by business principles can not take advantage of the changing market conditions introduced by the Covid-19 pandemic.

Chróstny noted that such hostile investors reside outside of the EU and the US and do not comply with business regulations in those economic areas. These investors move from country to country worldwide and are often backed by foreign governments.

The new legislation will empower the UOKiK with new competencies to safeguard the Polish economy from such investors. It will also monitor the long-term impacts of investments in terms of the business sustainability of the companies investors take control of, especially companies that deliver value-added services to the economy.

CHANGING TIMES

There are sectors of the economy in which companies can be still very successful although, at present, they have been losing their value rapidly, and they are easy prey for hostile acquisitions. "If we allow that to happen now, we may see major disruptions across many sectors of the economy from a long-term perspective," Chróstny said.

The speaker noted that infrastructural companies have always been considered strategic, and with the Covid-19 pandemic, the definition of a "strategic company" has been broadened to include food and healthcare companies as well as other companies critical to the epidemiological safety of the nation, such as face mask producers.

The UOKiK will also protect e-commerce and BtoB platforms and if such companies face takeovers by non-EU investors, the UOKiK will investigate the origin of the investors' capital as well as the potential long-term economic effects of those takeovers.

BEING PRACTICAL

In FDI and M&A investigations, investors will be assigned one handler to cover both investigations. Major transactions will involve a team of specialists of all relevant laws in order to conclude the investigation as quickly as possible.

The UOKiK will have up to five months to issue its decision but will keep its standard 30-day timeframe for issuing decisions pertaining to other cases.

Chróstny said that in time, as the UOKiK generates experience dealing with cases, the law can be amended to be even more practical for investors. When the Covid-19 crisis subsides, the regulation will be suspended and the UOKiK will return to business as usual. "There are questions about the ethical standards of companies and whether or not the products they sell are made in line with their sector's best practices and other guidelines," Chróstny said. "Those issues are important to the UOKiK regardless of the company's origins and its geographic location."

THE FINAL LAW

The meeting with Tomasz Chróstny helped AmCham present its position on the proposed legislation, with AmCham arguing that US investors should be excluded from the new regime. The original draft had only exempted investors from EU countries, Liechtenstein, Iceland and Norway from the restrictions. The parliament passed the new law on June 19th, and in the final version of the new legislation the FDI screening regime does not apply to investors based in the US and other OECD countries.

The FDI screening regulation is an amendment to the Act of 24 July, 2015 regarding the control of central investments. The amendment introduces a new mechanism to control foreign investments in Poland and affects non-EU entities that would invest in a Polish entity covered by protection.

This amendment adds a new category of protected entities, and includes companies with activities in the sectors of telecommunication, electricity generation, production of chemicals, production of pharmaceutical products, and IT.

A non-EU entity that intends to acquire dominance over an entity covered by protection is required to submit its intention to do so to the President of the Office of Competition and Consumer. A breach of the FDI screening regulation (i.e. acquisition or gaining a significant interest or dominant position without submitting the notification to the President of the Office of Competition and Consumer Protection) is subject to a fine of up to PLN 50,000,000 (an extremely high fine cap in the Polish law), imprisonment from 6 months up to 5 years, or both penalties jointly.

> **"There are questions about the ethical standards of firms and if the products they sell are made in line with their sector's best practices and other guidelines. Those issues are important to the UOKiK regardless of the company's origins and its geographic location.**

MEET THE SPEAKER

TOMASZ CHRÓSTNY

Appointed President of the Office of Competition and Consumer Protection in January 20202, he joined the UOKiK in 2019 as its Vice President.

Chróstny graduated in finance and accounting at the Warsaw School of Economics and in management and production engineering at the Warsaw University of Life Sciences.

He also completed a postgraduate course at the Institute of Enterprise at the Warsaw School of Economics. During his studies, he was awarded a scholarship in industrial and mechanical engineering at the Vitus Bering University College.

His professional experience includes auditing financial statements of financial institutions, company valuation and detection of crime and fraud. He served as the director of the Department of Economic Analysis at the Ministry of Entrepreneurship and Technology. He was also the minister's representative at the Scientific Council of the Polish Institute of Economics.

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MONTHLY MEETING

JUNE

NO MORE FOSSIL FUELS

POLAND TAKES STEPS TO BECOME A CARBON NEUTRAL ECONOMY BY 2050, YET CHALLENGES ARE MOUNTING.

The Polish economy's successful transition to carbon neutrality by 2050 is achievable but must be done with caution. Poland does not want to lose its competitiveness and jobs in industrial sectors to less carbon-restricted economies in other countries, said Michał Kurtyka, Minister of Climate and guest speaker at the AmCham monthly meeting in May.

Earlier this year, McKinsey Poland published a report called "Carbon-Neutral Poland 2050—Turning a challenge into an opportunity." Representatives of McKinsey Poland joined the meeting to present insights of the report, with presenters including Marcin Purta, Managing Partner, McKinsey Poland, and Gustaw Szarek, Associate Partner at McKinsey's Warsaw Office. AmCham Chairman Tony Housh led the discussion.

UNDERSTANDING THE CHALLENGE

According to McKinsey experts, Poland will have to start the process of decarbonization to achieve zero net emissions of carbon-dioxide to be considered carbon neutral. Reaching this goal in Poland by 2050 is within grasp but will be a significant challenge.

From 1990 to 2017, Poland was able to cut 15 percent of its carbon dioxide net emissions from 447 mega tons annually to 380 mega tons. Today, the main generators of carbon emissions are power and heating (responsible for generating 38 percent of all emissions), heavy industry (22 percent), transportation (15 percent), buildings (11 percent), and agriculture (11 percent). All other producers of carbon dioxide emissions contribute the remaining 3 percent. In order to achieve carbon neutrality, the major carbon dioxide-contributing sectors of the economy would need to cut their emissions, with no exclusions. At the same time, however, cost factors need to be a major consideration so that the reduction process does not destabilize any economic sectors.

One of the biggest challenges for Poland will be redesigning its power system. Around 70 percent of the country's coal-powered power generation system is over 30 years old. In the next 20-30 years all of Poland's power-generation blocks will need to be decommissioned. This provides an opportunity for renewable energy, including offshore and onshore wind generation, to replace coal. According to McKinsey, wind energy will replace coal in roughly 70 percent of the country's power generation capacity.

Gas will have a prominent role to play in the transition period and will replace coal-powered facilities in the initial phase of the national power system's transformation. Nuclear energy will also be important for the country's power generation, accounting for around 14 percent of the total demand for electricity in Poland by 2050.

The country could reduce its energy dependence and operational costs by around EUR 75 billion through decarbonization, achievable at a potential extra cost of EUR 380 billion. Decarbonization could also contribute to the development of new economic sectors and create as many as 300,000 new jobs. Furthermore, around 47 percent of Poland's domestic demand for energy is currently covered by imports. Moving to carbon neutrality could lower this to 7 percent, and up to EUR 15 billion could be spent in Poland instead of buying energy from abroad.

MOUNTING COSTS

Minister Kurtyka noted that the transition to carbon neutrality is "a very capital-intensive process—EUR 380 billion, on top of the business as usual costs," he said.

Poland has done its best to secure as much financial support from the European Union as possible, and "from January to May 2020 the EU transition fund was increased from EUR 7.5 billion to EUR 40 billion , with a record high allocation for Poland."

The European Commission also listed Poland as a beneficiary of the Covid-19 recovery fund, of which roughly EUR 60 billion has been designated for Poland. "This money will partly be used to finance challenges in transforming Poland to carbon neutrality," Kurtyka said, "especially when it comes to the transportation sector. The sector alone requires EUR 180 billion to meet carbon neutrality standards."

MOVING WITH CAUTION

Minister Kurtyka noted that in order for it to succeed, the energy transformation needs strong public support in Poland. "The momentum is growing, as increasing numbers of people begin to understand the issues involved in tackling carbon emissions," he said. Nevertheless, reaching ambitious ecological targets will be challenging and involve consumers, product prices and higher taxation. "This is the question of the prices of electric power, heat, buildings, transportation, and agriculture production," the minister said. "We must keep public acceptance for those changes. When we are talking about tax hikes in Poland, we also need to talk about European solidarity and sharing the burden of the transformation with other EU member states."

Kurtyka said that the costs of the energy transformation are not only a hot topic in Poland but also in other EU countries, such as France, where many social groups are negatively affected by rising taxation. "The social aspect of the transformation has to be taken into account," the minister said.

This is why Polish industries will only begin decreasing their carbon dioxide emissions in 2040-50, at the latest possible moment. Technologies to help cut emissions already exist but are extremely costly. Poland prefers to wait a bit longer, hoping that in time the cost of these technologies will lower and Polish industries, especially the energy-intensive ones, will be able to maintain competitive production costs when adopting these technologies. This is a strategically important aspect of the transition not only for Poland, but for the European economic zone as well. If energy-intensive Polish companies lose their competitive edge, they will also lose their ability to produce the goods in Poland. Production will move to other countries that are transforming to a carbon-neutral economy and can also offer low production costs. This means that not only will jobs be relocated to outside of the EU, but also carbon dioxide emissions.

TAPPING INTO NEW ENERGY SOURCES

Poland has been transforming its power system to embrace other forms of energy, including photovoltaic and wind. "Poland has already installed 10,000 megawatts of renewable energy generation capacity," Kurtyka said. "This means that one in every four megawatts of the entire power sector in Poland comes from renewables."

He also noted the increasing pace of progress in installing photovoltaic capacity. It took Poland eight years to install its first 1,000 megawatts of photovoltaic generation, while it only took eight months to build the most recent 1,000 megawatts of photovoltaic generation capacity delivered to the market.

Poland has no power plants and nuclear energy is considered a new type of energy source for the country. Minister Kurtyka said that the Polish government is interested in developing a nuclear power program with international partners. The first one will be developed with the US, and the governments of the two countries are in advanced stage of negotiations.

MICHAŁ KURTYKA

Appointed Minister of Climate at the newly-created ministry in 2019. He moved there from the Ministry of Environment, where he had served as Secretary of State. Kurtyka began his professional career at the Office of the Committee for European Integration. He later became involved in European integration projects specializing in economy, globalization and climate change. In 2016, he joined the Ministry of Energy, responsible for the technological development and implementation of innovations in the energy sector, specifically, the implementation of climate and energy policies in the fuel and gas sector. He was appointed Government Plenipotentiary for the Presidency of COP24 at the 2018 United Nations Climate Change Conference. Having graduated from the Parisian École Polytechnique, Kurtyka acquired a scholarship in quantum optics from the National Institute of Standards and Technologies, Washington, D.C., where he worked under the leadership of Nobel laureate in physics William D. Phillips. He also studied at the University in Louvain-la-Neuve. Kurtyka earned his master's degree at the SGH Warsaw School of Economics and earned a PhD from the University of Warsaw.

MONTHLY MEETING

JUNE

THE ART OF ADAPTATION

BATTLING THE NEGATIVE EFFECTS OF THE COVID-19 PANDEMIC ON BUSINESS, COMPANIES NEED TO MOVE QUICKLY TO SALVAGE CASH FLOW AND JOBS. THOSE WHO THINK IN INNOVATIVE WAYS AND MAKE GOOD USE OF NEW BUSINESS TOOLS ARE THE WINNERS.

The topics of discussion at the second AmCham Monthly Meeting in June were the impacts of the Covid-19 pandemic on American business in Poland in areas including regulatory framework, workforce, the investment environment, and how the pandemic drove companies to innovative to adjust to this new reality. The meeting was conducted online via a Cisco interactive platform. The speakers were Mark Loughran, General Manager at Microsoft; Sławomir S. Sikora, President & CEO of Citi Handlowy; Adam Pieńkowski, Managing Director of McDonald's Polska; and Alain Simonnet, Managing Director East Europe Region of 3M. The discussion was moderated by AmCham Chairman Tony Housh.

The meeting was opened by the US Embassy Chargé d'Affaires, B. Bix Aliu, who said that the American business community in Poland rose to the challenge of fighting the pandemic, as over 80 US firms (including AmCham member companies) have donated support, with the total value of their aid exceeding PLN 16 million. "With this, the US business community demonstrated its values and the strength of the US-Poland bilateral relationship," the chargé d'affaires said.

He added that the pandemic rose awareness to the fact that many jobs can be accomplished remotely, saving significant overhead costs. It also increased the need for better remote access necessary to support telework and other work based outside of the traditional office. Now, the goal for US companies in Poland is to assess the long-term impacts that they may experience from the crisis and build back-to-growth strategies for the market.

ECONOMIC PERSPECTIVE

In discussing the impact of the crisis on the economy, Citi Handlowy's Sławomir Sikora said that the economic lockdown in Poland started relatively early, with only 68 Covid cases across the country. The early lockdown proved effective in slowing down the spread of the virus, but also led to many companies losing their cash flow overnight.

At the time, the two major questions banking sector professionals and their clients were asking were how long the lockdown would continue and how to ensure liquidity while the economy was frozen.

The banking sector reacted swiftly to meet the new needs of its clients. Starting in late March, essential payments were postponed or extended over 6 months. Over 1 million institutional and individual clients benefited from that program. The government then implemented the "Economic Shield," a program aimed at helping companies retain liquidity. Program funds were sourced from the government and distributed through a number of banks. With this, the banking sector distributed around PLN 50 billion within 9 weeks to companies and their collective 2.6 million employees. Sikora noted that the government program was a massive help to companies and amounted to 12 percent of the country's GDP in total.

Sikora said that after stabilizing the situation during the economic lockdown, the main question for the banking sector now is how quickly the economy will recover and if there will be a second wave of the Covid-19 pandemic.

According to Sikora, market analysts offered a very pessimistic forecast at the beginning of the crisis in mid-March, predicting a contraction of the economy of over 10 percent for 2020. However, economic data for March and April showed there were grounds for optimism. In June, market analysts calculated that the economy had dropped by 9.5 percent in the second quarter of 2020, which led them to estimate that Poland's economic growth will decrease by only around 5 percent in 2020.

Sikora added that companies as well as consumers began to adapt to the new reality relatively quickly, which was beneficial for the economy. "There were some interesting trends in business which took off during the pandemic and helped to take the economy out of the hole, and are expected to stay for a long time," Sikora said. "The first one is work-from-home, and another is the digital transformation. While the former is obvious to all corporations, it is interesting to know that nearly all sectors of the economy make good use of online interaction tools, including consumers who increased their spending through digital channels."

A MAJOR TURNING POINT

3M's Alain Simonnet also underlined the

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B.BIX ALIU

Charge D'Affaires a.i. at the US Embassy in Warsaw, B. Bix Aliu returned to the US Embassy in Warsaw to serve as the Deputy Chief of Mission in June 2019. In 2005, Bix was a Vice-Consul and Deputy Cultural Attaché at the Embassy. Most recently, Bix served as the US Consul General in Kraków. Prior to returning to Poland, Bix was the Deputy Chief of Mission at the US Embassy in Montenegro, where he often served as Chargé d'Affaires, a.i. A career member of the Senior Foreign Service, class of Counselor, Bix began his Foreign Service career in Macedonia, where he was involved in the Rambouillet Peace Accords as a member of the delegation of the US Special Envoy to Kosovo.

MARK LOUGHRAN

General Manager at Microsoft Poland, Loughran worked for GlaxoSmithKline before joining Microsoft. For 6 years, he managed the company's business in Central and Eastern Europe. He worked and lived in Poland for 4 of these years, as General Manager and President of the Management Board at GSK Poland. During this time, he led the merger of Polfa Poznan with the international business of GSK. Loughran also sat on the board of the Confederation of Polish Employers (KPP). He also held the position of Sales Director, and later, General Manager at Nokia UK & Ireland. Loughran has an MA and PhD from the University of Cambridge.

ADAM PIEŃKOWSKI

Managing Director of McDonald's Polska, Pieńkowski began his career at Levi Strauss Poland and later moved to Kraft Food, Inc. He joined McDonald's in 2006 as the Marketing and Research Manager and took over responsibility for Marketing in 2008. In 2009, he assumed an additional two-year assignment, working with the European Marketing Team to develop a marketing strategy for European countries in Sport Sponsorship. Adam was promoted to Senior Director of Marketing in McDonald's Germany, moving to Munich in July 2013. In September 2014, Pieńkowski moved back to Poland. He returned to Poland in September 2015, in the position of Multidepartment Senior Director.

SŁAWOMIR S. SIKORA

Sikora has been the Chief Executive Officer of Bank Handlowy in Warsaw S.A. since 2003 and was a member of the Citigroup Management Committee in New York from 2005-2008. He served as Chief Executive Officer of American Bank in Poland from 2001-2001. Sikora was the Head of Corporate and Investment Banking at Powszechny Bank Kredytowy S.A. from 1994-2001. Prior to this, he held a number of senior positions at the Ministry of Finance in Poland, including the Head of Banking and Financial Institutions (1989-1994). Sikora is a graduate of the Warsaw School of Economics (SGH) and a Konrad Adenauer Research fellow at the University of Cologne.

ALAIN SIMONNET

Managing Director of 3M East Europe Region, covering countries including Poland, Ukraine, Czech, Slovakia, Hungary and Georgia. He joined 3M in 1990 and has since then held many management positions related to sales and marketing in Great Britain and France, gradually expanding his responsibilities from local to European. He has very broad business experience and brings several years of successful management of complex organizations and customer experience to 3M. Simonnet holds a Master in Mechanical & Aerospace Engineering from ENIT in France and graduated from the Chartered Institute of Marketing in the UK; he is also a certified Lean Six Sigma Black Belt.

need to innovate to find new ways in responding to the Covid-19 situation. The company globally manufactures over 55,000 different products (including over 20,000 products in Poland alone) used in nearly all sectors of the economy. 3M suffered a double-digit decline in demand from the automotive, aerospace, and transportation sectors due to the pandemic. In dentistry, demand for oral care and orthodontics dropped to almost zero in the first months of the pandemic, as clinics focused on coronavirus-related problems. On the other hand, the pandemic boosted demand for industrial safety solutions, not only for respirators, but also for IT and telecom. This included remote working solutions, packaging solutions for catering services, safety solutions for food and drinks, and some special solutions for pharmaceuticals and biopharmaceuticals.

3M found itself at a major turning point, and it was clear that its priorities should be set around health and safety of the employees, uncompromising ethics and business continuity.

The company began by investing in very stringent safety measures, and successfully implemented them at all production sites. In Poland, 95 percent of the company's office workers were ready to work from home within 7-10 days from the start of the economic lockdown. "We saw to it that all value streams showed satisfactory productivity," Simonnet said. "There were no broken processes anywhere in the company."

The company applied a wide range of digital solutions, including augmented reality management tools, to maintain production remotely by allocating required resources based on data. These changes had a wide reach, affecting the 4,000 people working in 3M production plants in Poland.

At the same time, 3M reprioritized its investment plans for 2020. The company was forced to postpone some investment projects originally scheduled for this year. However, it decided to proceed with all of its investment projects in sustainability and innovation development.

3M learned a lot from through the Covid-19 crisis, with company managers learning how to efficiently use IT collaboration tools to support the back office, sales department, engineering and production. "We discovered that we could talk to suppliers and customers and our colleagues in the company, and work efficiently," Simonnet said. "It is not always ideal, but we work to improve on that."

RETURNING TO GROWTH

As the company settled into the so-called "resilience mode," company managers started thinking about how to return to growth. The first step was to redirect 3M's global and local supply chains for sourcing safety solutions, such as the M95 mask. "When governments in Europe and elsewhere close their country borders, they impede our supply chain," Simonnet said. With this and all other aspects taken into account, 3M came up with a number of approaches to ensure its path back to growth. First, the company worked to adapt its operation models to its customers in the e-commerce and business-to-business environments. "There has been an enormous growth in B-to-B transactions, and we are doing very nicely there," Simonnet said.

The company also made serious advances in big data management. "We use big data to enhance our customers' experience," Simonnet said. "It is an important way to change our commercial approach. We use virtual and augmented reality solutions to respond to customers' problems and this is an area which we are discovering and working on."

Regarding enhancing the efficiency of production processes and the flexibility and continuity of manufacturing operations, 3M began to explore Industry 4.0 solutions. "We are only at the early stage of the change and we are going to continue to invest in it," Simonnet said.

The company revised its model for enhancing the employee experience that had initially focused on equipping more teams with online communication tools. But it soon transpired that to be successful, the company would have to improve its employees' skills so they could use the new tools confidently and creatively. "This is a must-have," Simonnet said. "We need to learn. We call this challenge a Flexibility 2.0 Company Framework and implement it across the globe in sync with local labor laws."

MOVING FAST

The franchise restaurant chain McDonald's runs 445 outlets in Poland and employs some 25,000 people. It served around 1 million customers a day before the pandemic. The company found itself in an unprecedented situation in the first 3 months of the crisis as its sales dropped by 60 percent and the number of customers by 80 percent. The company had to close nearly 95 stores, most which were located in shopping malls.

"It was a dramatic drop and there was fear among our employees," Pieńkowski said, adding, "We had to act very quickly." As a global company, McDonald's is able to use its experiences in other markets to apply the best safety solutions for its customers, workers and suppliers.

The first phase of adapting to the pandemic focused on securing the liquidity of the chain's franchisees and securing jobs. Pieńkowski said the government's anti-crisis program helped maintain the organization's liquidity. However, McDonald's still had to cut some jobs, as it was virtually impossible to keep all of its staff members from the pre-pandemic phase.

The second phase focused on adapting solutions to help the company function in the "new normal." The company had to reshuffle some business processes to be immune to the dangers of Covid-19. Luckily, around 70 percent of McDonald's restaurants in Poland already had drive-thru lanes, and the company also opened a phone order service, "McDelivery." McDonald's also created programs to benefit the local community, and McDelivery provided meals for hospital workers, delivering over 50,000 meals to 50 hospitals in Poland.

RECOVERY PHASE

Having contained the initial effects of the crisis, McDonald's went into the recovery phase and managed to reopen all of its restaurants. However, the takeout part of the business was still generating more income than its dine-in business, and the company had to rebuild its sales. For instance, Morning Business Breakfast sales were almost zero at that time, and the sales of other menus were much lower than in the same period of 2019.

The biggest challenge for the company was in reopening its McDonald's restaurants in shopping malls, due to the high rent at these locations as well as lack of drive-thru options.

Another challenge was effectively enforcing safety rules across the restaurants. While some guests wore masks inside the restaurants, others were reluctant to do so. These guests apparently did not understand why they were supposed to wear masks, creating tensions among customers and the staff.

Pieńkowski said that in order to adapt to the new normal, the company will need to create innovative solutions for business processes as well as for client service. The innovations will also include interior redesign and floor layouts so that customer flow and delivery areas will not intersect. The company will also significantly invest in developing new functionalities for the applications it uses, especially regarding mobile orders and pay systems.

SETTING NEW STANDARDS

The meeting's final speaker, Microsoft's Mark Loughran, said that while a crisis like Covid-19 can drive some companies to their collapse, others can thrive if they manage to refocus and use creative solutions to grow their business. Loughran noted that the Covid-19 crisis is caused by a special type of behavior, human-to-human proximity. Companies and industries are thus working to implement specific changes in their business models to change these behaviors. IT is one industry offering innovative solutions for moving business models away from the need for human-to-human proximity. "This unparalleled opportunity to use different digital tools is used now to learn, do business, and even socialize," Loughran said. Many IT companies have entered the education sector and offer online platforms for group interaction with the goal of replicating a classroom. They offer their solutions to support schools, teachers, and students, and will continue to do so in the months to come, as this new mixed economic model continues.

FOCUS

FOCUS: POLAND-US PARTNERSHIP

HANDS ACROSS THE OCEAN

THERE IS MOMENTUM FOR TIGHTENING POLAND-US ECONOMIC COOPERATION.

In July, AmCham held its first in-person meeting since March. The guest speakers were Jadwiga Emilewicz, Deputy Prime Minister and Minister of Development, and Georgette Mosbacher, US Ambassador to Poland and Honorary Chair of AmCham Poland.

They met the representatives of AmCham companies who are also members of the AmCham Advisory Council. The agenda was the economic cooperation between Poland and the US; its potential and areas that will benefit from improvement.

THE AMBASSADOR'S BRIEF

Ambassador Mosbacher thanked Deputy Prime Minister Emilewicz for her deep understanding of the specifics of American investors in Poland. She praised the minister's involvement in facilitating the exemption of American investors from the Anti-Overtaking Bill, a new legislation to prevent hostile acquisitions of Polish companies by investors outside of the European Union. "The atmosphere for business is still very good in Poland thanks to the Deputy Prime Minister, among others, and I do have to applaud her because she has been a big part of keeping that going," Ambassador Mosbacher said.

The ambassador said that Polish-US relations have never been stronger, as both countries are engaged in extending their cooperation. This year, there will be significant breakthroughs in key areas of cooperation, including national security and civilian nuclear power. Ambassador Mosbacher said that the United States is working hard to help Poland achieve energy independence by the end of 2022, which will turn the country into a regional energy hub for Central and Eastern Europe.

THE BLOW OF THE PANDEMIC

The Polish government is fully aware of how critical foreign direct investment is for the development of the Polish economy, especially now, as the Covid-19 pandemic takes its toll on Polish firms. "Over 40,000 small and medium-sized companies disappeared from the Register of Commercial Entities in Poland almost overnight after the pandemic hit the country," minister Emilewicz said.

However, as the economy moves on to the recovery phase, more and more companies are applying to be included in the register. "This is why I'm quite optimistic about where the Polish economy will be by the end of 2020," minister Emilewicz said.

According to government forecasts, the Polish economy will be the least affected by the Covid-19 pandemic among all the EU member states. Government economists do not expect the economic drop in 2020 to exceed 4.6 percent of GDP, and the unemployment rate will not be higher than 7-8 percent.

The Deputy Prime Minister noted that the Polish economy's relatively good shape for 2020 would not be possible had it not been for government aid programs that delivered financial assistance to troubled companies to help them maintain cash flow and avoid layoffs.

In addition to the aid programs, the government launched several investment tools to help companies restructure their operations to better adapt to the current business landscape. These investment tools include a new tax incentive for investors planning to purchase automatization and robotization solutions. The tax incentive is structured similarly to the incentives that are available to investors in R&D. "The main goal of the government is not allowing Poland to lose the high economic position it enjoyed for many years, that of one of the most popular places for foreign direct investment in the EU," Minister Emilewicz said.

She added that the government had undertaken several legislative initiatives to improve conditions for investors across the country well before the Covid-19 pandemic. These initiatives have made it easier for companies reinvesting in Poland to obtain public aid such as tax deductions and incentives, compared to companies investing in the country for the first time. The government also amended the law on investor tax havens, known as Special Economic Zones (SZEs). Investors can now choose factory and facility locations in any part of the country, regardless of the geographical spread of the actual SEZs.

REGIONAL FOCUS

The minister added that there are regions in Poland that need new investment to transform into a developed economy. She gave the example of Upper Silesia, a region which "comes to mind naturally when we think about economic transformation." Silesia is an example of a successful transformation that began with just a few investors landing their projects in the region. Those few attracted further investment, and today the region, which for decades used to depend on coal mining and heavy industry, has more jobs in IT than coal mining.

There are other regions of Poland which would also greatly benefit from such investment, the minister said. Apart from Eastern Poland, there are some "pockets of economic underdevelopment" in the Wielkopolska region, where coal-powered power plants will soon be closed and thousands of workers will start looking for new jobs. The government plans "to steer investments in the infrastructure" in Wielkopolska, in hopes that other investors will follow suit. The minister urged American companies to plan their next big investment projects in "regions that need heavy investments to become as attractive to live in as other parts of Poland."

NEARSHORING SUPPLY CHAINS

Deputy Prime Minister Emilewicz said that the pandemic revealed shortcomings in global supply chains of pharmaceuticals and health equipment. For example, the pandemic showed personal protection equipment (PPE) and certain drugs to be essential for the stability of the nation's health system. However, border closures can easily mute the supply chain from Asia and economic shutdowns freeze global trade. The only plausible solution to guaranteeing the country's supply is to produce those items domestically, but this is currently beyond Poland's capacity. "Unfortunately, neither personal protection equipment nor even simple drugs such as paracetamol are produced in Poland or the EU," Emilewicz said. "Their production was relocated from Europe to Asia twenty years ago."

Because of this, the government is now evaluating the possibilities of having the production of some drugs and PPE "near-shored" to Poland. Engaged in this process are government-affiliated agencies, the Polish Development Fund, and the Polish Agency of Trade. "We are discussing this issue with the pharmaceutical sector to find out what items may be produced in Poland and what items should be produced domestically," minister Emilewicz said.

The minister explained that the government's goal is to have foreign and Polish companies produce those items in Poland. "What we want is that the production facilities be in Poland, including chemical companies which produce components for the pharmaceutical industry," minister Emilewicz said.

ENERGY INDEPENDENCE

Deputy Prime Minister Emilewicz said that the government is ramping up efforts to make Poland energy independent by the end of 2022 and a regional energy hub in Europe, a task in which the US has been assisting Poland for many years. "We appreciate the work with the US administration in energy security," minister Emilewicz said.

She explained that the modernization of the Polish power system is a must in terms of climate protection, and is "a matter of common sense." 80 percent of the system's power generation relies on coal, what the minister described as a "heritage of the post-Cold War period," adding that "there is no other country in Europe except Poland which has to do so much big work to get the transformation done."

The government is working to change the regulatory framework for onshore wind farms to attract new renewable energy investors. "We will shorten the required distance to residential areas beyond which wind farms must not be located," the minister said. She added that before this happens, the government must consult with local communities to obtain their consent to developing wind farms closer to where they live. "There are social tensions regarding this framework," Deputy Prime Minister Emilewicz said.

The government is planning three major investment projects in onshore power farms by the Baltic coast. One is to be "a fully private investment," while state-owned companies will complete the other two. The government plans on bringing the projects to the market within ten years.

Minister Emilewicz regretted that the construction of wind farms has been a slow process in Poland and that American companies with the right technology, experience, and know-how have not been as included and involved as they should have been. "We need the right technology, and we need to have good partners if we are to make good use of the technology," the minister said. "Taking into account the presence of US investors in Poland and the good track record of their investments, I can hardly think of any better technology partners than American companies."

> **"We want to come up with a list of such investment projects which are critical in Poland. You are our partners if you have such projects!**

SHARED SERVICES SECTOR

The modernization of the nation's power system and building broadband internet in Poland's eastern parts are not the only strategic reforms the government has begun. They would also like to see the further contribution of shared services to the generation of the value of Polish exports. The sector of shared services has now become the top sector when it comes to generating the highest portion of Polish exports across all sectors of the economy, even surpassing the automotive sector, which for years had been number one. The government is now consulting with the industry organization The Association of Business Service Leaders to learn how to boost the sector's exporting potential and attract more investors in shared services centers from the automotive industry. Such new investments "would greatly complement the existing auto manufacturing sector and boost its potential," Minister Emilewicz said.

FINANCING INVESTMENT PROJECTS

As the modernization of the Polish power system picks up speed, the government is doing its best to ensure the finances to support every step. Good news has come from the informal capital of the EU, Brussels, where heads of EU member state governments recently met to discuss the details of the long-term EU budget. Poland will be the third-largest beneficiary of EU financial aid from 2021-2027, receiving billions of euros from the EU Transition Fund and the Covid-19 economic aid program called the Recovery Fund. Deputy Prime Minister Emilewicz said that the government will be able to use money from both funds to finance strategic programs for the economy. The Transition Fund is meant to support the development of projects to combat climate change and the Polish government plans to use these funds to help transform power generation from coal to gas. Another source of money for infrastructural investment projects is the Polish Development Fund. This fund is aimed at expanding the IT capacity of the Polish economy and financing the construction of broadband internet infrastructure. "The focus is especially on the eastern parts of the country, as the internet infrastructure there is underdeveloped... this is one of our central goals," minister Emilewicz said. The minister added that Poland had used government-controlled companies to develop strategic areas of the economy in the past. However, the incumbent government is pioneering a new approach that involves considering private investors as partners in developing these strategic economic areas. "We try to identify key investment projects that are of paramount importance to the Polish economy," the minister said. "Those investment projects are going to be undertaken by the public sector, but we are also open to private investors."

The minister said that private investors should contact the Ministry of Development about investment projects they are planning, "and perhaps some of them are so important for the Polish economy that they can get financial aid from the Recovery Fund," Minister Emilewicz said. "Let us know because we want to come up with a list of such investment projects which are critical in Poland. You are our partners if you have such projects!"

A BROADER LOOK

Closing her address to the AmCham Advisory Council members, the Deputy Prime Minister said that the Covid-19 pandemic has transformed many value chains in the Polish economy and globally. However, this process had already been underway since before the pandemic. The pandemic has provided the opportunity to reconfigure and strengthen economic relations between the US and the EU, especially when it comes to the collaboration between the US and Poland. "We would particularly like to strengthen our cooperation in broadly understood telecommunication, IT, energy, and aviation...We look forward to continuing our good cooperation with American partners," the minister said.

JADWIGA EMILEWICZ

Appointed Deputy Prime Minister of Poland in 2020. She had been appointed Minister of Development in 2019 after three years of service as Deputy Minister of Development, and earlier as Minister of Entrepreneurship and Technology. Before that, she served as Undersecretary of State in the Ministry of Development. From 1999–2002, she worked in the Department of Foreign Affairs at the Chancellery of the Prime Minister. In 2009, she became the Director of the Museum of the People's Republic of Poland in Kraków. She is a Councilor in the regional assembly of the Małopolskie Voivodeship and Vice-Chair of the Commission for the Innovation and Modern Technologies. Emilewicz graduated from the Institute of Political Studies at the Jagiellonian University and has begun doctoral studies at the Jagiellonian University's Department of International and Political Studies. She received an Oxford University scholarship and a scholarship from the American Council on Germany program by Dräger Foundation, Zeit-Stiftung Ebelin und Gerd Bucerius. She also held the post of President of the Better Poland Foundation.

GEORGETTE MOSBACHER

Appointed US Ambassador to Poland in the summer of 2018 and has been President of Georgette Mosbacher Enterprises, Inc., a business and marketing consulting company in New York City, since 1992. She served as CEO of Borghese Inc. from 2001 to 2015. In 2016, she was confirmed by the US Senate as a Member of the United States Advisory Commission on Public Diplomacy. Mosbacher founded the New York Center for Children, which assists abused children and their families, and has served on the boards of numerous charities supporting veterans and their families. She is a Fellow at the Foreign Policy Association and a board member at Business Executives for National Security and the Atlantic Council. She previously served as a co-chair of the Republican National Committee's Finance Committee and was the first woman to serve as the General Chairman of the Republican Governors Association. Ms. Mosbacher authored two motivational books for women, earned a Bachelor of Science from Indiana University, and received many awards recognizing her humanitarian and entrepreneurial contributions.

AmCham in Warsaw

Face to face with Deputy PM

In July, AmCham held an exclusive summer meeting with Deputy Prime Minister and Minister of Development Jadwiga Emilewicz, and US Ambassador Georgette Mosbacher. The venue was the Warsaw Marriott Hotel. It was a live, in-person meeting held with all Covid-19 precautions.

1. The meeting is about to begin. 2. Tony Housh, AmCham Chairman (Northrop Grumman); Jadwiga Emilewicz, Deputy Prime Minister, Minister of Development; Georgette Mosbacher, US Ambassador to Poland. 3. Anita Kowalska, AmCham; Tony Housh; Marta Pawlak, AmCham; Stacy Ligas, KPMG Poland. 4. Fabio Pommella, Whirlpool Poland; Mariusz Wawer, Alain Simonnet, 3M Poland; Marek Szydłowski, AmCham Vice Chairman (Integer.pl SA). 5. Małgorzata Wadzińska, Gabriel Ragy, Procter & Gamble . 6. Andrzej Dziukała, Janssen Cilag Poland; Krzysztof Adamcewicz, Roche Polska. 7. Jolanta Jaworska, AmCham Vice-Chairman (IBM Poland); Tisha Loeper-Viti, US Embassy in Warsaw. 8. Adam Błażeczek, Artur Łakomiec, Gemini.

SPECIAL MEETING

JULY

THE GOVERNMENT'S HELPING HAND

THE POLISH GOVERNMENT EMPLOYS TOOLS TO HELP COMPANIES BATTLE THE NEGATIVE IMPACT OF THE COVID-19 PANDEMIC.

In July, AmCham held a special meeting with guest speaker Paweł Borys, President of the Polish Development Fund (Polski Fundusz Rozwoju S.A.), a government-affiliated institution designed to promote the growth, innovation, and development of the Polish economy.

President Borys met AmCham members to discuss the Polish Development Fund's (PDF) response to the Covid-19 pandemic and highlighted the fund's programs aimed at helping companies hurt by the crisis maintain cash-flow, preserve jobs, and weather the crisis.

Borys explained that the PDF's investment priorities include projects addressing infrastructure, climate change and the transformation of the Polish energy system into a carbon-neutral one. The fund also works to boost local development by allocating investment money to local and regional governments and has been conducting a government-sponsored reform of the Employee Pension Fund since last year, using the ZUS system.

After the coronavirus pandemic hit the Polish economy, the government extended the PDF's responsibilities to include distributing anti-crisis financial aid. The most expansive aid program, the "Anti-Crisis Economic Shield," was launched in April and is designed for small and medium-sized enterprises. They can seek financial assistance from the program by applying for it through their banks and can use the assistance for up to 12 months.

Borys said the program has been was very successful in delivering financial assistance totaling PLN 57 billion (which amounts to nearly 3 percent of Poland's GDP) to over 320,000 small and medium-sized companies over the last two months.

According to Borys, a major part of the program's success was due to how quickly and efficiently it worked. Companies could apply for aid online, which significantly cut the time the PDF needed to process applications. This allowed the PDF to transfer money to companies that met the aid criteria within one or two days after submitting an application.

The PDF opened an aid program for large enterprises in June after receiving approval from the European Commission. Companies with operating losses generated during the economic lockdown may now apply for liquidity loans, preferential loans, and a number of capital instruments to use as liquidity loans. The government's key objective is to help companies preserve jobs, and more generally, maintain proper liquidity in the corporate sector.

To qualify for aid, companies had to show a 25 percent drop in revenue or higher, measured on a month-to-month basis or year-on-year.

This type of aid is especially important for companies that generated unsustainable debt during the lockdown. The PDF can turn this debt into loans or help companies by purchasing their shares.

The speaker said that the PDF does not intend to take ownership of companies that have problems during the pandemic. After some time, as the situation in the country and companies improve, the PDF will sell its stakes back to those companies.

So far over 400 companies have applied for the aid and, according to Borys, up to 600 large enterprises will be beneficiaries of the PDF aid program eventually.

SUPPORT FOR INTERNATIONAL ENTERPRISES

There are, of course, some requirements regarding whether or not international companies can be eligible for the coronavirus-related public aid. One requirement is that public aid sourced from Polish taxpayer contributions must go to companies that conduct business and pay taxes in Poland. Companies applying for aid from the state must be registered in Poland and should have tax residency in the European Economic Zone. Companies with tax residency in a tax haven do not qualify for state aid. The list of countries considered tax havens by the EU is available on the European Commission website.

SEEKING INFORMATION AND APPLYING FOR AID

Companies interested in seeking assistance from the PDF should email the contact center, where they can get in touch with a PDF advisor who will provide all essential information and answer questions. Another option is to visit the PDF website and use the artificially intelligent chat box which, according to PDF internal statistics, has answered 90 percent of all questions successfully so far.

Borys said that while the PDF receives 3,000 to 4,000 inquiries from companies daily, a relatively large workload to process by PDF officers, the fund is capable of handling them all quickly thanks to its effective IT system.

ECONOMIC OUTLOOK

According to Borys, the second quarter of 2020 showed a sharp decline in economic activity due to the economic lockdown and turbulences in trade, supply chains, and lowered consumer demand. He said that the government expects the GDP drop in Q2 to be around 8 percent year-over-year. This will be a strong blow to the economy, but not as strong as some economists had predicted earlier. Retail sales numbers, energy demand, and manufacturing output are down, and the economy is currently at around 20 percent of its pre-Covid levels. Yet, the speaker noted that despite these problems, the labor market is relatively stable from a macroeconomic perspective. Only around 200,000 jobs were lost during the lockdown, which translated into a rise in the unemployment rate to about 6 percent. This number could have been much higher, however, had it not been for the 3 million employees who were helped by the Economic Shield with some form of aid. The 3 million employees translates into nearly a quarter of the full-time Polish labor force. The PDF estimates that this year its aid program will help preserve the jobs of half of Poland's small and medium-sized enterprises, or 3.5 million jobs in total.

HELPING THE ECONOMY RETURN TO NORMAL

According to Borys, to help the economy return to one of growth, the government will focus on supporting the demand side in the consumer sector and boosting direct investment. The government plans to offset the expected decline in investments from the private sector by initiating new public investment projects, mostly in infrastructure. As far as Borys could tell, growth as measured year-over-year should return to pre-Covid levels sometime in the first or second quarter of 2021. Despite such optimistic forecasts, there is still a lot of uncertainty around the development of the pandemic in Poland and Eurozone countries. The ongoing pandemic will undoubtedly further stretch the banking system, while corporate debt will continue to increase. This will create disruptions in global trade, which will decline by 15 percent this year. However, the government believes that the Polish economy will be highly resilient to the global crisis. This line of thinking is in sync with forecasts from the European Commission, which predicts the Polish economy will be the least affected by the coronavirus crisis among all EU member states.

WORKING CLOSER TOGETHER

Closing his presentation, Borys encouraged AmCham members and all members of the international business community in Poland to contact PDF representatives for information regarding aid programs and guidelines on how to apply for assistance. The Monthly Meeting in July was a special one, as members from the International Group of Chambers of Commerce (IGCC) attended along with AmCham members. AmCham took over the IGCC chairmanship at the beginning of July and invited IGCC members to meet Paweł Borys at the meeting online through a videoconferencing platform provided by Cisco.

PAWEŁ BORYS

Borys was appointed CEO of the Polish Development Fund in 2016. He graduated from the Department of Finance and Banking of the Warsaw School of Economics with a major in international financial markets and began his professional career in 2000 by joining the Erste Bank Group in Poland as Chief Economist. In 2001, he was appointed as Head of the Analysis Department and then Investment Director for funds managed by the Deutsche Bank Group—Deutsche Asset Management and DWS. In 2005, he joined AKJ Capital S.A. as Vice-President and President of the Management Board of AKJ Investment TFI. From 2010 to 2016, Borys served as Managing Director at PKO Bank Polski S.A. Borys has extensive corporate experience, having worked on 18 supervisory boards of Polish and foreign companies, including three banks, an insurance company, and an investment funds company. He was formerly a member of the Stock Exchange Index Committee at the Warsaw Stock Exchange and a member of the Go Global Program Council. In 2013, the Polish magazine *Sukces* named him one of the best Polish managers under 40.

FOCUS

AMERICAN INVESTMENT

Discussing "30 years of American investments" at the press conference: Tony Housh, AmCham Chairman (Northrop Grumman); Jadwiga Emilewicz, Deputy Prime Minister and the Minister of Development; Stacy Ligas, Senior Partner and CEO, KPMG Poland.

LAND OF OPPORTUNITY

IT IS HARD TO OVERESTIMATE THE IMPACT OF AMERICAN INVESTMENT ON THE DEVELOPMENT OF THE POLISH ECONOMY.

American companies are the second-largest source of foreign direct investment (FDI) in Poland, according to a report entitled "30 years of American investment." The report by AmCham Poland and KPMG was published in April. In July, the Ministry of Development held a press conference to present the report and the scope of Poland-US economic cooperation.

By the end of 2018, American investment projects in Poland reached USD 24 billion and accounted for 11 percent of all FDI in Poland. Investors from the US were second only to investors from Germany (21 percent of the total FDI value) and preceded countries including France (10 percent), the Netherlands (9 percent), and the UK (6 percent). According to AmCham research, there are over 1,500 American companies active in Poland. The aggregated value of their assets in Poland is USD 54.5 billion. Their investments span a range of vital sectors, including IT, biotech, aviation and aerospace, automotive components, R&D, financial services, real estate, agribusiness, consumer good, and shared services centers. The companies employ approximately 267,000 employees and indirectly employ 309,000 overall. Employment in companies with American capital has doubled from 2010-2018. "American investors continue to be one of the most important partners for Poland," said Jadwiga Emilewicz, Deputy Prime Minister and the Minister of Development, who spoke at the press conference.

The Deputy Prime Minister noted that US companies do not only invest in high-value sectors of the Polish economy. They are also present in many other parts of the country, where they utilize local talent and significantly contribute to the economic development of Poland's regions.

The majority of companies with American capital are registered in the Mazowieckie Voivodeship (60 percent), and its capital Warsaw dominates as the investment location. However, as much as 57 percent of American companies' investments are located outside of this voivodeship, according to AmCham data. Other attractive regions for American business include Wielkopolska and its capital Poznań, Pomerania and its capital Tri-city, and Małopolska and its capital Kraków.

Deputy Minister of Development Olga Semeniuk said at the press conference that US investors are also keen to utilize Poland's Special Economic Zones. "The zones with the greatest number of US investors include Katowice, Łódź, and Wałbrzych. There are 100 US investment projects in those SEZs, valued at USD 1.9 billion.

Semeniuk explained that while the SEZs in Katowice and Wałbrzych attract American investors in the transportation sector, investments in the Łódź SEZ are mostly focused on the IT and telecom sectors.

NUMBER CRUNCHING

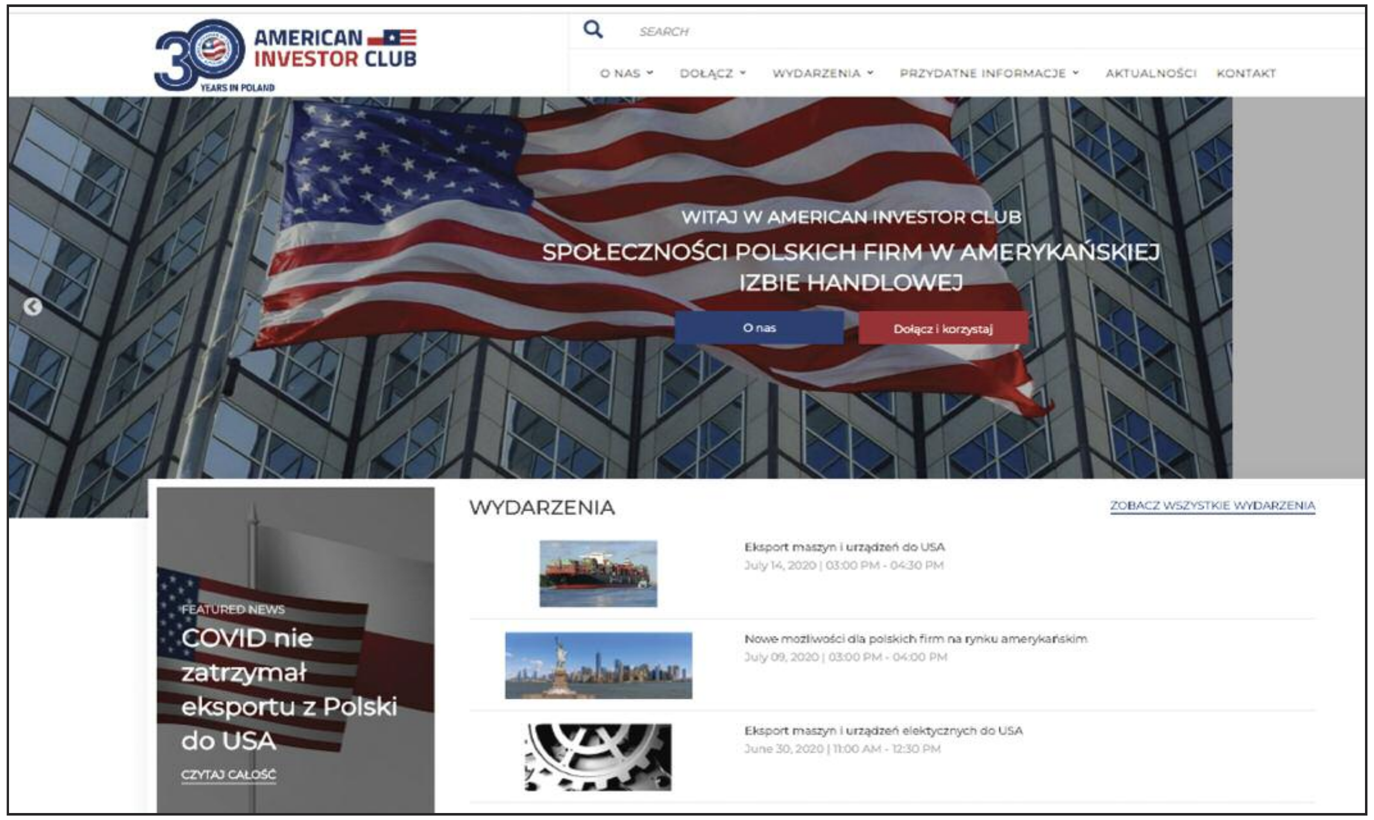
The report offers in-depth analyses of US investment with criteria including the sectors of the economy and industries, and geographic location. The report presents "Top Chart" of the top-performing US companies based on the number of employees, the value of assets, the operating revenue and the shareholder's funds. The company with the highest number of employees is Amazon, followed by United Technologies Corporations. The largest US-owned firm in terms of asset value (not counting the banking sector) is the franchise convenience chain Żabka, owned by CVC Capital Partners. Philip Morris International has the highest operating revenue in Poland, followed by CVC Capital Partners. The largest US investors in Poland are International Paper, Giorgi Global Holdings (owner of the Can-Pack Group), and Amazon.

DATA ON POLAND-US TRADE

The report also includes a separate section on trade between Poland and the US across commodities and sectors. The numbers show that America is growing in importance as a trading partner for Poland, with rising sales of Polish goods and services in the US. Of interest is the fact that services exports rose by a record, climbing by an annual average of more than 25 percent in 2016-2018.

The report is available at AmCham.pl. Follow the link "Key data on American companies in Poland".

AMERICAN INVESTOR CLUB



CALIFORNIA, HERE WE COME!

AMERICANINVESTORCLUB.PL IS A NEW SOURCE OF INFORMATION FOR ENTREPRENEURS INTERESTED IN BUSINESS OPPORTUNITIES OFFERED BY THE US MARKET.

In April, the AmCham program offering advice and guidelines to Polish companies interested in doing business with American partners, the American Investor Desk (AID), launched a website called American Investor Club (americaninvestorclub.pl). The new website is designed to serve as a source of information and expertise for Polish entrepreneurs looking for business opportunities in the United States.

AmericanInvestorClub.pl is an online source of information dedicated to processes, procedures, regulations, and best practices necessary for developing business links with US-based firms.

The information on the website is organized by different sectors of the economy and includes updates on trade numbers and seminars, trade fairs, and other events promoting business opportunities in the US. It also includes overviews of business-related regulations across different states.

Another function of the site (and hence its name) is to generate a network of contacts between companies interested in the US market to share best practices and experience in initiating business procedures with American firms.

The site responds to the needs of potential investors in the US, observed during AID seminars held earlier this year. These needs were especially articulated by many Polish business representatives in Gdańsk, Kraków, Poznań, Warsaw, and Wrocław, where the US Commercial Service and AID held a roadshow called SelectUSA earlier this year.

AmCham will continue to develop the website by extending its content that focuses on the current trade situation between Poland and the US, the global economic situation, and the needs of medium-sized companies from all sectors of the economy.

FDI FROM POLAND

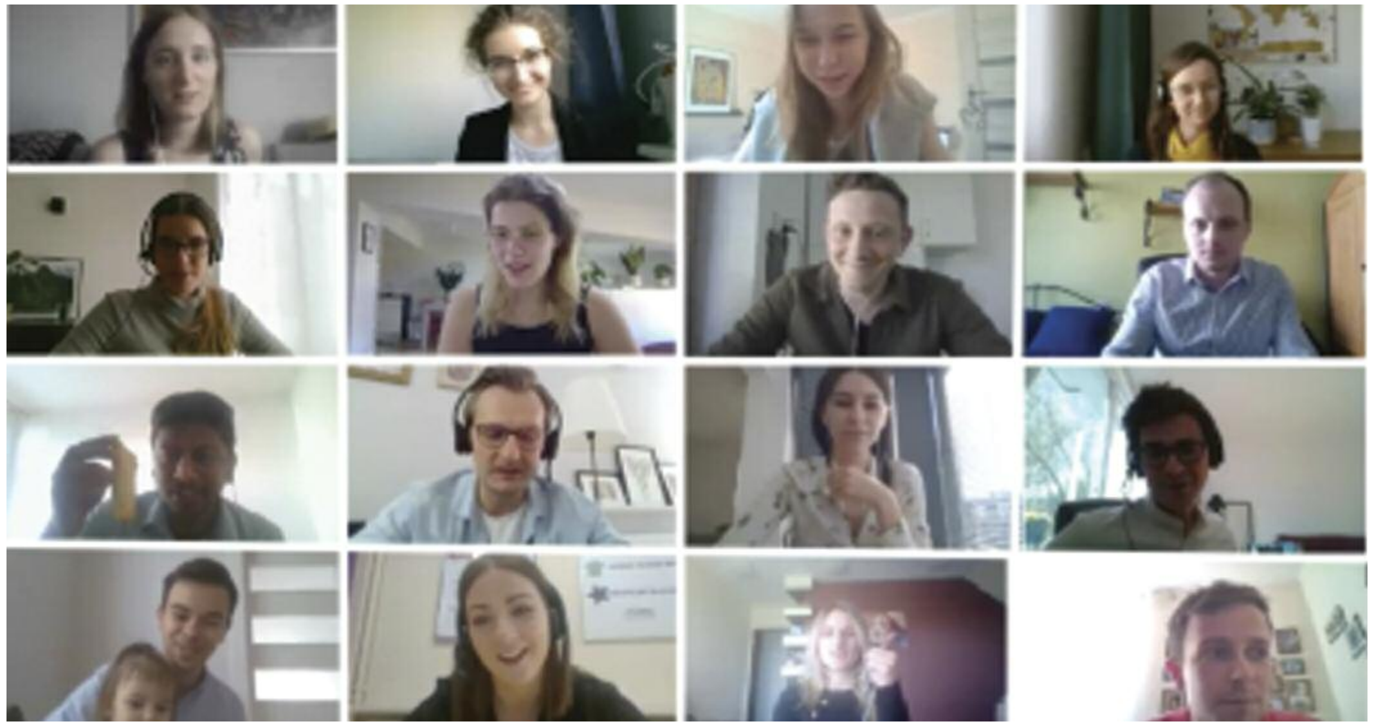
Polish companies export more to the US than the US to Poland (from January—June 2020 the US trade deficit with Poland reached USD 81.5 million). The inflow of FDI to the US from Poland is relatively marginal but seems to be on the rise.

Canpack, the Poland-based can manufacturer, recently announced plans to build its first beverage can plant in North America. Canpack purchased land in Pennsylvania, where it will build a can and end plant along with an R&D center. The value of the investment is estimated at USD 366 million. Another significant Polish investor in the US is the state-owned copper producer KGHM. The company purchased the Quadra FNX with its American assets, a copper mine.

Polish factories in the US include the Polish furniture producer Com.40, the candle manufacturer Korona, the producer of chemicals for building and construction Selena, and the cosmetics producer Ingot. AmRest, which operates the PizzaHut, KFC, and Starbucks brands in Poland, has also entered the US market.

FOCUS

30 UNDER 30



Meeting in progress: Participants of the 30 Under 30 AmCham mentoring program take part in an online session in April.

THE POWER OF TEAM SPIRIT

THE AMCHAM MENTORING PROGRAM 30 UNDER 30 HAS SUCCESSFULLY FOUND AN ONLINE FORMULA.

When in January, AmCham announced the 6th edition of 30 Under 30—a mentoring and business leadership program for 30 professionals from AmCham member companies aged below 30—no one would have ever thought that this edition would be so much different than the five previous ones.

First, AmCham received a very high number of 180 applications. Second, the pandemic struck just before the kick-off meeting in March and the meeting was not able to take place due to the Covid-19 precaution measures imposed by the sanitary authorities. AmCham decided not to postpone or cancel the meeting and instead took it online to the Webex platform, similarly to its other events, including the AmCham Committee Meetings and Monthly Meetings.

Yet some challenges still surfaced. One of the program objectives is team building and networking between participants, and it transpired that meeting these objectives would be difficult during online sessions.

However, participants and speakers did their best to adjust to the situation and used their creativity to make team building and networking as real as possible. The group spent many hours together online having an "online lunch," while some participants even played musical instruments together online.

The agenda points discussed at online meetings were not the same as originally planned. Program speakers reacted to pandemic-related changes in the business environment and discussed issues critical to the situation, including managing crisis and change, positive thinking, and making the most of uncertainty.

The first speaker in April was Marcin Petrykowski, Managing Director, S&P Global Ratings & AmCham Board Member. He discussed the disruptions in the global economy caused by the pandemic, how the situation calls for openness to new challenges on the part of business leaders, and how they can be flexible in managing new problems.

In April, another speaker was Jason Worlledge, Resident Country Director, International Republican Institute, who talked about the political aspects of the pandemic crisis.

In May, the speaker was Beata Pawłowska of GM Oriflame, who spoke about the types of character traits and and thinking that make true leaders.

In June, the program had two online sessions with business consultants Rafał Motriuk and Aleksandra Motriuk, who talked about how to build self-confidence in the corporate world. In July, the online floor was taken by Sebastian Drzewiecki, VP and Managing Director of Sabre, who presented on the importance of feedback and communication for leadership.

"Having been through the first part of the program which lasted 4 months, all the participants agree that the program worked," said Mateusz Jurczyk, AmCham Kraków & Katowice Branch Manager, who coordinates the 30 Under 30 program.

OBITUARY

DONALD MUCHA
1932-2020

Donald Mucha, one of AmCham Poland's seven founding members, passed away on June 23, 2020 in Arizona at age 88. Don was originally from Chicago, Illinois where he earned his B.Sc. in Engineering from the University of Illinois and an MBA in International Finance from the University of Chicago. He also attended Kent College of Law. He formed his first joint venture company between Poland and the U.S. in 1974; he began venture capital operations in Poland in the 1980s. Among others, Don was a founding member of Unitronex, he served as Chairman of Netia, the first Polish Telecom company to be on the NASDAQ, he served as CEO of Polaris Holdings, Inc. as well as CEO of MREI, LLC in Phoenix, Arizona. Don had a rich and varied professional and investment career. Don was an important and engaged member of AmCham for over 20 years, including the co-founder of our Real Estate Committee. Don is survived by three sons and his wife of 22 years, Dorota Szandecka-Mucha.

GINA PODHORECKA
1961-2020

Gina Podhorecka, of Canton, Texas, passed away in Warsaw, Poland, on June 11, 2020, at the age of 59, after a short battle with cancer. Podhorecka came to Warsaw in September 1991 and was one of the first people hired by William Kirst at Price Waterhouse (now PwC). She had a trailblazing role in the economic transition of the early 1990s from the inside of key financial companies, even if she was not so visible to the outside world. Gina also played a behind-the-scenes role at the American Chamber of Commerce in Poland. She was there when our logo was developed and worked for many years on our American Investor monthly magazine, making sure it came out with style and quality content.

Gina was a beautiful, smiling, big-hearted woman that made an impression on everyone she met. She was a go-to person for expatriates that needed help and advice. She was also a networker of international and Polish women in Warsaw, organizing a loose RNWW lunch series, which stood for Real Neat Women in Warsaw. Gina was President of Goodwill Poland from 1993 to 1998. Her most recent career was at the Pekao Investment Bank, where she worked since 1996, editing its equity research publications, as well as sector reports and macroeconomic reports. Her research covered not only Poland and Central Europe, but also the Balkans, Russia, and Turkey. At the time of her death, she was Senior Editor for Emerging Europe Publications in the Equity Research Department.

Gina attended Baylor University and earned her bachelor's degree from Texas Tech University. In 1987 she married Marek Podhorecki, who preceded her in death by five years.

AmCham's Managing Director, Dorota Dąbrowska-Winterscheid, has a particularly fond connection to Gina, as it was Gina that offered Dorota her first job in Warsaw at PriceWaterhouse, straight out of college. "If you actually make it to Warsaw, then I'll give you a job!"

Gina touched many lives throughout the decades and leaves many friends, colleagues, and family saddened by her early and unexpected death.

JOHN (JACK) ANTHONY DEVITO
1959-2020

Jack DeVito passed away on April 7, 2020, in his home in Connecticut from COVID-19 complications. Jack came to Poland in recent years to create and lead the Nativiana Roztocze company, which launched its Rodowita brand of natural mineral water this summer.

Jack was a vibrant new member of the AmCham community who brought an expert team of professionals and his daughter, Courtney, to Poland to create this new business venture. Jack loved helping and supporting local communities and gave in-kind donations to assist nurses and doctors during their fight against the pandemic.

Jack is survived by two daughters and a son.

Company Profile CBRE

HEADS FULL OF IDEAS

AmCham.pl Quarterly Editor Tom Ćwiok talks with **Daniel Bienias, Managing Director of CBRE in Poland**, about the last 20 years in the Polish market and the key aspects that have been driving the company's success there.

In brief, what can you tell me about the company's history in Poland? What were the development milestones?
This year CBRE celebrated its 20th anniversary in the Polish market. When the company entered Poland in 2000, it employed 20 people in its office. Seven years later, we more than tripled the number of our employees and moved our head office to one of the most prestigious office towers in Poland. In the meantime, we also opened regional offices. The key moment came in 2011 when we extended our business to property management, allowing us to partner with big investors.
Another milestone in our business development came in 2015 with the purchase of Global Workplace Solutions from Johnson Controls, a company specializing in property management, real estate, and facilities. With this, we were able to extend our offer to the broadly understood facility management. In Spring 2021, we plan to move to the most modern office building, currently under construction in a new business center in Warsaw. Our new head office will comprise over 4,000 square meters of the most modern space today.
CBRE currently employs nearly 500 people in Poland, so it is clear that we have been continually moving forward.

How do you evaluate CBRE's impact on the development of the commercial real estate market in Poland?
We have worked hard to be universally recognized as the market leader among commercial real estate consultancies. We achieved it by carefully following the needs of the commercial real estate sector. We base our strategy on constant business development, which is prompted by the constant development of the market in Poland. We look for such solutions which provide precisely the services that our clients need. We specialize in the entire array of commercial real estate, including offices, logistic and storage facilities, retail, hotels, and, most recently, alternative investments such as residential for senior citizens and senior citizen medical care centers. The latter category is just starting to take root in Poland, but investors are already focusing on it, which means we are interested in it as well.

As such a big market player, do you still find areas in which you seek partners to expand?
We are still hungry for success, and our heads are full of new ideas. We have been broadening our competencies in Central and Eastern Europe, and our market position is getting stronger. We are extending our expertise in new areas thanks to strategic partnerships with external companies that support us in delivering quality service in different fields of expertise. Our construction advisory has forged a very successful strategic partnership with Forbis Group, a company specializing in design and building services. Our alternative investment division has also been successfully working with Red-Net Property Group, and we will keep growing such strategic partnerships in the years to come.

In what way is CBRE different from its competition?
We are not afraid to be challenged. If we need to change our strategy to align it with the current market demand, we do it! Changes involve risks and require time to implement, but we implement them successively. Our share of the market goes to show that the changes we implement are not random. I have been with CBRE for nearly a decade, and I can say that the company knows well how to use its international potential.

What can you tell me about CBRE's corporate culture?
People are the key aspect of our corporate culture. We focus on attracting the best professionals in the market, and we have been successful in this for many years. We deliver top-quality conditions for their work at the office, and they can also take advantage of flexible work and working from home. We look at what they expect of us and adjust our offerings to their expectations. We see that our efforts translate into the top quality work our people perform and their high levels of commitment.

How do you manage to hire and keep the best talent?
The human aspect is the most important part of our business. Among our people are those with many years of experience in commercial real estate as well as individuals who joined our company from outside of the real estate business. Each person brings a huge value to our company. We learn from one another and share our experiences. We do our best to retain the best talent, and when you look at how long some of our people have been with the company, you will see that we are successful.

What is driving the development of commercial real estate in Poland? What are the trends today?
The market of commercial real estate has been growing dynamically in Poland in recent years. Growth has been very rapid in each segment of the market, and new trends appear every year. Despite the fact that the economy's growth will be slower in 2020, three aspects will dominate the market of commercial real estate: new technologies, sustainable development, and client experience fulfillment.

From the perspective of foreign investors, do you think Poland is a good market for foreign investment?
Yes, indeed! The growth of commercial real estate in Poland is fueled by foreign investments, mainly from Europe, Asia, and the Pacific, and the Republic of South Africa. The share of domestic capital is minuscule. Last year, the value of all transactions in the market surpassed EUR 7.7 billion, with domestic investors generating only 2 percent of that amount. What foreign investors find attractive about Poland is its geographic location, a relatively strong economy, and stable macroeconomic indicators.

Do you see any issues, such as regulations, for instance, that need changing to make Poland a better place for investors?
Many domestic investors eye commercial real estate but cannot enter it in a structured way because of the lack of proper regulations for institutional investors. There are no regulations for small investors or private individuals who would like to invest their money in commercial real estate in Poland. Unfortunately, Poland lacks a legal framework for real estate investment trusts, and, regretfully, we do not expect that such a framework will be created any time soon.

As a top manager, what impact would you like to have on the people that work for you regarding the level of their professionalism and career development?
I rely on partnerships and dialogue. I value my job highly, for it gives me constant opportunities to meet new people with whom I can share experience and knowledge. This is why it is my ambition that our workers continuously develop their competencies and reach for new business tools to make their work more interesting and effective. I also know that our company hires experts in their fields, so I trust them 100 percent and do not pretend to be an expert myself in every field.

Poland lacks a legal framework for real estate investment trusts, and, regretfully, we do not expect that such a framework will be created any time soon.

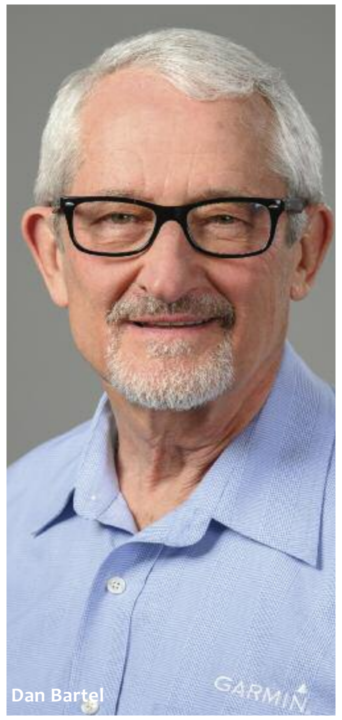
Company Profile Garmin Polska

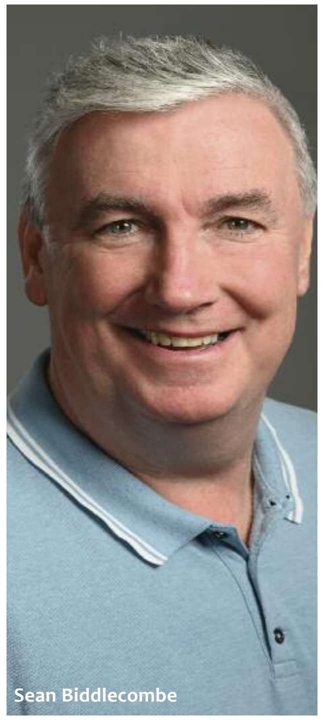
NAVIGATING LIFESTYLES

AmCham.pl Quarterly editor Tom Ćwiok speaks with **Dan Bartel**, Vice President of Sales at Garmin; **Sean Biddlecombe**, Managing Director at Garmin EMEA; and **Przemysław Łojek**, Managing Director at Garmin Polska—an innovative navigation technology company—as the firm celebrates ten years on the Polish market.

In 2019, the value of Garmin stock on NASDAQ grew by 36 percent. How would you explain that?

Sean Biddlecombe: Our business is divided into five segments, and each division is developing the product range dedicated to this segment. Our Aviation Division grew very well last year because we came out with new products for aircraft manufacturers and also for the aftermarket. We were able to manage and keep our profitability in the automotive sector, where mobile apps and inbuilt systems are replacing personal navigation devices. We have brought out new categories of products customers still like and buy, as well as improved the motorbike and dashcam offerings. We have rolled out many products in the organically-growing fitness segment, including bike computers, GPS watches for running, fitness trackers, outdoor watches, wellness smartwatches, and our new outdoor Fenix 6 series with an innovative solar-charged watch. We also released a new GPS with an implemented inReach system, which allows two-way satellite communication from anywhere on Earth. We have developed products for marine boaters, as the marine segment is growing very quickly in Poland, as well as fishing products. These small handhelds can be used to upgrade electronics on a boat and entertainment systems, and our new Navionics cartography also helped grow that business. Overall, Garmin's


Dan Bartel


Sean Biddlecombe

biggest strength is our vertical integration, which helps us design, build, and support the products and sell them on the market. Each of the Garmin divisions presents new relevant features on the market, which is key to our business.

What is the significance of the Polish market for Garmin in the region?

SB: We have been in Poland for ten years and were represented at first by an independent distributor. We then decided to enter the market as part of our vertically integrated business model, which helps us better control the market and advertise and support customers more efficiently. Przemysław Łojek and his team have grown Garmin's business in Poland to five times its original size over the last ten years. We have our largest East European office in Warsaw, and it contributes very well to this region. The Polish market is very interesting. As a global company, we always try to be the market leader and have high expectations for each office. We initially observed that the Polish market is focused on lower-priced items. However, the local office is still able to sell high-end luxury watches, fitness products, and marine devices. Even outside of Poland, you could wonder if this kind of product would be able to sell, but the Polish team can do it anyway. But there is also a difference here: while the automotive segment is decreasing in western countries due to popular mobile applications, the Polish market is still strong, especially in the dashcam market. We have also observed that fitness and triathlon equipment has been trending in Poland over the last few years due to better training technology and changing lifestyles.

What is the company's policy regarding sustainability and reducing its carbon footprint?

SB: This is an important issue for us, especially because we are interested in reaching younger customers. Our factories in Taiwan and the US have rolled out various initiatives to be as carbon neutral as possible. We have to be legally compliant with the chemicals and materials we use, including the disposal of batteries and other items. From the design side, we have a compliant engineering team as well as teams looking at recycling opportunities. Our US factory has reached zero-landfill on customer returns because


Przemysław Łojek

our teams work together with our suppliers to ensure that the returns won't go to the landfill. Right now, we are trying to expand that US program to all of our offices. Our vertical structure supports this effort because we can control the whole process, from raw materials to final products, and in recycling products to factories. We can see the problem more closely because we are involved in the process at each stage, which makes us successful in this field.

What were some of the milestones in developing Garmin sales in Poland?

Przemysław Łojek: We started with establishing Garmin Polska in January 2010. This was a big step forward for us and involved developing the Polish company division from the ground up. It was an exceptional operation for Garmin, which usually acquires local distributors when entering new regional markets. The first important thing for us was to develop new distribution models for each of our product segments: automotive, outdoor, fitness, marine, and aviation. At the time, the market for personal navigation devices was decreasing in favor of mobile applications, which was challenging for us. We decided to develop the fitness segment and smartwatch product category, which accounts for 30 percent of our business today. A key point of Garmin's strategy is to acquire complementary companies. We are able to enter new markets each time Garmin makes a big step worldwide, with examples including Fusion in marine entertainment, Navionics in cartography, and inReach in satellite communication. Our business in Poland has grown to employ about 25 persons, and we are now taking another giant step of acquiring the Garmin business in the Baltic region. We have also been focused on implementing Garmin Pay technology over the last two years. This technology is currently available in 10 banks in Poland, and we aim to make this payment available for at least 90 percent of individual bank accounts.

The Covid-19 pandemic stroke Poland in March. How has been Garmin Poland coping in the new normal?

PŁ: We adapt to the ongoing situation and consistently implement our business strategy. The lockdown has exposed many new challenges for everyone in the Polish market, and we have had to accommodate our workflow to be in line with current regulations and recommendations. Although restrictions have been lifted, we are still willing to cooperate with our sales partners partly remotely, as this practice has proved just as effective as traditional meetings.

Garmin has recently acquired the distribution and marketing of the Tacx brand from Velo in Poland. What were the challenges in this process? How important is the Tacx brand for Garmin in Poland now?

PŁ: The acquisition of Tacx was an important strategic step in developing the Garmin cycling product portfolio, as the vertical integration of our business processes is one of our keys to success. It was essential for us to offer our customers even more opportunities in terms of training throughout the year. We are very grateful for our partner's professionalism and commitment during the distribution and marketing integration process.

The Garmin gear combines the best software and hardware materials across a range of products, along with reliable transmission technology. What is the role of technology in developing the Garmin business?

Dan Bartel: Garmin provides GPS solutions for five different markets, and we are focused on developing and incorporating tech innovations and applying them to our products. We push ourselves to develop the technology and maintain leadership in all product segments. Garmin is also expanding its business by acquiring innovative companies such as Tacx and Navionics from complementary industries. This gives us the possibility to advance our know-how and implement it to our products. This year we came out with an aviation emergency system for landing called Autoland and solar charging technology for Fenix smartwatches. These innovations also help us expand our current segments in new fields, from fishing lines in the marine segment to inReach products in the outdoor segment.

What is driving the market in Poland?

PŁ: The biggest market for Garmin products in Poland is currently in the smartwatch segment. This segment has seen strong growth, so we are offering a wide range of products to meet the different needs of our customers. In addition to highly advanced outdoor and premium GPS watches, Garmin also offers affordable fitness trackers and lifestyle smartwatches.

Do you find Poland to be a good market for business?

PŁ: We consider the Polish market a good market for tech companies. The country's gross domestic product is growing dynamically, and society is very open to new technologies. Polish customers are very aware of product aspects such as quality and technology and are willing to pay a fair price for high-end products supported by after-purchase services. Having a good general understanding of our technologies and product support helps us build a strong relationship with our customers that will last for years.

Is there anything that you can think of in terms of regulations and laws that impedes doing business in Poland?

PŁ: We understand the need to close loopholes in the fiscal system, but it will take effort and significant financial outlays to implement these changes. We're aware that some of our business partners consider the tempo of changing the regulations to be demanding for their business.

What are the company's plans for Poland in 2020 and beyond?

PŁ: Since May, we have introduced a dozen or so products on the market while expanding the range of products with revolutionary solar technology. Garmin has also acquired the physiological analysis leader Firstbeat Analytics Oy, placing the company at the forefront of physiological analytics. Recently, we have also been developing a range of niche products such as Tacx trainers and luxury watch collections. We are continuing to expand the Garmin Pay contactless payment solutions in cooperation with banks and payment organizations in Poland and develop distribution networks to make our products even more accessible.

Company Profile ProService Finteco

PEOPLE DRIVING TECHNOLOGY

AmCham.pl Quarterly Editor Tom Ćwiok talks with **Paweł Sujecki, Chairman of the Board of ProService Finteco**, a provider of comprehensive operational support services for financial institutions, about how the company has been building its position in the market and how technology is driving progress.

What can you tell me about the company's history in Poland? Especially, what were the development milestones?

There were many important moments in our company's history, including in 2007, when Polish Enterprise Fund V. purchased part of Skarbiec Asset Management Holding. As a result of this transaction, the company changed its name to ProService Agent Transferowy. 2012 was also important, as this is when we bought the FIN24.pl company specializing in software development. In 2012, Highlander Partners, L.P., became the new owner of ProService Agent Transferowy. On June 1, 2016, 100 percent of the company's shares were acquired by funds managed by Oaktree Capital Management LP and Cornerstone Partners.

In 2017, we merged with Aspartus Sp. z o.o., a company that provides software solutions and carries out maintenance services for businesses including proprietary systems, comprehensive services, and institutions in the insurance sector. In 2017, ProService Agent Transferowy and ProService Finteco Sp. z o.o. merged. The purpose of the merger was to strengthen our company's image as a leader on the FinTech solutions market. In the same year, we bought the IFAS company, which focused on the accounting of closed-end investment funds and the accounting of capital companies and partnerships.

At the beginning of 2018, we bought Turbine Analytics SA, a company that specializes in the processing of data from financial markets, provides IT systems, and offers advisory services related to quantitative methods in risk management, investment portfolio management, trading, and operating activities. We also signed an agreement in which the ProService Finteco Group was joined by Makeitright, a company specializing in Test and Business Process Automation and Robotics Process Automation.

What are the pros of your company's service?

We have been operating on the market for over 25 years, providing services at the highest level, which is confirmed by recommendations from our clients. We create our own innovative solutions that we are able to implement in an extremely fast and effective manner. We provide our clients with the highest safety standards confirmed by certificates. Having a number of companies from various areas in our group including automation, robotization, software, artificial intelligence or data processing, and financial markets, we are able to provide comprehensive services in the investment, banking, and insurance sectors.

We share our knowledge about our products and new solutions with our clients by organizing free webinars, publishing expert articles, and participating in industry events. We also update all information on our website, where we describe our products and their possible applications in a simple manner.

In what ways is ProService Finteco different from its competition?

We are distinguished by our comprehensive approach to serving our clients. The companies that join us gain a competitive advantage or reduce costs in areas in which we have key competences as an organization. Our organization is customer-oriented, and we listen to our clients. We observe the markets in which they operate in order to be ready in advance with the necessary technologies or trends for our customers' activities, development, or expansion.

What can you tell me about your company's corporate culture?

We are a company that focuses on open communication, mutual help, and a friendly atmosphere. Our values are Passion, Development, and Customer Orientation. We are pros! We promote our employees' passions so they can develop their interests and share them with others. We focus on cooperation, friendly relations and a good work atmosphere. We care about work-life balance and our employees' wellbeing, and we offer them a number of benefits.

What is driving the market development in the banking and financial services sector in Poland?

The Polish financial services industry is distinguished by its high adoption of IT technologies. For example, we are among the leading countries with the highest use of mobile applications in the banking sector in the world. Another example is the use of contactless payments. Currently, all POS terminals in Poland are prepared for this, and almost 80 percent of all non-cash payments are made contactless, using cards, and Apple Pay and Google Pay applications. According to our assessment, further IT innovations will include the use of blockchain as a durable medium and the replacement of transactions confirmed on paper with fully electronic documents, for example. Another development will be digital onboarding, which is a method of registering clients on financial platforms using face and video recognition and ID document scanning. Yet another innovation will involve improving the Customer Experience function on financial services platforms through a new User Experience mechanism involving real-time data analytics. It will use transactional data as well as Big Data analytics including geolocation and clickstream data. Another innovation worth mentioning is the RPA, the robotic process automation of back-office processes.

We are also aware of the fact that the Polish financial market is quite shallow compared to developed countries, which is why we are developing our IT solutions for markets in the US, Canada, Israel, Germany, Luxembourg, and Austria, among others.

From the perspective of foreign investors, do you think Poland is a good market for foreign investment?

Yes. We have been emphasizing this for a long time, and we can now see that it is also reflected in the activities of large international corporations that are transferring their centers, technological facilities, or back-offices to Poland. Poland meets all of the necessary aspects to be an attractive place to build a business.

Do you see any issues, such as regulatory and legal, that need changing in order to make Poland a better place for investors?

It is worth to underline that in current circumstances, investors are likely to face challenges from the coronavirus outbreak. Not only is the Polish economy at risk, but so is the global economy. Therefore, every government needs to act swiftly to combat the pandemic and its negative economic impacts. From our perspective, a further leveraging of technology might be one of the best and feasible solutions. We have seen very positive dynamics in robotic process automation. Automation and the application of technology to support many business and administrative processes have an undoubtedly crucial role to play and will have a huge impact on investment decisions. Thus, legal solutions are needed to support the application of such technologies. This will not only make Poland a better place for investors in the future but will also help to solve the difficult problems of today.

How do you see the current situation on the labor market?

Thousands, if not millions, of people, are already unemployed as the global economy is wobbling from the effects of the coronavirus. This creates a situation where employers who have recovered from the crisis and can now resume recruiting will do so in different market conditions than before the pandemic. Recruiting in a period of high unemployment can present unique challenges, especially compared to our recent problem: recruitment during a low unemployment rate. For those in the field of recruiting, it will be a time to plan for new challenges that will emerge with the changes in employment.

As a top manager in your company, what impact would you like to have on your people?

Being a supervisor comes with challenges, but it is also a position where you can help individuals achieve their personal career goals. Employees tend to feel more involved when they feel that their employer is concerned with their development. The career development path provides employees with a constant mechanism of improving their skills and knowledge, which can directly impact the entire organization by improving morale, professional satisfaction, motivation, productivity, and responsiveness in achieving departmental and organizational goals.

What was the impact of the Covid-19 pandemic on the company's plans in Poland, and how has it altered the company's plans for 2020 and beyond?

Probably not only for us, but for most companies too, the biggest change was the transition to remote work and the implementation of new security procedures, teamwork monitoring, integration, and motivation. Technology will help achieve this, and this is what is already happening. Over the last few months, companies made a giant leap forward when it comes to the application of distance work solutions. When you look at our company of 750 people, we went into home office mode nearly overnight! This is an irreversible technological and organizational change, and it will fuel the economy in the years to come. Looking at 2020 and beyond, I have to say that we have not had to change our plans too much. Luckily enough, our company offers software solutions for the financial sector as well as software and IT solutions, especially those in artificial intelligence and relationship management. This is what more and more companies are looking forward to implementing in the time of the pandemic and beyond.

Every government needs to act swiftly to combat the pandemic and its negative economic impacts. A further leveraging of technology might be one of the best and feasible solutions.

Company Profile Santander Bank Polska S.A.

STRIVING FOR PERFECTION

AmCham.pl Quarterly Editor Tom Ćwiok talks with **Magdalena Kusa, International Business Manager at Santander Bank Polska S.A.**, about how the bank positions itself on the Polish market.

What can you tell me about the company's history in Poland? What were the milestones in the bank's development in Poland?

The history of our bank dates back to 1988, the time of economic transformation in Poland. We were initially Bank Zachodni, and then, after the merger with Wielkopolski Bank Kredytowy in 1999, operated under the name Bank Zachodni WBK. Since 2011, the bank's main shareholder has been Banco Santander. the largest financial institution in the eurozone with over 150 years of experience. Its mission is to help people and businesses prosper in the spirit of its core values—Simple, Personal, Fair—and to become an institution that is increasingly committed to social responsibility.

Our primary goal has always been to help people and businesses prosper, so it was a natural step for us in 2018 to integrate even more closely with the Santander Group. Our goal was to offer our clients in Poland an even greater range of products and services with a global reach, exploiting the potential and opportunities that Santander has in all the markets in which it operates. This is why 2018 was a landmark year in the history of the bank. We went through a rebranding and renaming and became Santander Bank Poland. We have been appreciated for our efficient rebranding and communication activities, which have been recognized as a market model for other brands wishing to make similar changes in the future.

Today, Santander Bank Polska S.A. Group is one of the largest financial groups and the largest bank with private capital in Poland. We offer financial solutions for individuals, micro, small and medium-sized enterprises, and Polish and international corporations. The bank has one of the largest networks of branches and partner outlets in Poland and provides services through electronic access channels, including mobile banking. It is one of the market leaders in the use of modern technologies in banking services, consistently building its brand in accordance with the strategic goal of becoming the best bank for the client.

What is driving the development of the banking and financial services sector in Poland?

In addition to technological progress, the process of continuous changes in our industry is also driven by customer expectations and developments in the regulatory environment, including growing burdens imposed on banks—capital, liquidity, technology—and increasingly strong consumer protection mechanisms, generating costs for financial institutions. Fintech's activity increases competition on the market and mobilizes for continuous improvement of products and processes. Increasing information needs of the banks themselves, as well as of supervisors and central banks, force changes in technology. The economic situation and decisions made by customers are of great importance too. Today's world and the challenges posed by the pandemic testify to the importance of focusing on the customer and understanding their needs, flexibility, and conducting business responsibly while caring for others.

Being a large financial institution, we have always been prepared to respond to the changing needs of customers and the world. This is an integral part of our approach to doing business. It is one of the reasons the mechanisms developed so far, also within the Santander Group structure, and allows us to share our resources with others. During these unexpected changes and transformations, leaders must strive to balance short- and long-term goals. Despite many studies and forecasts, today, we are not sure what our reality will be like in the coming period. We need to prepare for different scenarios and be ready for the next, unforeseen changes. The pandemic has accelerated the race for new digital solutions and innovations, but at the same time, we must be able to create a vision of the future and set new trends.

What can you tell me about Santander's corporate culture?

Simple, Personal, Fair values guide all our actions. We believe that ideas are not enough to build a culture based on ethics. That is why we care about education and undertake a number of initiatives to broaden the knowledge of our employees and customers about the products we offer and social issues. Activities aimed at employees make Santander Bank Polska a good place to work and contribute to the achievement of the 2015-2030 UN Sustainable Development Goals, which we particularly care about in our relations with employees. We are oriented towards cooperation, a culture of dialogue, and bottom-up initiatives, with respect for diversity and care for the natural environment.

Responsible banking means, for us, taking into account the broader and long-term context of our activities. That is why we want to be part of an environment in which growth is inclusive and sustainable. We are a strategic partner of the Responsible Business Forum and joined the Partnership for the Implementation of Sustainable Development Goals (SDGs). We aim to be an initiator of activities bringing us all closer to achieving these goals. We listen carefully to the needs and opinions of our social and business partners, who expect us to be effective in doing business and to engage in market, social, educational, and other current issues of importance to the communities. To this end, the Santander Group has committed itself, among other things, to spending more than EUR 120 billion between 2019 and 2025 to finance investments and environmental solutions and to increase access to banking products and services for more than 10 million people over the same period. We consider it our duty to take responsibility for our impact on the environment and our stakeholders, because only with such an approach can we achieve sustainable, stable growth and create economic and social values.

How has the Covid-19 pandemic impacted the banks' business development and operations? What steps have been taken to ensure that the bank can function in the new reality?

The Covid-19 pandemic came unexpectedly and now poses an unprecedented challenge not only for banks, but also for all sectors of the economy. Financial resilience and business models adopted have been put to the test. In a short period of time, we had to revise and adapt our operating procedures to the current situation and needs of our customers or partners. We have smoothly switched to the mode of remote operations and service and reorganized our activities. We are still watching the situation closely and trying to anticipate what might happen in the future. Digital development is certainly an area that has always been at the center of interest in the banking sector, but nowadays, it particularly deserves attention and a new approach. The majority of society has transitioned to remote mode. Trends such as the touch-free economy have been strengthened. Some have, as far as possible, completely transferred their activities to the digital world. Customers are increasingly opting for online or mobile banking so that this area will require further transformation and better adaptation to today's world.

We focus on aid packages, on ensuring the safety of our employees, on digitizing and adapting our products and services to the changes in our immediate environment and, more broadly, on changes taking place in the society. Such activities have always been inscribed in our DNA. We actively participate in the implementation of many initiatives proposed by government institutions and launch our own projects. First of all, we extended companies the opportunity to apply for a grace period in the repayment of loan principal installments, the so-called credit holidays, as well as for a grace period in factoring and leasing payments under concluded agreements. Holders of overdraft facilities were allowed to postpone repayment for at least another two months. Customers can also avail themselves of loans with de minimis guarantees covering up to 80 percent of the total financing value and BGK's Liquidity Guarantee Fund for the largest enterprises. We have streamlined remote solutions so that customers can bank from home safely and conveniently. Thanks to our donations and organized fundraisers, we have donated over PLN 5 million together with our customers to help hospitals in need.

Thanks to our educational activities, customers were provided with answers to many questions concerning, among others, government aid solutions, financial assistance available for entrepreneurs, and remote accounting services from a dedicated helpline. We also launched a special website called RazemPomagamy.pl, where customers can find interesting information and advice regarding the pandemic. Moreover, as one of the world's largest institutions, the Santander Group donated EUR 100 million to fight the effects of the pandemic. These are just some examples of the initiatives we have taken. We are still watching closely, analyzing the coronavirus situation, and working on further solutions for our customers. We are an institution that has an impact on shaping the "new normal," and we will do our best to make sure it is good for our clients and society as a whole.

What is the bank's involvement in corporate social responsibility?

As the largest private bank in Poland and belonging to an international group, we feel responsible for all of society when deciding how to use our financial potential. We want to contribute to overcoming the great challenges facing society, Poland, and the world. This is part of our strategy, which is based largely on the sustainable development goals that identify the most important and pressing problems needing to be addressed.

We pursue the principle of sustainable growth by supporting environmentally friendly solutions, sustainable and green financing, and supporting the transformation of the Polish energy sector into a low-carbon model. Joining the pact for the sustainable use of plastics, issuing green bonds, and granting loans and leases supporting energy efficiency are just some of the numerous environmental initiatives that we have recently launched at Santander Bank Polska.

In 2019, we signed the first ESG-linked (Environmental, Social and Governance) loan agreement with Energa in Poland. Such an agreement is based on an assessment of the borrower's commitment to sustainable development to motivate companies to invest in ecological solutions.

We also adopted a package of five environmental and sectoral policies, including policies dedicated to climate and energy. These regulate, among other things, the terms of financing coal companies, the total reduction of exposure to coal mining by 2030 and prohibit new financing for coal mining. They also mandate the reduction of financing for existing coal-fired power plants and prohibit financing for new coal-fired power plant projects.

In June this year, Santander Bank Polska and mBank signed an agreement worth EUR 79 million to finance a solar power plant project. The financing will be used to build 128 solar power plants with a total capacity of 121 MWp, to be built in Poland in 2021. This transaction is the largest solar project financing in Poland so far.

We are continuing to improve the processes related to social, environmental, and management risks. These risks play an increasingly important role from a business perspective, and the streamlining of processes will allow us to increase our involvement in the further development of Renewable Energy Sources in Poland, for example.

From the perspective of foreign investors, how do you evaluate Poland as a market for foreign investment?

Poland is still an attractive destination for foreign investments. With its skilled labor force (and labor costs still among the lowest in Europe), large consumer market, quickly growing productivity, and strategic location in the center of Europe and at the gate to Eastern markets, Poland is an interesting place to be for many multinational companies. In the last twenty years, Poland has been consistently building its position as a manufacturing hub for Europe and as a very strong business services hub. This trend continues and was recently confirmed by the announcements that Microsoft and Google are going to invest in Poland USD 3 billion in the coming years in cloud computing services.

What may raise concerns of foreign investors is Poland's conservative government's policies, which are challenging the rule of law and the stability of the judiciary system. However, it seems that EU membership is an important anchor and ultimate guarantee for institutional stability and sound legal framework. From an investor's point of view, a desirable change in policy would be for much higher stability and predictability of regulations, including tax legislation.

What are the company's plans for 2020 and beyond?

At the heart of our business are our customers, and we are always adjusting to working with them, meeting their expectations, and helping them and their businesses to continue to prosper and grow. As Paweł Stamburski, Head of Product, Business & Corporate Banking at Santander, points out, "One of the ways to measure our customers' level of satisfaction is the Net Promoter Score. Our NPS grew by 13 points from just February to June. This clearly illustrates that our customers very much appreciate and value our support and work with them."

Company Profile SwingDev

AN ALLIANCE OF INDIVIDUALS

AmCham.pl Quarterly Editor Tom Ćwiok talks with **Jo Overline, CEO & Co-Founder of SwingDev**, a boutique IT business, about the harmonies between his American business experience and his Polish partners' IT talents.

In brief, what can you tell me about the company's history in Poland? What were the development milestones?

SwingDev started as a partnership between our US and Polish co-founders about 7 years ago. We saw a unique opportunity to help companies in the US thrive by matching them with a highly-skilled engineering talent pool in Poland. Three of our founders have an engineering background with a unique blend of sales, technical, and operational skills. SwingDev is uniquely positioned because we have a very close relationship with most of the major venture capital firms in the Bay Area and NYC. While my co-founders were building the foundations for our engineering team in Warsaw, I moved from Arizona to San Francisco to establish the relationships that would become the foundation of our future growth. After three years of being in the Bay Area, I transitioned over to being on the ground with our Warsaw team and having a more active role under the roof of our office on Nowy Świat.

What are the pros of SwingDev service, and in what way do your customers benefit from your presence in Poland and the US?

The team at SwingDev has become a world-class design and engineering consulting team through our experience with hundreds of startups and enterprise clients. Nearly all of our clients are in the US market, so our processes and approach to solving problems are aligned with their needs. We give a lot of focus to bridging the gap between US and European culture. This is nearly impossible for competitors to do without a combination of American and Polish co-founders working on a foundation of mutual trust.

In what ways, according to you, Swing Development is different from its competition?

For me, SwingDev is different from the competition because of our people. Not in the cheesy corporate PR, "our people are the best" way, but because we target unique individuals who are motivated to solve complex problems. Competitors "body lease" their employees to companies and blindly do anything they say, whether it is good for the client or not. Our team members are encouraged to express their opinion, treat clients as partners, and not be a team of "yes-men." It is extremely valuable to our clients to have a team that uses their knowledge and experience to treat them like true partners.

By matching brilliant minds in Warsaw with our clients who are the most innovative forward-thinkers in the World, we are in a unique position to create extraordinary results and relationships. I don't feel like we have any true competition in the Polish market. We are uniquely positioned with the trust and relationships we have built with the leading venture capital firms and companies in the US.

What can you tell me about Swing Dev's corporate culture?

Corporate culture is something that does not exist at SwingDev. We like to call ourselves an Alliance of Individuals, which means our culture is heavily influenced by every member of our team. Just because we are board members doesn't mean we know everything, and we aren't entitled enough to think we should strictly define our culture. Instead, we created the foundations, values, and framework to allow our team to define our culture and have an environment that is challenging and supportive. We love to see people come on board to our team and thrive when they are freed from corporate culture's typical shackles. This is a win for both our team and our clients.

Even before the Covid-19 pandemic, there was a high demand for IT specialists and software programmers. Do you face any issues with finding the right talent to work for your company, and if so, how do you cope with that?

In the IT field, it is definitely an employee market right now, and it has been for a while. Recruiting is a challenge for everyone, but we are able to attract and retain the type of talent that will thrive at SwingDev— someone who knows what they are doing and who wants to use their experience to find unique and creative solutions to solve design and engineering challenges. A lot of times, candidates find us a refreshing opportunity for change from the typical corporate environment.

We are a very close family-like boutique business that treats each employee like a person, not a resource. We work with our employees to create situations where they can express their strengths and earn experience working through challenges. We are also in a unique position to have created an environment where our employees get to work closely with fast-growing innovative startups and witness how these companies grow from roots to billion-dollar valuations. I don't know of any other company that has managed to thrive in this sweet-spot.

What is driving the development of business services in Poland?

A few years ago, I would say the initial attraction to the Polish market was due to its decreased cost. However, people quickly discovered that the real value in Poland was extremely high skill levels and competencies. This is critical to the growth of the Polish engineering market, because as engineering wages have risen to match global levels, we still have a huge advantage to offer our clients. Our clients often say our teams have a considerably higher output than their internal teams.

From the perspective of foreign investors, do you think Poland is a good market for foreign investment?

For the technology market, I think that Poland is a great market to invest in, but with the right combination of strategic foreign partnerships. I see tech companies in Poland do incredible things, but they lack the ability to be successful globally because they cannot effectively tell a story, market, and launch to the end-consumer. If you are able to bridge the gap and connect the strengths of a Polish team to the strengths of a foreign team, there is an enormous upside.

Do you see any issues, such as regulatory or legal, that need changing in order to make Poland a better place for investors?

As a business owner in both the US and Poland, it would be nice to see more accommodations for doing business in Poland easier. The labor law should be simpler, potentially less taxed, and more attention needs to be placed on making it a "friendly" place to do business. It is endlessly and unnecessarily complicated to own and operate a business in Poland.

As a top manager, what impact would you like to have on the people that work for you regarding the level of their professionalism and career development?

We are realists. The days are gone when people start a career at a company and work there for their entire lives. It is my belief that if a person chooses to dedicate a period of their life to being part of our team, we have an obligation to return that with a benefit greater than a paycheck. It doesn't matter if it is design, engineering, or back-office; we work extremely hard to give our team members a path to learn and improve their skills. If the time comes that they decide to leave us, we can be proud that we did our best to give them a steppingstone to the next phase of their career that we could not offer them. The tech world is small, so we never know when our paths may cross again.

What are the company's plans for 2020 and beyond?

This is a difficult question right now because we are entering a period of global crisis. However, initial signs are that we have an enormous opportunity to support our industry and grow to the next level. Hiring freezes in the US, and a quick transition to remote work is creating an environment where companies are not as productive as they hope to be, and they need the support of trusted external resources. We plan to do what we always do—build partnerships, build trust, promote transparency in communication, and deliver at all costs.

Tech companies in Poland do incredible things, but they lack the ability to be successful globally because they can not effectively tell a story, market, and launch to the end-consumer.

Company Profile Vertiv Poland Sp. z o.o.

THE ART OF THE OPTIMAL PERFORMANCE

AmCham.pl Quarterly Editor Tom Ćwiok talks with **Bartłomiej Raab, Country Manager Poland & Baltics, Vertiv Poland**, about the company's origins and the challenges of the present.

What is the history of the company in Poland?

Our company has a long history on the Polish data center market that consists of many significant chapters. The former brand, Emerson Network Power, part of Emerson Electric until 2016, has operated in Poland since 2002. The brand inherited the legacy of Liebert Hiross Poland, whose roots date back to the 1970s. Since that time, thousands of Hiross, then Liebert, then Emerson Network Power, and finally Vertiv devices have been installed across Poland in various sectors and industries including landline and mobile telecommunications, banks and financial institutions, government institutions, collocation and hosting companies, industrial applications and laboratories, educational facilities, and technology parks. In late 2016, a completely new chapter began after the Network Power business unit spun off from Emerson Electric, forming a new standalone company—Vertiv. In February 2020, through a business combination with GS Acquisitions Holding Company, Vertiv became a public company on the New York Stock Exchange. Known for its industry-changing solutions and a well-earned reputation for innovation, Vertiv continues to raise the bar in critical power, precision cooling, access, and control of IT infrastructure and IT device monitoring and manageability.

What is driving the market in Poland, how does Vertiv fit in with the demand, and how important is the Polish market for its overall global business?

According to the latest PMR research company forecast, the Polish data center market's value will exceed PLN 2 billion and will double its computing power to 166 MW by 2025. Global players such as Google and Microsoft have announced large investments, and we continuously see new projects being developed by telecommunication and colocation providers. The most visible trend on the Polish market is the investment in large (over 500 kW) and small (up to 100 kW) data center facilities. Vertiv, as a global provider of critical digital infrastructure and continuity solutions, serves its customers by designing and building future-ready infrastructures, no matter the scale of investment. We leverage our portfolio of hardware, software, analytics, and services to ensure our customers' vital applications run continuously, perform optimally, and scale with their business needs.

How will the NYSE listing affect the company's Polish operations?

As a result of our business changes, Vertiv can increase our focus on engineering, research, and development, accelerating our growth strategy, and strengthening our product and service leadership in the industry. We will continue to focus on the evolving needs of our customers in over 130 markets we serve, including Poland.

What are professional and personal qualities that you look for in job seekers, and what is the company's corporate culture like?

I look for bright, enthusiastic, and talented people from different backgrounds that can contribute to the development of innovation and increased commitment to the team. As an employer, Vertiv strives to create a global workplace that supports and promotes diversity and nurtures respect for the individual. We want to be the employer of choice in terms of talent development, career growth, benefits, training, scholarships, and social and recreational programs for our employees.

Many companies in Poland and Europe find it difficult to recruit the right talent. Do you face such issues in Poland?

According to Vertiv's Data Center 2025 report entitled "Closer to the Edge," the skills shortage in the data center industry is getting worse. The whole industry needs to act now to maintain and strengthen its talent pool for the future, also in Poland. At Vertiv, our talent acquisition team is interested in expanding and enhancing diversity in our university relations and recruiting efforts. We look for diverse candidates when hiring employees, from interns to executives. We target talent early in their careers, prioritize employee development, and create career paths to help them grow and develop their talent. Due to the current skills gap in the data center space, it is critical to look at recruiting people outside of the data center sector who are familiar with critical industries, such as pharmaceuticals and petrochemicals. These potential candidates have a similar skillset to data center professionals due to their experience working in a critical environment and can apply their knowledge and experience to the data center world.

As an international investor in Poland, do you find Poland a good country for business?

According to PwC, foreign investors are increasingly choosing Poland as a place to invest in, primarily due to the knowledge, experience, and commitment of highly qualified employees and a resilient economy and a strong domestic market. From our perspective, an important factor is also the data center market size. An analysis conducted by Audytel showed that the Polish data center market is the largest in the Central and Eastern Europe region. We can expect the recently announced investments from Google and Microsoft to further strengthen this leadership.

Is there anything that you think should be improved in regulatory areas to make Poland a more business-friendly country?

Poland was placed 34th in the world and 14th in Europe in TMF Group's The Global Business Complexity Index 2020, which analyzes and ranks the most complex jurisdictions in the world. This indicates that Poland's regulations are generally far from perfect for running a business. Registering a new company can be a complicated and time-consuming process. Still, new solutions aim to speed this up, such as by setting up a company via electronic banking. But a lot more could be done online to minimize the time spent having to go to different offices. In addition, once a company is established, a tremendous amount of time is needed in order to prepare and pay taxes. According to World Bank data, this time has increased by 24 percent to 334 hours over the last five years. Tax procedures in Poland are thus the 3rd most time-consuming in Europe, and this is a very important area for improvement that affects every entrepreneur's daily operations.

What was the impact of the Covid-19 pandemic, and how has it altered, if indeed, the company's plans in Poland for 2020 and beyond?

The pandemic has created a challenging new reality for all of us, regardless of industry or location, that demands we are flexible and ready to help however we can at a moment's notice. As a company dedicated to keeping people connected and information flowing, we are working in Poland to keep businesses—both ours and our clients'—moving forward through these complex times. We have enacted a global pandemic response plan which included appointing a team that meets regularly to assess the latest updates and take decisive action to best protect our employees, customers, and communities. It is important to note that based on guidelines set by governing authorities in most areas where we operate, Vertiv is considered an essential business. We provide the critical digital infrastructure that allows IT and telecommunications networks to work, meaning we play an important role in keeping hospitals, governments, and other essential services running and connected. As a result, we continue to operate our manufacturing facilities and our service employees continue to assist our customers. No one knows how long this pandemic will last or how much our lives will continue to evolve at work and home. Despite the unknown, Vertiv has the people, technology, and focus to continue serving our customers, supporting our employees, and working to make a difference in our communities. As always, our team is ready and willing to jump in and help anywhere and anytime we are needed.

Despite the unknown, Vertiv has the people, technology, and focus to continue serving our customers, supporting our employees, and working to make a difference in our communities.

LOOKING AHEAD

Three ways to thrive in the new normal.

By **Andrew Harding**, *FCMA, CGMA, Chief Executive, Management Accounting at the Association of International Certified Professional Accountants.*

In the past few months, we have seen the world as we know it turned upside down: millions of people have lost their jobs and incomes, companies have been struggling, supply chains have faced major disruption, and financial markets have been rattled. It's fair to say that Covid-19 and the subsequent national lockdowns have challenged our long-held business assumptions and rules of operation.

We still don't know how long this pandemic will impact global economies, and even once lockdowns are fully lifted, there will be no going back to "business as usual." With the OECD predicting the most severe recession in nearly a century, we cannot shy away from the need for change. A new reality is sinking in. It will require careful planning, scenario analyses, and sometimes a rethinking of their business model.

Finance professionals drive effective business management in any economic climate, but it is in times of crisis, such as these, that their expertise and skills come to the fore. As companies look to the future, they will rely, possibly more than ever, on their finance teams' expertise to help them recover from the crisis.

Here are three ways finance professionals can help their companies navigate uncertainty, improve operations, and eventually thrive again in a changed, ever-evolving environment:

SCAN THE NEW BUSINESS HORIZON

Finance professionals now need to explore possible future scenarios and what steps need to be taken to safeguard their company's future, integrating elements such as digital transformation, supply chain, the regulatory environment, or changed customer behaviours. Companies need to think about the future through the perspective of different stakeholders in their company and how this affects them. It's only once they have done so that they can devise new, sustainable business strategies and drive recovery.

FOCUS ON KEY STRATEGIC ISSUES

For finance professionals to assess the true impact of the pandemic on their companies, they must look at how their long-term performance and strategy may have been affected. Identifying, analysing, and addressing a company's strategic issues will often be the difference between having a good and a great strategy to build out of lockdown, return to normality and grow. So what do companies need to think about?

- Strategic position: What does the external environment look like now? This means looking at elements such as global and economic outlooks in the countries where the company operates, the marketplace, and how its competitors are evolving.
- Strategic options: What new bets could the company take? This is focused on future development and value creation, including identifying gaps in their offering, assessing opportunities to create new income streams, and engage with new customers.
- Strategic implementation: What projects is the company implementing? This requires the organization to re-evaluate current projects and carefully consider which ones should be prioritized.
- Strategic risks: What new risks is the company facing? This requires companies to look at new risks they may now face (e.g., staff safety, cash flow issues, supply chain disruption) and how to mitigate them.

ASK FUTURE-FOCUSED QUESTIONS

A business model does not just relate to the operational aspects of what a company does – the products and services it delivers on a day-to-day basis – and the financial metrics associated with those. It's a much broader framework that encompasses the purpose, values, and strategy of a company, articulating how it meets the long-term needs of its customers and other stakeholders.

As companies navigate towards the post-Covid-19 world, they must holistically review their business model and establish how it has been affected by the crisis, looking beyond the hit to their short-term financial performance. To avoid making decisions that could potentially lead to future corporate failure, finance professionals need to ask future-focused questions to assess how their organization defines, creates, delivers, and captures value in a changed environment. This includes questions such as:

- Is the company's purpose relevant in a post-lockdown world?
- Do products and services still resonate with the company's customers in the age of social distancing?
- How can technology help change the way the company delivers products and services to customers?
- How will the company share the surplus value amongst its internal and external stakeholders in the new reality?

NO TURNING BACK

The road ahead will be difficult but carrying on as before the pandemic simply is not an option if companies want to survive. Armed with the right information and scenarios, finance professionals can help their companies plan their transition to a post-Covid-19 reality, build more resilience, and generate and preserve value—not just in reaction to the current crisis, but in preparation for whatever comes next.

That is why the Chartered Institute of Management Accountants (CIMA) launched "Reimagine business resilience in the Covid-19 world," a free resource to help organizations steer through the short- and long-term ramifications of the Covid-19 crisis. And over the coming weeks, CIMA will release five additional "how-to" guides to help vulnerable businesses further, including:

- How to get your finances in order
- How to get more help from the government
- How to adapt your business model
- How to optimize your supply chain
- How to build resilience for the future

We wanted to do something for the greater good and put our members' long-standing experience and solid expertise in business and finance at the service of businesses as they adjust to the new normal. It's critical that we stand behind good businesses and their employees and help them get back on their feet to achieve sustainable recovery in a changed, ever-evolving environment.

A MARKET OF OPPORTUNITIES

The crisis spurs strong and agile investors.

By **Piotr Kaszyński**, *Managing Partner, Cresa Poland, and* **Bolesław Kołodziejczyk**, *Ph.D., Head of Research & Advisory, Cresa Poland.*

With the ongoing pandemic affecting global markets, it is interesting to look at how the new economic situation may change the commercial real estate market situation.

After a spell of optimism and return to relative normalcy, the market was dimmed by fears of a second wave of the pandemic. However, despite the continued uncertainty, investors with access to a large pool of liquid capital are likely to take advantage of many new opportunities in Poland. Commercial real estate is among the few asset classes that remain a long-term safe haven in times of crisis. Naturally, financially agile investors and developers who maintain ample cash reserves and other liquid financial instruments will enjoy the upper hand. Lower interest rates will support merger and acquisition deals. There will be acquisitions of properties that have a weaker capacity to generate long-term income and are unable to deliver to payback for their acquisition or construction.

When the situation stabilizes, a realignment of vendors' expectations will become a fact, which may result in more investment deals. Also, many development projects will require a new strategic approach with repositioning or even repurposing.

OFFICE

The office market was at a historical high before the pandemic. After a brief period of turmoil, "normalcy" is returning to offices as well. As the experiment of remote work has failed in many sectors and companies, these organizations are the first to return to the workplace.

Some clients have put the search for office space commenced before the pandemic on hold and are waiting to see how the situation will unfold. Others, including IT and e-commerce, are upsizing their offices. Office landlords now have an opportunity to retain their current tenants through lease renegotiations with an option to extend lease terms. Some new office projects may attract tenants from rapidly growing sectors, particularly IT and e-commerce. Developers will have to step up their efforts to gain new tenants and come forward with more attractive rental rates or additional discounts if construction costs permit. Whether smaller tenants will revert to using co-working spaces more and help co-working providers maintain an appropriate profitability level remains in question. There is no doubt that co-working spaces are still the best option for tenants looking for a prestigious address.

WAREHOUSE AND LOGISTICS

E-commerce has been growing rapidly for several years, and the pandemic only reinforced this process. Lockdown measures pushed many people to try online shopping, and most were satisfied.

Flexible responses to customer needs and short delivery time are critical in e-retailing. This, in turn, affects warehouse space—there is a new demand for more warehousing from e-commerce, something that will accelerate considerably now.

In addition to the most sought-after big-box warehouses, there is a growing demand for formats such as small business units or last-mile logistics facilities close to large city centers. The growing demand for warehouses is benefiting logistics operators, along with courier and delivery companies. Food and pharmaceutical companies remain very active. Many retailers are already planning to diversify their business risk in case another wave of the epidemic blocks their stores' business and are moving some of their operations online. The current situation is a learning experience for consumers who are adapting to online shopping, which will boost demand for modern warehouse space in the long term. In turn, this will further accelerate the transformation of existing retail schemes so that they can best respond to consumer needs. Supply chain diversification and bringing manufacturing closer to consumer markets by international corporations can be a big opportunity for the warehouse and industrial market. Poland is in the top tier in the race to attract such investors.

HOTELS

Unlike, for instance, in Germany, where domestic demand plays a major role, hotel occupancy in Poland is largely generated by international travelers: tourists, businesspeople, and foreign nationals attending conferences.

As long as foreign tourists avoid Poland, this sector will find it difficult to return to pre-pandemic profitability levels.

Opportunities will be plentiful in the hospitality sector, where rebuilding high occupancy rates and income levels will be a slow but steady process. Investors know that there is no escape from globalization and that people want to travel both on business and for leisure and will do so even more after the pandemic is over. Unfortunately, many facilities may be closed down or will have changed hands by then. Individual hotels will continue to transform into chain-branded hotels, as non-chain hotels currently account for nearly 70 percent of the Polish hospitality market. International brands with strong capital positions and structures will hate to miss out on such opportunities.

CONCLUSIONS

Investment funds are watching the market and will certainly not miss out on any opportunity. Despite brief spells of turmoil, capital values of the most stable products in central locations will hold firm. Discounts are unlikely in Warsaw, in particular. Capital values are likely to experience a sharper fall in smaller cities, and pricing will have to be adjusted to buyers' possibilities and appetite for risk. Some investment funds that have historically targeted retail and offices may change tack and focus on warehouse and industrial facilities. Leading investors think long-term rather than short-term, and the current situation is an opportunity for the most agile market players. If there is a temporary dip in property prices, investors seeking long-term profits will have the chance to earn high rates of return in the future.

Solid economic fundamentals will be instrumental in the fast rebuilding of asset values in Poland. If they are not weakened by the country's over-regulation and fiscal policy and the government temporarily helps entrepreneurs maintain liquidity, investor confidence in most commercial real estate sectors should fully recover by the end of this year.

EXPERT Retail

UNDER PRESSURE

By **Piotr Staniszewski**, *Partner, Real Estate Poland, Dentons.*

Landlords and tenants in the pandemic crisis

After the record-breaking year of 2019, the Covid-19 pandemic has been a genuine shock for the Polish retail sector. A trade ban was applied to premises in large shopping centers with sales areas exceeding 2,000 square meters. This included practically all retail, service, and entertainment activities in shopping centers except for groceries, pharmacies, drugstores, newsstands, construction materials stores, and pet shops. Poland took a different approach compared to other countries like Germany or Australia, in which the retail sector organizations quickly adopted guidelines to negotiate individual solutions applicable to tenants affected by lockdowns. The Polish government passed a unique legislative measure on April 1 to temporarily extinguish all parties' obligations under leases or equivalent agreements concerning retail locations in large shopping centers. This measure was considered an unprecedented intervention in contractual relationships between businesses. The economic burden of the costs associated with owning and operating a shopping center thus fell entirely to landlords, whereas tenants and landlords had previously shared this. The only state support provided to landlords was the postponement of real estate taxes and perpetual usufruct fees, with the option of partial abatement of such payment under certain circumstances. From a legal perspective, however, such unilateral measures may be tantamount to expropriation without proper compensation.

FIGHTING FOR SURVIVAL

Landlords and tenants presented several policy positions in the legislation process concerning the "anti-crisis shields," state measures adopted to help the economy in crisis. Intensive negotiations also took place concerning the present and future relationships between the landlords and tenants. From the very beginning, the tenants' goal was to achieve a statutory regulation imposing the settlement of rent and other rental charges with the landlords. This was to be based on the occupancy cost ratio (OCR) set at different levels, adjusted to the tenant's business scope and valid for approximately a year after the trade ban had lifted. The universal adaptation of this measure would be a clear departure from the market-standard combination of minimum rent, turnover rent, and service charge applicable in the retail sector, and was strongly rejected by the landlords and financial institutions. The consequence of a universal OCR approach would have been a revolution in risk allocation within the entire retail sector and led to massive disruptions of existing business models. Eventually, the Polish government did not follow the tenants' proposals.
The government mostly lifted the retail trade ban after seven weeks, from May 2. However, trade was and still is subject to restrictions limiting the number of visitors in the stores and imposing additional sanitary measures. Footfall indications from the Polish Shopping Centers Council (PRCH) show more and more customers returning to large shopping centers, reaching approximately 80 percent of pre-pandemic levels by June 2020.

THE ARGUMENT

Tenants claim they cannot easily convert the rising footfall to rising income, and their main argument is that "shopping as an experience" is still far from its pre-pandemic status.
In their view, the "shopping center channel" in the "omnichannel" world has changed considerably due to restrictions and persistent fear of the pandemic. Tenants believe that this situation justifies the radical revision of economic conditions regarding leasing space in the affected shopping centers.
Landlords claim that the pandemic is by no means a lasting change and that trading levels will eventually return to normal. The universal or widespread adoption of turnover rents would transfer a significant part of the standard retailer's risk to the landlord. In this approach, rents would drop, for instance, if the fashion tenants' collections for upcoming seasons failed to meet their customers' expectations. This would drastically change the valuations of properties, leading to different perspectives of risks connected with real estate investment and lending. Hence, the strong resistance against this approach presented by the landlords and the financial sector.

THE SOLUTION AT HAND

Polish Civil Law includes a specific legal measure allowing contract parties to apply to a court of law to adjust their relationship in case of an unexpected change of circumstances. However, this mechanism was rarely used before the pandemic. With no adequate case law and experience in its application, tenants have begun to lobby for legislative measures such as the temporary extinguishing of lease obligations, and, when the negotiations with the landlord were not progressing, tenants even attempted to terminate leases for underperforming locations. While lease terminations can be contested, the verdicts in judicial reviews of extraordinary circumstances would never be issued in time to save struggling tenants.

FIRST CASUALTIES

After a quick initial reaction and adoption of legislative measures, the state was not eager to intervene in landlord and tenant relationships further, leaving market participants to seek difficult compromises over the future of their relationships. The deadline for completing landlord-tenant negotiations was August 2, and the future will tell whether and to what extent the reshaping of the market will be permanent. The current situation already brought its first large shopping center (Sukcesja in Łódź) to bankruptcy, and retailer brands in fashion (Camaieu), media (Mole Mole bookstore), and restaurants (Vapiano) are disappearing. Human bonds and the importance of social interactions connected with a deep tradition of retail trade should prove stronger and eventually lead to the rejuvenation of this sector.

Corporate Income Tax

A MATTER OF CIRCUMSTANCES

By **Małgorzata Gleń**, *Director, Tax, M&A Team, KPMG in Poland*

Tax neutrality is no longer so certain.

If you are planning to merge two companies, be careful! Until recently, tax neutrality for most mergers was clear and certain, and if there were business reasons for a merger, it was considered tax neutral. However, following a change effective from January 1, 2018 to the Corporate Income Tax Act, a merger may now be considered taxable in certain situations.
According to the amended provisions of the Corporate Income Tax Act, the taxable revenue is the value of the acquiree's assets received by the acquirer or the newly formed company. The value is determined at the date of the merger. However, the following is excluded from the taxable revenue:

- the value of the acquiree's assets received by the acquirer corresponds to the issue price of the shares allotted to the shareholders in the merging companies;
- the value of the acquiree's assets which corresponds to the acquirer's percentage of the acquiree's share capital where this percentage is determined as at the last day preceding the date of the merger, if the assets are received by an acquirer holding at least 10 percent of the acquiree's share capital.

Let it be noted that the above exclusions will not apply if the merger was completed for reasons not considered "valid economic reasons."

THE MOTIVES

According to the justification of the amendment to the Corporate Income Tax Act, the proposed changes to the tax provisions governing mergers were not intended to be revolutionary. On the contrary, the intention was to make the new provisions an equivalent of the previous rules. However, upon closer inspection, no such conclusion can be drawn from the wording of the new provisions or the individual tax rulings issued based on them.
The first major change is the rule that the amount of revenue for the acquirer must be determined first. This amount may then be reduced by (1) the issue price of the shares in the acquirer allotted as part of the merger and (2) the amount being the product of the acquirer's percentage of shares in the share capital of the acquiree multiplied by the value of the acquiree's assets.

THE PRICE OF A SHARE

A new term in the amended provisions is the issue price of a share. The Corporate Income Tax Act defines this term as the price for which a share is taken, and which is specified in the company's statute or its articles of association. If these documents are not available, the price of a share can be found as specified in any other similar document, as long as this price is not lower than the market value of the share.
The prevailing view in individual tax rulings is that the issue price of shares is the price "paid" to the acquirer for shares in the acquirer's capital, i.e., the market value of the acquiree's assets. However, according to some commentaries on the new provisions, the issue price should be defined as the price the acquirer or newly formed company pays to any shareholder in the acquiree for the acquiree's assets. This means that the issue price should be equal to the market value of the shares in the acquirer or the newly formed company in return for the acquiree's assets.
It seems that the "issue price" concept was introduced in the Corporate Income Tax Act to prevent non-taxable transfers of assets between shareholders in merging companies and ensure that the share exchange ratio in a merger is based on the market value of the assets of the merging companies. However, given the doubts surrounding the interpretation of the new provisions, it is not clear whether the exclusion from revenue will apply if the share exchange ratio is based on market values, and whether it is also necessary for the value of the increase in the acquirer's share capital to be determined based on market values.

DOWNSTREAM MERGERS

Particular attention should be given to downstream mergers, the parent company's acquisition by a subsidiary. In such cases, the subsidiary buys back its shares from the parent company and then redeems the shares or issues them to a shareholder in the acquiree. Such a merger may be completed with or without increasing the acquirer's share capital. Individual tax rulings disagree on whether a downstream merger completed without an increase in the subsidiary's share capital, i.e., without new shares being issued, may be a tax neutral transaction. For example, in his interpretation on November 15, 2019, the Director of the National Tax Information agrees with the applicant that the taking of shares, which is referred to in the definition of the issue price, should be interpreted to mean not only the taking of newly-issued shares as a result of the share capital increase but also the situation where the acquirer issues any shares it has acquired as a result of the merger. This means that the exclusion may apply under such circumstances.
In another interpretation on July 3, 2019, the Director of the National Tax Information states that the revenue exclusion applies where new shares are issued and allotted to the shareholders in the merging companies. This should not be equated with the allotment of existing shares. This interpretation means that a downstream merger is a taxable transaction.

CONFLICT WITH EU DIRECTIVE

Given that the new provisions are unclear, if a merger is complex or there are changes in the valuation of the merging companies, it may be impossible to ensure the transaction's tax neutrality. In such cases, it is fair to say that Polish regulations conflict with an EU directive concerning mergers, namely, the EU Council Directive 2009/133/EC of October 19, 2009, concerning mergers on the common system of taxation applicable to mergers, divisions, partial divisions, transfers of assets, exchanges of shares concerning companies of different Member States, and the transfer of an SE's or SCE's registered office between the Member States.
Today more than ever, taxable persons should take care to verify whether a particular merger may enjoy the benefits of tax neutrality and should apply for an individual tax ruling if they have any doubts.

EXPERT Carbon neutral economy

A LONG ROAD AHEAD


By **Marcin Purta**, *Managing Partner, Warsaw Office, McKinsey Poland, and* **Gustaw Szarek**, *Associate Partner Warsaw Office, McKinsey Poland.*

Addressing climate change in a post-pandemic world

According to the latest report from McKinsey & Company, "Carbon-neutral Poland 2050. Turning a challenge into an opportunity," the country can achieve climate neutrality by 2050 but requires proper policies to address all of the challenges on the way.

Poland is not blessed with rivers that could support extensive hydro generation and has half of the sunny hours a year that California enjoys. Natural gas is scarce, and geopolitical factors make it difficult to import on a sustainable scale. The Baltic Sea provides an opportunity for offshore wind generation in the north, but high-consumption areas are located in the south of the country. Poland does not have a single nuclear-power reactor either. What Poland does have is a significant agricultural sector and coal-fired power stations that progressively deplete coal reserves. Poland's greenhouse gas (GHG) emissions in 2017 were 380 MtCO2e, which is over 800g of CO2e for every euro of the country's GDP. That makes Poland the third-most carbon-intense economy in the European Union.

FIVE KEY SECTORS

The overwhelming majority of GHG emissions in Poland are produced by industry (22 percent of total emissions), transportation (15 percent), buildings (predominantly heating and air conditioning 11 percent), agriculture (almost 11 percent), and power (38 percent). To achieve carbon neutrality by 2050, each sector would need to reduce its emissions radically. In transportation, replacing internal combustion engine (ICE) vehicles with electric vehicles and hydrogen-based alternatives could help cut emissions by up to 99 percent. In buildings, improving insulation and reducing the use of coal, natural gas, and oil boilers and stoves could significantly reduce emissions as well.

Transforming the power sector will be a significant challenge, as around 77 percent of Poland's electricity is currently generated from coal. The demand for electricity will more than double over the next 30 years due to increased widespread electrification, such as the introduction of electric vehicles, heat pumps in buildings, and electric furnaces in industry.

Poland's energy infrastructure is aging, and approximately two-thirds of its installed coal capacity is over 30 years old. These assets will eventually need to be replaced, providing Poland with an excellent opportunity to redesign and rebuild its energy system to be zero-emission.

MONEY WELL SPENT

Given the scope and magnitude of the economic crisis resulting from the Covid-19 pandemic, the question is whether the world can afford to pay attention to climate change at this time. Yet, according to economists and climate experts, the world cannot afford to do otherwise, as investments in the transition to a lower-carbon future will create new jobs in the economy. EU leaders reached a landmark EUR 1.82 trillion budget at the most recent EU summit in July. The Covid-19 recovery package reached EUR 550 billion, which is to be spent on green projects over the next seven years. Reportedly, Poland will be entitled to use EUR 160 billion from the EU post-pandemic recovery package. These funds could play a vital role in the decarbonization process. According to McKinsey's analysis, in order to achieve net-zero emissions by 2050, Poland's rate of decarbonization should accelerate by a factor of four over the next decade.

MULTIPLYING RISKS

Climate change is referred to by experts as a "risk multiplier" because the change in global temperatures can contribute to the spread of new viruses and pandemics. Researchers from major science organizations and research centers, including Stanford University, recently expressed this opinion. They noted that rising temperatures could create favorable conditions for the spread of certain infectious, mosquito-borne diseases such as malaria and dengue fever. Disappearing habitats may force various animal species to migrate, increasing the chances of spillover pathogens between them. On the same note, the factors that mitigate environmental risks are likely to help mitigate the risk of pandemics as well.

GOOD TRADES

The Covid-19 pandemic transformed people's lifestyles and offered them an opportunity to find a balance between what worked before and what needs to be done in the new normal. Some new practices will likely endure long after the lockdown ends. Among factors that could support and accelerate climate action are teleworking and a greater reliance on digital channels, as these can all help reduce transportation demand and emissions.

COST AND BENEFIT

Achieving carbon neutrality by 2050 would require an additional investment of EUR 380 billion, the McKinsey report estimates. However, around 70 percent of that investment is expected to be cost-effective by 2050. Securing and investing this capital and coordinating the investment would be a challenge of historic proportions. But decarbonization could bring Poland many benefits, including increased energy independence, a reduction in operational costs of up to EUR 75 billion, improvements in economic competitiveness and quality of the environment, and the development of a set of modern industries.

Poland could develop low-emission industries, including the production of heat pumps, electric vehicle battery components, electrified agricultural equipment manufacturing, and Baltic offshore wind development. According to McKinsey's calculations, combining these activities could boost Poland's GDP by one to two percent and could create 250,000 to 300,000 new jobs.

When analyzing the costs and benefits of decarbonization, we must take into account the fact that climate action may currently appear less important than combating the economic consequences of the COVID-19 pandemic. But it is worth remembering that investing in infrastructure and low-carbon technology could be just the new engine of growth that the Polish economy needs, especially after the pandemic.

Construction law

BUILDING MADE EASIER

By **Agata Biernadska**, *Advocate and Associate, Łaszczuk & Partners.*

A change in construction regulations is on its way.

The amendment of the Polish Construction Law on February 13, 2020 will simplify and expedite the real estate development and construction process and achieve greater stability in the determination process. An analysis of the amendment suggests that it is a step in the right direction. The amendment will come into force on September 19, 2020.

NO BUILDING PERMITS

The amendment introduces into Art. 29 of the Construction Law transparent catalogs of projects not requiring a building permit but requiring notification to the competent authority, and projects requiring neither a building permit nor notification. Various provisions under previous laws included information on this topic, which sometimes made it difficult for investors to determine what type of approval was required from the architectural and construction administrative authorities for the given project. Sometimes answering this question required an analysis of the entire act, and even then, the answer was not always obvious. The introduction of clear regulations will speed up the development process and dispel investors' doubts about the formal legal requirements for carrying out the project.

A new feature is an express provision in the Construction Law stating that projects involving postal lockers do not require a building permit or notification. This also applies to ATMs for deposits or withdrawals, ticket machines, vending machines, and machines for delivering other types of services, with a height of up to three meters. It had been unclear how to classify postal lockers under prior law as investors were unsure whether the installation qualified as a structure and if a building permit was required and had to notify the competent authority of the intention to erect the device.

NEW CLASSIFICATION

The February 13, 2020 amending act introduces a division of construction designs into designs to develop a plot or site, architectural and construction designs, and technical designs. This division is aimed at simplifying procedures and expediting proceedings. The architectural and construction administrative authority will approve the design for the development of the plot or site. They will also approve the architectural and construction design via the decision issuing a construction permit but will approve the technical design only at the stage of applying for an occupancy permit.

COMMENCING OCCUPANCY WITHOUT PERMIT

A "yellow card" mechanism has been introduced regarding the occupancy of a structure without the required notification of the construction supervision authority of completion of construction or a required occupancy permit. Under this mechanism, the authority supervising construction must instruct the investor or owner that the structure cannot be occupied without an occupancy permit or without making an effective notification of completion of construction. The authority must record in the inspection if they find that a structure or part of a structure is being occupied without the required permit or notification of completion of construction. 60 days later, the authority will verify whether the structure is still being occupied in violation of the regulations. If the user of the structure (or part of a structure) does not cease the illegal occupancy, then the construction supervision authority must issue an order imposing a fine for the illegal occupancy of the structure. Such a fine may be imposed multiple times, and the amount of the fine will increase each time.

INABILITY TO INVALIDATE OCCUPANCY PERMIT

One of the changes to the Construction Law that investors have most eagerly anticipated is the introduction of a rule forbidding the invalidation of a decision issuing an occupancy permit more than five years after the decision became legally final. Under prior law, irregularities in the construction process that could potentially invalidate an occupancy permit were often discovered when a potential property acquirer was conducting due diligence. This situation constituted a considerable risk for the buyer, and parties in such cases often decided to take out insurance covering the title to the property.

UNLAWFUL STRUCTURES

The amendment introduces solutions to streamline the legalization procedure as well as a new and simplified procedure to legalize the unlawful structures that are buildings constructed 20 or more years earlier. In this simplified procedure, the authority will check aspects such as when the construction was completed and whether the structure is fit for occupancy. The authority will not verify, for example, whether the structure complies with the local zoning plan. Significantly, the investor will not be required to pay any legalization fees in the case of the simplified legalization procedure.

OTHER IMPORTANT CHANGES

Other significant changes introduced in the amendment include streamlining the process to transfer a building permit or the rights regarding the notification of construction. Also, the requirement to notify the supervising construction authority of the intended commencement date for works on single-family residential buildings was eliminated.

Regulations concerning the completion of construction were tidied up and clarified as well. The amendment also changes the definition of the impact zone of a structure. Under the new definition, a structure's impact zone means the area around a designated structure. It is based on separate regulations introducing restrictions on the development of the area related to the structure. In practice, this means that it will be more difficult for the owner of a neighboring property to join the administrative proceeding as a party.

A ROADMAP TO SAFETY

By ***Paweł Dudojc****, Counsel, PwC Legal; and* ***Michał Rams****, Counsel, Advocate, PwC Legal.*

Organizations need Covid-19 risk checklists.

The new business reality during the Covid-19 pandemic involves meeting numerous legal requirements and adapting to sanitary standards aimed at ensuring the safety of employees and clients and preventing the spread of the virus. The failure to meet the imposed sanitary standards to decrease the risk of Covid-19 infections may result in criminal or civil liability of a company and its managerial staff. Therefore, appropriate mechanisms become necessary to limit the liability mentioned above. These elements are particularly important because of the risk of subsequent waves of the pandemic. It may turn out that only companies that can guarantee adequate levels of safety for their employees and clients will be able to continue functioning.

PERSONAL LIABILITY

One of the Covid-19 liability risks is related to sanitary issues and may occur when an employee or a customer becomes infected. In such a case, compliance with sanitary standards by the company and its managers may be a way to assess the extent to which the infection could have occurred as a result of misconduct. In other words, compliance with sanitary standards may be an element of assessing how much reasonable care has been taken in the company. If a lack of reasonable care is demonstrated by a prosecutor or an infected person, a risk of criminal or civil liability for the managers or the company itself may materialize. Another business-related risk can occur when one of the company's employees gets infected and, due to a lack of sanitary procedures, has been in contact with other people. In such a case, the whole company may have to be quarantined, making it impossible to continue business activities.

RISK ASSESSMENT

No less important is assessing the risk that the managers and the company could incur as a result of their non-compliance with sanitary standards, and how to eliminate possible gaps in this respect. An appropriate policy related to applicable Covid-19 requirements, limiting the risk of liability of the company and its managers, should be considered a remedy for such threats. This document helps to control, monitor, and report the risk of non-compliance with sanitary standards within the company. A comprehensive policy and relevant risk register should help demonstrate that the company has exercised reasonable care with respect to compliance with sanitary standards.

PUBLIC ANNOUNCEMENTS

Companies need also to pay attention to orders issued by local and central governments. Under the new legislation adopted during the pandemic, the Voivode (the region's governor appointed by the prime minister), the Minister of Health, and the Prime Minister have been empowered to issue binding orders to entrepreneurs.
In turn, the sanitary inspector has been authorized to issue decisions imposing obligations on entrepreneurs. Due to the broad discretion of the authorities mentioned above, it is reasonable to adopt a policy to assess the legitimacy of a given order. Importantly, orders may be issued in oral form. Therefore, it becomes crucial to document the fact of its execution properly. This protects the company and the managers themselves against possible allegations of failure to execute an order.

SANITARY CONTROLS

The imposition of parallel control procedures usually complements new obligations. With regard to Covid-19 regulations, the imposition of sanitary regimes, as well as tasking existing sanitary authorities with their enforcement, internal guidelines for controls by public authorities should also include provisions for sanitary controls.
A structured approach to inspections or investigations by authorities is crucial to ensure procedural fairness, quick identification, and effective implementation of corrective measures. It is best when procedures are in writing. Such a document should assign basic responsibilities to employees, educate on their rights and obligations during such controls, and outline the range of actions or tools available to the company.

DATA PROTECTION

Many activities that companies undertake to counteract Covid-19 are in collecting and processing personal data, including on recent personnel travels or personal data, including health data, temperature readings, and others. Therefore, to ensure compliance with Covid-19 requirements, every company should also bear in mind that personal data protection law, especially the EU General Data Protection Regulation, still applies, and potential deficiencies in this regard could still result in the organization's liability.
The main concerns in this area are related to investigating potential Covid-19 infection cases in the company's facility and the process of people traffic control, including taking temperature readings. The Polish sanitary authorities are continuously issuing new guidelines and individual decisions on how to ensure sanitary protection in organizations and conduct a proper investigation on Covid-19 infection cases. Therefore, any procedure implemented in response to the Covid-19 threat will affect other processes related to personal data, including information obligation and data inventories.

SUMMARY

The pandemic is a threat to all organizations which run business operations using human resources. Those organizations that will not identify such threats, assess the risks, and implement appropriate mitigative measures will be vulnerable to legal consequences. The managers will potentially have to face a criminal or civil liability for possible deficiencies in the sanitary protection system.
To limit such risk, companies need to identify the pandemic as a threat to their business operations and their employees. With that, every organization should analyze its business operations vis-a-vis all possible Covid-19 and data protection risks to find gaps and then introduce proper compliance solutions.

By ***John Palmer****, FRICS, Director of Industrial Investments, Savills in Poland.*

SCRIPTING A WIN-WIN SCENARIO

Some opportunities for investment financing in commercial real estate

Sale and leaseback transactions (SLB) are expected to pick up post-Covid-19 in Poland. Occupiers may see the SLB option as a financial opportunity to take capital out of real estate assets. This money could be used to expand their core business or invest in improving their business line strategy to align more with e-commerce, for example.

ANTICIPATING RISE IN SLBs

SLB transactions offer significant advantages for both business owners and real estate investors, which creates a win-win scenario for both parties, providing liquidity and investment capital in exchange for a long-term rental income with no leakages.
The large corporate occupied build to suit facilities found in Poland, often modern key production facilities or logistic distribution centers for multinational companies, from an investor point of view, provide an opportunity to source property and to invest large amounts of capital that can provide long lease triple net income streams.
I expect to see more corporates seeking to unlock capital from owned headquarters office buildings and, more importantly, from the distribution center and supply chain properties as the pandemic's true impact influences companies' business models. 2020 may be too early in the cycle for some companies to adopt SLB strategies, but this will undoubtedly accelerate in early 2021.

THE PROS

The definition of a sale and leaseback from the Royal Institution of Chartered Surveyors is an arrangement whereby an owner sells his or her interest in a property or piece of land for an agreed sum and takes back a lease on the property or land, either at a rack rent or some other rent related to price-paid for a fixed period.
The typical market conditions for an SLB mirror the current market stress situation, and therefore, this trend should increase in the short term.
From a company perspective, these factors include:
• When alternative financing is advantageous compared to traditional or mezzanine debt;
• When capital is needed for the growth of the business, expansion or acquisition of another company;
• When the company needs reorganization or restructuring;
• When the business is being prepared for sale.
SLB transactions allow the seller to raise capital and re-inject it into their core business to expand, purchase new equipment, or invest in new opportunities. A sale and leaseback enables access to more capital than traditional financing methods, as when the property is sold to an investor, the seller receives 100 percent of the property value. In contrast, traditional financing is limited to a loan-to-value ratio or debt-coverage-ratio.

TYPES OF AGREEMENTS

Sale and leaseback investors can work to meet tight time frames. If a potential seller is able to provide historical financial statements, a business plan, projections, and a description of the planned use of proceeds, investors can make rapid investment decisions.
In SLB transactions, typically leases are agreed on a triple-net basis, meaning that the tenant will be responsible for the taxes, insurance, and common area maintenance. A long-term, 'hands-off' lease from the investor provides the tenant similar control over the property, as was when the tenant owned the property. The tenant can also agree with the investor options that will provide for future expansion of the property that is often required in growing markets such as Poland.

CONCLUSION

With the appetite for buying industrial and logistics property at a record high from investors, record pricing can be achieved for sale and leaseback transactions in Poland despite the current pandemic, and it is the best time for companies to consider such an option.

With the appetite for buying industrial and logistics property at a record high from investors, record pricing can be achieved for sale and leaseback transactions in Poland.

EXPERT Foreign Direct Investment

REINFORCING THE NET


By **Marcin Wnukowski**, *Partner, Squire Patton Boggs; and* **Karolina Łasowska**, *Associate, Squire Patton Boggs.*

New rules for scanning FDI coming to Poland

Poland has adopted a new act intended to screen foreign direct investments in Polish companies. The new law (the "Amendment") amends the Act on Control of Certain Investments of 2015 (the "Act") and extends control over mergers and acquisitions. The new provisions entered into force on July 23, 2020 and will expire in 24 months.

In justifying the Amendment, the government referred to Articles 52.1 and 65.1 of the Treaty on the Functioning of the European Union, invoking the protection of public order, safety, and health as the main grounds justifying imposing the new limitations. Noteworthy is that many member states and the European Commission have emphasized the need for regulations protecting valuable core European assets from takeover at lower prices in the wake of the COVID-19 epidemic.

WHAT'S NEW?

The Amendment extends the catalog of so-called "protected entities" by stating that all companies with registered offices in Poland that are public companies listed on the stock exchange, own critical infra- structure, or conduct commercial activity in a specific sector of industry are "protected entities" subject to control under the Act unless the Polish revenues of such entity did not exceed EUR 10 million in any of the two preceding years. These specific industry sectors include oil and gas, telecommunications, pharmaceuticals, medical devices, energy, developers of specific software, and food processing. Intra-group transactions are not explicitly exempt under the Amendment.

Any acquisition of dominance, whether direct or indirect, of a protected entity or a material stake in such entity is subject to control by the UOKiK, the Polish Office of Competition and Consumer Protection. Dominance is understood as holding the majority of votes or capital, the right to appoint the majority of directors, but also as the right to receive more than 50 percent of revenue or the right to decide, on the entity's course of action on a contractual basis. A material stake is defined as holding more than 20 percent of the votes, income, or capital of a protected entity.

The Amendment not only covers direct acquisitions, but also includes many cases of indirect acquisition, such as through subsidiaries, entities acting on behalf of other entities, or by entities acting in concert. Further, the Amendment also applies to the so-called secondary acquisitions (*nabycie następcze*), which occur when dominance or a material stake is acquired through redemption of a protected entity's shares, by way of demerger or merger of a protected entity with other entities, or through actions not aiming at such acquisition—for instance, a merger of companies outside Poland resulting in the indirect acquisition of dominance.

NO TRANSACTION WITHOUT NOTIFICATION

Acquisition of dominance or a material stake in a protected entity must be preceded by notification to the UOKiK if the direct or indirect potential acquirer is not a national of the EU, a member state of the European Economic Area, or the Organisation for Economic Co-operation and Development. Companies must notify the UOKiK if they have not been based in the above mentioned states for two years. Investors from the US are exempted from the Amendment, though. Any branches or subsidiaries of a non-exempted entity will be treated as non-exempted entities themselves.

The Amendment also attempts to close a potential loophole to avoid the Act by stating that if an exempted entity contemplates the acquisition, such entity may be treated as a non-exempted entity if it does not do real business other than the contemplated acquisition, or if it does not have substance (enterprise, office, employees) within the EU/EEA/OECD.

Subject to several exemptions, the notification needs to be filed before executing any agreement resulting in the obligation to acquire a stake in the protected entity. Within 30 days, the UOKiK will be obliged to decide either that there are no objections in respect of the acquisition or to launch a full investigation. In the latter case, the UOKiK must issue a decision within 120 days either approving the notified transaction or objecting to it (this deadline may be longer because the clock stops any time the UOKiK requests additional documents or information). The parties involved may not proceed with the contemplated transaction until the UOKiK's decision has been issued.

The UOKIK may object to the acquisition if it determines that the proposed transaction may cause potential danger to public order, safety, or health, based on the Treaty on the Functioning of the European Union.

An acquisition completed without notification or that has been objected to becomes null and void. If shares have been indirectly acquired as a result of secondary acquisitions, the voting rights vested in such shares may not be exercised. The Amendment also provides for financial penalties of up to PLN 50 million, criminal sanctions for acting without notification or failing to file a notification, or both financial penalties and criminal sanctions.

EFFECTS

The Amendment will materially change the market of mergers and acquisitions as well as private equity for Polish companies.

First, it adds another hurdle to the acquisition process. The parties involved must file the required documents and wait for the outcome of these proceedings before the UOKiK. Furthermore, the notified transaction will now be analyzed from the point of view of public order, safety, and health. Since there is are not many existing case laws regarding these issues in Poland, the parties to the transaction may be uncertain as to the outcome of a UOKiK review, adding another layer of complexity. Finally, there may also be anxiety concerning too much discretionary power vested in the UOKiK in potentially blocking transactions concerning private companies.

The Amendment also sets forth the rules of exchanging information and cooperation between Poland, the European Commission, and EU member states with respect to foreign investments. The new provisions may require investors to provide information about the contemplated investment or the investment which has already been put in place after April 10, 2019.

Labor Code

IT'S TIME TO GET REAL

By **Agnieszka Polańska-Kanka**, *Director, Client Services, HR & Payroll, Vistra Poland.*

Working from home during the pandemic

The rapid spread of the coronavirus has led employers to implement remote work for all or some employees.

However, the labor law's current provisions provide for only one form of remote work—teleworking. This is defined in Article 67(5) et seq. of the Polish Labor Code as the regular provision of work outside of the employer's headquarters via electronic communication. Until recently, remote work was seen as an employee benefit. It was considered the occasional provision of work at a location different from that specified in the employment contract, requested by the employee, and requiring approval by the employer or superior.

NEW SOLUTIONS

The widespread quarantine during the coronavirus pandemic has forced new solutions for how work is performed outside the company's headquarters.

Given that telework was not an ideal solution for employers wanting to introduce flexible home office options, it became necessary to regulate remote work. The provisions of the government program, the Anti-Crisis Shield, were created to support employers, offering them tools for more-flexible team management and workplace organization. Article 3 of the Anti-Crisis Shield Act provides a special regulation through which employers may instruct employees to carry out the work specified in their contract of employment in a location other than where it is usually carried out (remote work) for a specified period.

In light of the new provisions, remote work is ordered at the employer's discretion, which may be only preventive, and is binding upon the employee. Employees are required to follow the employer's instructions in accordance with the Polish Labor Code as long as the instructions are not contrary to the law or their employment contract. Refusal to follow the employer's instructions may result in the employee being fined, warned, or reprimanded for not complying with agreed organization, order at work, as well as with occupational health and safety rules.

THE CONDITIONS

Remote work may be ordered if the employee has the skills and technical and accommodation capacity to perform such work, and the type of the employee's responsibilities allows for this.

Remote work may be performed in jobs using direct remote communication, or even in those making manufacturing components or material services, for example. The employer provides the work equipment, materials needed to perform the remote work, as well as logistics support. It is worth noting that the provisions of the special act do not refer to the employee's housing or family conditions in relation to being instructed to work remotely. Thus, if the employee reports that they are unable to work from home, the employer should designate another location for the remote work.

The new provisions do not clarify the maximum period for which remote work may be performed. This is at the employer's discretion and can be a set period justified by the Covid-19 pandemic. However, it should be noted that Article 3 of the act will expire 180 days from when it entered into force on March 8. Therefore, it can be assumed that the duration for which the employer may instruct an employee to work remotely may not exceed this period. In addition, the special act does not include any information on shortening or extending the period of remote work. It should be assumed that shortening or extending the duration of remote work due to the pandemic is permissible, but only within the period mentioned above unless the special act is updated to amend the period of validity of the provisions.

THE IMPLEMENTATION

The Anti-Crisis Shield Act does not specify how remote work should be ordered, nor does it propose any rules for how it should be performed. In the interest of both the employer and employee, remote work should be assigned in an official e-mail or letter, as an example.

The employer should ensure safe and hygienic working conditions for employees before remote work can be implemented. This is the employer's responsibility in accordance with Article 15 of the Polish Labor Code, and the application of the provisions of the special act does not release it from this obligation. As a personal data controller, the employer should also take all necessary measures to ensure the safety of data exchanged between the employee who works from home and the company. All available technical and organizational safeguards should be employed to prevent potential breaches.

Remote work is only a temporary change of the place in which work is performed, and this is why all other provisions of employment contracts and internal regulations remain in force. The employer should include all the above aspects in their special-purpose regulations for remote work. Such regulations should outline the rules for organizing remote work: how it is ordered and how the result is received, control of work, confirmation of commencing and ending work, recording working hours, where the remote work is performed, ways of communicating with superiors, and tools required for the performance of such work, among others.

CONCLUSIONS

Until recently, many Polish employers only agreed to occasional remote work. Currently, the wide application of such a work mechanism continues to allow many companies to carry on their operations and keep jobs. According to a study run by Devire, 67 percent of companies surveyed which had not offered the option of remote work until recently decided to take this step after the pandemic started.

Given that the pandemic has not yet subsided in Poland, it can be assumed that the special act's provisions will be extended. Perhaps this form of work will soon become permanent and regulated in more detail in the Polish Labor Code.

Employer organizations, including the American Chamber of Commerce, Business Centre Club, and Lewiatan Confederation, have recently issued an appeal to clarify legislative solutions related to remote work, including in relation to occupational health and safety, and proposing more realistic solutions.

EXPERT Competition law

GOING IN CIRCLES

By dr **Antoni Bolecki**, *Attorney-at-Law, Competition practice, Wardyński & Partners.*

Competition, protection, and different standards

Contemporary competition law is built on two pillars: faith in the liberal market economy and faith in economic analysis. But in many countries in the EU, including Poland, this faith is clearly dying. How will competition law look in the third decade of the 21st century, and will the current situation inevitably lead to changes in the principles governing competition law enforcement?

There are many indications that competition law will be aimed at protecting the weakest players, regardless of whether an economic analysis justifies such protection. Economic considerations will increasingly give way to social and political considerations.

NOT SO LONG AGO

The dominant economic narrative in the 1990s in Poland, which still undergirds our antitrust law, was based on assumptions that are now being challenged. For example, it was claimed at the time that state debt should be as low as possible and interest rates should be high enough to hold inflation in check. In turn, printing empty money was regarded as suicidal for the economy. Deregulation was seen as essential and privatization as a priority. Long-term investments in equity markets were considered the best security for the money of future retirees. Finally, somewhat later, Poland's rapid accession to the eurozone before 2015 came to be regarded as something crucial that needed to happen.

THE PRESENT DAY

The events of recent years have painfully tested these declarations. Some experts looking at them from today's perspective claim that they were all erroneous. For over five years, the stimulation of a large segment of Western economies has been conducted with the help of debt drastically exceeding any levels deemed acceptable 20 years ago. It is the same with the printing of fiat currency, with quantities in circulation beating all records. We live in a world of negative interest rates that, combined with empty money massively pumped into Western economies, do not cause any significant increase in inflation (contrary to earlier canons in economics). The 2008 financial crisis sparked by the extremely deregulated American banking sector, among other reasons, demonstrated that central regulation is nonetheless required. Companies controlled by the Polish government are now holding their own against Western competitors. The Warsaw Stock Exchange today is about 20 percent below its peak 13 years ago, and hardly anyone mentions the need to adopt the euro as soon as possible.

WHOM TO PROTECT?

Contemporary competition law is focused on a purely economic perception of reality. Sensitivity to social issues has been rejected almost by definition, as an economic analysis suggests that the most efficient undertakings should be prioritized over their weaker rivals. But the preferences of voters in many countries are forcing a change in this direction. It may be said that history has come full circle, as competition law was historically a tool to help combat inequalities—weakening the strong to strengthen the weak. After all, the protection of small and medium-sized enterprises is one of the oldest aims of antitrust law.

It may thus be expected that changes occurring in many Western countries manifest, for example, in the need for greater social sensitivity. These changes will make the protection of smaller and weaker economic entities against stronger rivals one of the main aims of competition law. The economic indicators commonly promoted until recently to justify antitrust interventions will probably decline in favor of social and political indicators.

LEGISLATIVE CHANGES

Faith in the liberal economy is weakening, and has already practically collapsed in some countries. Poland is no exception in this regard. We see that a social perspective is gradually replacing an economic perspective in the field of the Polish law of competition and consumer protection. For example, the Contractual Advantage Act was adopted with the particular aim of protecting small agricultural producers against retail chains, even though such retailers do not have market power from an economic point of view. In turn, the amended Act on Delays in Commercial Transactions gives the president of the Office of Competition and Consumer Protection (UOKiK) the administrative means to prosecute the late payment of trade debts—something having nothing to do with competition, but nonetheless needed socially.

Another important change is the amendment to the Civil Code, which became law in June and extends to sole traders the type of protection previously reserved for consumers. Other changes beyond the purview of the UOKiK but impacting the competitive position of undertakings include the Sunday Trade Ban Act, and plans to restore the tax on retail chains. These are solutions supporting small shops at the expense of large competitors.

ANOTHER WAY?

One approach to resolving this problem is to refresh the concept of national champions that was launched in the West and particularly prevalent in the 1960s and 1970s. These "champions" are companies individual governments favor so the companies can compete more effectively with global rivals, or for other social or political reasons. But this would require competition law to be applied with two standards.

The first (baseline) standard would assume that antitrust authorities can protect weaker firms at the cost of stronger ones by following an economic analysis and being guided by social and political considerations.

The second standard would limit how the first standard is applied to national champions. For example, a merger of two state-owned giants would be accepted even if it could injure weaker national competitors and consumers, as long as the merger furthered the national champion's chances in global rivalry.

It is hard to resist the impression that the next decade, no doubt revolutionary for humanity in fields like artificial intelligence, biotechnology, and the Internet of Things, will bring a combination of decades-old ideas and concepts back the regulatory and legal world.

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