AmCham.Pl QUARTERLY

The official magazine of the American Chamber of Commerce in Poland

30 YEARS IN POLAND

4/2020

VOL III, No. 4 • ISSN 2545-322X

COVER STORY

LESSONS FROM THE PANDEMIC

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

p. 11

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 have to adopt new labor laws that provide the needed flexibility to combine office and home office work models.

GABRIEL RAGY, CEO AND CHAIRMAN OF HE BOARD, P&G CENTRAL EUROPE, p. 36

We do not want economic austerity as we had after the 2008 financial crisis, because if governments decide not to spend, it will hinder economic growth.

PIOTR KALISZ, CHIEF ECONOMIST, CITI HANDLOWY, p. 29

If companies adopt Industry 4.0 solutions now, they will not only increase their resistance to the current crisis but also reinforce the long-term competitive advantage of the Polish economy.

RAFAŁ RUDECKI, END USER SALES MANAGER, ROCKWELL AUTOMATION, p. 23

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.

If people had two days to do for their weekend shopping, there would be fewer of them frequenting the shopping malls on Saturdays, which is an important safety aspect in the time of the pandemic.

BARTOSZ PĘCZALSKI, PRESIDENT OF KFC POLAND, p. 21

It is going to be a difficult winter. We will have to balance the mood and support of our guests because the situation is taking a toll on everyone.

STEFAN BAUER, GENERAL MANAGER OF THE BRIDGE WROCŁAW MGALLERY, p. 18

This prestigious award reflects our team's dedication to excellent customer service, creative travel solutions, reliability, transparency and adding real value when managing our clients' travel programs.

TIM HYLAND, PRESIDENT OF FCM TRAVEL EXPRESS POLAND, ON HIS COMPANY HAVING BEEN NAMED POLAND'S LEADING TRAVEL MANAGEMENT COMPANY 2020 BY WORLD TRAVEL AWARDS, p. 6

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VOL III, No. 4 • ISSN 2545-322X

AMCHAM.PL QUARTERLY

AMCHAM.PL QUARTERLY is the official publication of the American Chamber of Commerce in Poland,
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Layout design by MSL Influence. Impact.

Printing by QINVEST

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:

DATA TRANSFERS FROM THE EU TO THE US

The Schrems II judgment issued by the Court of Justice of the EU in June 2020 invalidates the EU-US Privacy Shield and affects all European companies transferring data from the EU to the US. The judgment also clarified that the use of standard contractual clauses requires data controllers to conduct a case-by-case assessment regarding the level of data protection that these clauses are to provide.

AmCham has submitted a position paper to the government with recommendations on negotiating new mechanisms for allowing the transfer of data outside the EU. AmCham also held a meeting with high-level representatives of the Personal Data Protection Office regarding the legal aspects of the current situation.

The European Data Protection Board has recently issued new guidelines on facilitating data transfers to the US and other countries. In addition, the European Commission has published a new draft on the topic of standard contractual clauses.

NATIONAL HEALTHCARE

AmCham supports the government in combatting and managing the pandemic and understands the challenges the government is facing. Nevertheless, a constant focus on the pandemic can harm patients in need of access to other healthcare services and could speed up the development of other health problems within Poland after the pandemic.

AmCham has addressed the Minister of Health with recommendations regarding health protection in Poland, including the following aspects:
• that the health system should maintain diagnostics and treatment of other diseases affecting the public health of Poles;
• that the healthcare system should obtain proper financing, and its budget should be increased for the reimbursement of drugs;
• that the legislative processes should meet the highest quality standards and should be open and transparent;
• that new criteria for evaluating drugs for rare diseases should be developed.

According to the latest media reports, the Minister of Health confirmed the creation of a recovery plan for healthcare, which will ensure follow-up regarding treatments and diagnostics related to the fight against coronavirus.

LABOR LAW AND THE SOCIAL SECURITY SYSTEM

AmCham has presented its recommendations to Iwona Michałek, Secretary of State at the Ministry of Development, Labor and Technology, on extending provisions for remote work, making relations with employees more flexible, and supporting the health and safety of employees in the times of the Covid-19 pandemic. We also presented our concerns regarding the future of the social security system. There have recently been signs that the idea of the "ZUS cap," that is, abolishing the upper limit for social security contributions, is returning. AmCham is against the ZUS cap, as it will impact labor costs and Poland's attractiveness as an investment destination.

THE ECONOMIC RECOVERY PLAN

The Ministry of Development, Labor and Technology is in charge of developing a post-Covid-19 plan for the economic recovery. Deputy Prime Minister Jarosław Gowin has announced that the recovery plan aims to preserve companies most severely affected by the crisis and support key industries considered engines of economic development for the Polish economy. AmCham and its member companies met with Prof. Robert Tomanek, Undersecretary of State at the Ministry of Development, Labor and Technology, to contribute to the economic recovery plan. Following this meeting, AmCham presented the Ministry with specific legislative postulates and information regarding legal regulations that are disadvantageous to businesses.

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LETTER FROM THE CHAIRMAN

DEAR AMCHAM MEMBERS AND FRIENDS,

2020 is drawing to a close. A new year, fresh opportunities, and ongoing uncertainties await all of us as we finish a year like no other for our businesses, our employees, and our families. The Covid-19 pandemic continues to be a challenge as we go through the difficult winter months and hope that spring will bring effective mitigation efforts and widely accessible vaccines.

In 2020, a new US administration takes over in Washington. Poland will continue to be an important partner for the United States in Central Europe, the European Union, and NATO. It is important that the Polish government and the Biden Administration look to build on our strong bilateral and multilateral relationship to drive economic progress, investment, and a return to growth for our citizens. We look forward to AmCham being a part of that wider dialogue.

Throughout the year, we continue to focus on helping our member companies navigate the impact of coronavirus and a myriad of government rules, regulations, support programs, and initiatives. Taxes, e-commerce, data protection, key employee work permits, aviation and hospitality sectors, and fair treatment by the authorities are all areas in which AmCham is engaged during 2020, whether we are working from the office or remotely. In this edition of *AmCham.pl Quarterly*, you can find all of these topics and more.

I am proud of how our AmCham member companies have responded to the pandemic. The ongoing efforts to support our employees and supply chains are impressive, as is the tremendous support your firms have provided to front-line caregivers, support organizations, and our local communities during this year. We will continue to share best practices, useful examples and solutions, and paths forward from the wealth of experience within the membership for the benefit of all our companies.

The 2019-2020 term of the Board has been an active and productive time. Thank you all for your support of the organization. I am confident that AmCham will emerge from 2020 a stronger and even more purpose-driven organization, advocating for our investors and the best market conditions to enable us to do what we do best: create jobs, build skills, provide opportunities, support our employees and communities, build value, grow the Polish economy, and enhance US-Poland cooperation wherever possible.

2021 will bring change, not only as we emerge from Covid-19. Dorota Dąbrowska-Winterscheid is stepping down as Managing Director of AmCham after eighteen years of service. Her success in building AmCham's premier position as the leading voice of international business in Poland cannot be overstated. Dorota's leadership, energy, and commitment to AmCham and on behalf of your companies has made a difference time and time again. Our organization and AmCham team could not be what they are today without her ideas, execution, teamwork, leadership. Thank you, Dorota, from all of us at the Board, office, and ranks of the membership.

We move forward to meet the new year together. Our advocacy will be strong and focused, value-added events will continue online and in-person when it can be safely managed, our dialogue with the US and Polish governments will intensify, and our service to the membership will continue unabated.

Ever Forward.

Best Regards,

TONY HOUSH
AMCHAM CHAIRMAN

NEWSLINE

NEWS FROM AMCHAM AND ITS MEMBERS

AMAZON

Since the outbreak of the pandemic, Amazon has implemented a number of solutions to protect the health of its employees in Fulfillment Centers and corporate offices across Poland. Inspections conducted at Fulfillment Centers during the pandemic confirmed that Amazon met and even exceeded all government health and safety regulations. In response, Amazon has decided to open its centers for small-scale site visits and invite interested companies that could benefit from seeing how the company's health and safety measures have been improved. In October, Amazon invited AmCham members from the Wrocław region on a tour focusing heavily on the newly implemented safety measures, while also giving visitors a chance to see the traditional packing and shipping supply chain operations within the center. The tours held on that day were divided and concentrated in small groups so as to ensure maximum safety levels for all participants, and no more than five people in each group were allowed. Pictured: Monika Ciesielska-Mróz, AmCham Wrocław Director (PM Group), left, taking the tour.
In other news, this year Amazon increased the number of full-time jobs by 2,000 to a total number of 18,000, and hired 10,000 season workers for the pre-Christmas period. Full-time jobs include floor workers as well as engineers, managers, and experts in IT cloud solutions.

AMCHAM

From March-August, AmCham member companies maintained employment rates at pre-pandemic levels, as revealed by a survey of member companies conducted by AmCham in mid-September. While 14 percent of the sample hired new office staff and 19 percent hired manufacturing workers, another 14 percent idled office staff and 6 percent cut manufacturing jobs. Manufacturing companies employed three times more workers than they idled in March-August.
The survey also revealed that nearly one-quarter of companies whose business is based on "office work" noticed an increase in work efficiency, while none of the manufacturing companies noted a boost in efficiency during the pandemic. On the other hand, 6 percent of manufacturing companies recorded lower work efficiency than before the pandemic, along with 16 percent on non-manufacturing firms.
As much as 74 percent of companies in the survey said they did not receive aid from the Anti-Crisis Shield, a government financial aid program. 21 percent of companies surveyed took advantage of the program and 5 percent did not answer the question.
When it comes to office space occupancy rates recorded by companies in the survey, 16 percent of respondents said that office space in their companies was used at the minimum level. The survey also revealed that companies created so many different work models that respondents were not sure how to evaluate the levels of office space occupancy at their companies.

CMS

The CMS Transaction Team advised Bonair, a Polish IT company, on its sale to the Dutch group, Fellowmind, owned by FSN Capital, a Swedish private equity fund.
The CMS team was led by Błażej Zagórski, partner and legal counsel, and supported by Grzegorz Pączek, Senior Associate and Advocate, who was responsible for the day-to-day coordination of CMS's work.
Bonair, established in 1991, specializes in implementing Microsoft business solutions, in particular class CRM, ERP and BI systems.

FCM TRAVEL EXPRESS POLAND

FCM Travel Express Poland has been named Poland's Leading Travel Management Company 2020 by World Travel Awards. The Leading Travel Management Company for Poland accolade recognizes the commitment to excellence that FCM Poland has demonstrated over the past 12

months in its home market.
Tim Hyland, (pictured) President of FCM Travel Express Poland commented: "This prestigious award reflects our team's dedication to excellent customer service, creative travel solutions, reliability, transparency and adding real value when managing our clients' travel programs."
FCM Travel Solutions Europe was also named Europe's Leading Travel Management Company 2020.
World Travel Awards is one of the travel industry's most prestigious awards programs, rewarding leaders in the tourism, airline, hotel and hospitality sectors around the world. The awards are voted for by travel and tourism professionals worldwide.

PANATTONI

Commercial space developer Panattoni has completed the development of the largest warehouse facility in the Warsaw region, the A2 Warsaw Park. The building, totaling close to 104,000 square meters, is located in Adamów, next to the "Grodzisk Mazowiecki" junction on the A2 expressway.
The first tenants claiming space in Panattoni's latest project are logistics operators, including Raben Logistics Polska (30,100 sqm), ID Logistics (close to 7,300 sqm) and DSV (nearly 12,000 sqm).

AGENDA

INTELLIGENCE FROM AMCHAM COMMITTEES

DIGITAL ECONOMY

In November, the AmCham Digital Economy Committee held an online meeting to discuss the position of the Polish government concerning an update of the Digital Services Act. This directive has been a legal framework for the provision of digital services in the European Union for the last 20 years. The speakers were Marianna Sidoroff, Deputy Director of the Digital Economy Department at the Ministry of Economic Development, Labor and Technology; and Piotr Kobielski and Anna Michałowska, experts from the Chancellery of the Prime Minister.

Marianna Sidoroff said that the twenty-year-old directive does not meet the requirements of today's e-commerce. The Polish government's position regarding an update is that the new directive should contain regulations that will allow for a smooth transition of "real-world" functions of the economy into the digital realm. In addition, the new directive should create a clear legal frame for creating a unified digital market across the EU. An important point that the Polish government has been emphasizing while consulting the future directive with the European Commission is that new regulations should not contradict baseline regulations that have been in practice for 20 years. The Polish government is of the opinion that new regulations should be drawn from market facts, best practices and case studies. One of the challenges for the lawmakers will be to draw up the definition of a gatekeeper––a wireless proximity-based access control and authentication device that allows the administrator to control the deployment and management of network computers.

Anna Michałowska said that Poland is consulting its position with other EU member states, anticipating that the European Commission will soon present its propositions for the new legislation. The common understanding and agreement in the member states' approach to the basic principles of the new regulation is that it should not place too much regulatory burden on e-commerce companies, especially small and medium-sized enterprises. The Polish government wants to support, in particular, the rights of consumers to manage their personal data. The government also believes it is necessary to create clear and transparent regulations regarding the conditions under which internet-based services may block users' content.

HUMAN RESOURCES MANAGEMENT

In September, the committee held an online meeting to discuss how the pandemic was affecting the job market, from the perspective of job seekers and hiring managers. The guest speaker was Rafał Nachyna, Managing Director of Pracujj.pl, Poland's largest job search website.

The speaker said that when the pandemic broke out in Poland in March, few thought that it would change the market dramatically. Companies were very optimistic, as they had generated good results in January and February and hoped to see their businesses continue to grow throughout 2020. When the lockdown of the economy kicked off in March, however, the mood swung to the other extreme by the end of the month. Market analysts feared that unemployment levels would reach 8 percent and be accompanied by a dramatic drop in Poland's GDP. In April, the number of new job postings dropped by 50 percent compared to the numbers from March. After the lockdown, companies intensified their recruitment activities. The number of new job postings was high, especially in July, as companies began to look for new salespeople and client service experts. In September, companies were more inclined to hire than to fire, and the number of new job openings went up again.

The speaker noted that there was a short supply of candidates in sectors of the economy that had seen a pandemic-related business boom. IT, e-commerce, and transportation/courier companies were extremely determined to hire more people. For them, it is a job seekers' market, not an employers' market, and it seems that this will continue for the next few months. Companies in sectors such as hospitality, automotive, air travel, and spa and beauty reduced their employment levels and it seems that they will not see any rise in demand for new personnel for a long time.

The universal application of remote work solutions has changed employers' preferences regarding candidates. Teamwork skills, which were universally expected of job seekers before the pandemic, were replaced with skills such as the ability to efficiently deal with stress, and work alone and independently. Remote work became the new normal for companies that began approaching it from a long-term perspective. They have now seen how this mode of employment greatly extends the pool of candidates for hiring, including handicapped workers and workers who do not live in cities in which the companies have offices.

The change had an impact on recruiters who had to learn how to manage recruitment processes using digital tools and feared their companies would cut jobs across HR departments.

The pandemic also changed candidates' expectations. Before the pandemic, they had been focused first on salary levels and financial bonuses, and then on employee benefits and career development opportunities. Few job seekers cared about a clearly laid out career path in the hiring company, because at that time, it was not common to stay with one employer long-term. Today, job seekers pay attention to the economic stability of the hiring company, which is as important to them as the salary offered.

In October, the committee met online to discuss how the pandemic changed employees' expectations regarding the benefits they may be entitled to during employment. The speakers were Artur Białkowski, Managing Director of Business Services and Member of the Board at Medicover; Michał Płaczkiewicz, HR Director of Unum Życie TUiR S.A.; and Anna Wicha, Public Affairs Director for Poland, Eastern Europe & Middle East & North Africa at Adecco Poland.

Anna Wicha said that the market of employee benefits, estimated at PLN 12 billion in 2018, was one of the fastest-growing markets in Poland and was not dominated by any main players. Almost all employers used healthcare, insurance and catering services as part of their employee benefits.

Because of the pandemic, the expectation of job seekers today is that the hiring company has a stable position in the market and is not in jeopardy of losing business. Employers and employees now also see remote work as a given, not as an added benefit.

Companies are under pressure to cut costs and perceive employee benefits as an investment on which they expect returns, and they analyze the benefits in terms of how they facilitate the company reaching its business goals. Before the pandemic, companies approached employee benefits as "must-have" and did not look at them with such a sharp focus on business objectives.

Wicha said that the evolution in how companies approach employee benefits is very dynamic. Before the pandemic, many benefits targeted employees' social life, such as theater tickets and gym vouchers. These benefits became irrelevant during the pandemic and were replaced by online benefits that motivate employees to focus on their health and motivation to work. Employee benefits are also becoming an important part of how companies are perceived by potential job candidates.

Michał Płaczkiewicz noted that financial bonuses are the most desired benefits of employees, reflecting the economic uncertainty that prevails. On the other hand, benefits such as workshops and classes, not to mention gym vouchers, are on their way out. Today, employee benefit packages have to be compiled on an individual basis, reflecting the needs of each individual employee. The role of healthcare-related benefits and insurance is on the rise, including psychological and medical support.

Another speaker, Artur Białkowski, gave an overview of employee benefits offered by Medicover, explaining that healthcare services are today the most popular employee benefit picked by employers.

He added that recent Medicover data shows an increased demand for services related to psychological well-being. Białkowski noted that, because of the pandemic and psychological strains it has on employees, the World Health Organization decided to list employee burnout as a psychological illness.

In November, the committee held an online session to discuss how companies can maintain employee engagement in the rapidly changing business environment caused by the pandemic. The speaker was Agnieszka Krzemień, Right Management Lead at Talent Solutions, a company from the Manpower Group portfolio of HR companies.

The meeting was moderated by Anna Wicha, committee Co-Chair, who said that with the universal application of home office solutions, companies find it essential to use efficient management tools that keep worker engagement high.

Agnieszka Krzemień said that because of the pandemic, today's business environment is unpredictable, uncertain, and full of change. Firms are not in a position to draw up long-term business strategies anymore and must focus instead on short-term projects. As a result, employees' levels of stress intensify as they face new operational challenges.

A good business leader for the present situation should be able to create a strong perception of the current business reality for their employees, focusing their attention and their emotions on company's values. A good leader should also direct the attention of the employees to the company's development, and future possibilities. This is why it is essential for a good leader to access different sources of business information to receive multi-angular feedback on issues and challenges that the company is facing.

Another key aspect of good management during the pandemic is communication with the team, which has to be efficient and productive, even when conducted via digital communication tools. It seems, Agnieszka Krzemień said, that this skill has been mastered by managers in Poland, because the productivity of companies with teams confined to their homes during the pandemic did not significantly decline, and generally remained at a satisfactory level for most companies. On the other hand, employee satisfaction surveys indicate the majority of employees are content with working from home. There is, however, room for improvement when it comes to the creative use of digital communication, especially in areas involving more general, human-to-human communication to compensate for a lack of direct, face-to-face contact. This can often even be compensated by a simple chat with employees about their family life and other issues unrelated to the company. This way managers, can show that they care and have empathy for their employees. This is the best way to create trust with the employees, which in turn, will translate into achieving better business results for the company.

MANUFACTURING

In October, the committee met online to discuss how companies in the manufacturing sector were dealing with challenges set by the pandemic. The speakers were Anthony Crawford, who is responsible for manufacturing operations in East Europe and Wrocław Site Manager at 3M; Anna Gomółka, Plant Manager at Mondelēz International; Dominik Kania, Managing Director of Woodward (and Co-chair of the committee); Michał Poczęsny, Operations Director at Flex, (producer of electronic components); Fabio Pommella, Senior Director of Operations Area North (Poland, Slovakia, UK) and Chairman of Whirpool Polska; and Dagmara Trawińska, Quality Director at Flex.

The discussion was moderated by Mateusz Jurczyk, AmCham Kraków & Katowice Manager, who said that an AmCham survey held in early October indicated that 75 percent of member companies had returned to the production line with no change in the way they work other than adjusting to new Covid-19 safety measures. In turn, 6 percent of the sample said they did not reduce their levels of employment due to the pandemic, and some even hired more workers. Most manufacturing firms also generated pre-pandemic efficiency levels after returning to work during the pandemic, with only 6 percent of the sample indicating a decline in work efficiency, compared to a 19 percent decline in efficiency reported by office-based companies.

All speakers said that, as technology companies, they did not face any problems introducing new Covid-19 safety regulations within their teams. Once the new standards were applied, they became the new norm.

Anna Gomółka said that the company used the know-how generated by Mondelēz factories in countries that had experienced the outbreak of the pandemic before Poland. She said that the key factors in managing the company throughout the pandemic is the education and dedication of the staff. "Without the commitment of our people, we could not have managed at all," Gomółka said. She added that as team members get used to the new reality of work and living, it is important that they take care of one another.

Dagmara Trawińska noted that it was also important that the company demonstrate its support for the local community. Flex produced over 2 million face masks and distributed one million at its company in Tczew and at its other facto-

ries in Poland. The company also donated a significant number of masks to schools, hospitals and other institutions in the community.
What caused problems for many companies, however, was the external reality that changed dramatically. For instance, restrictions imposed by regional sanitary authorities on public transport led to passenger capacity shortages, and not all workers were able to get to work on time. This was solved by the purchase of private transport services, as well as negotiations with public transport authorities to introduce additional buses at key hours.
Another major problem was that while organizations in public and private sectors worked remotely, schools remained open, which caused the disease to spread very rapidly throughout communities. This posed a major threat to the continuation of operations for large factories with a workforce coming from nearby communities. Several firms resorted to the daily testing of workers whose children were attending schools, but the problem was solved when schools went into distance learning mode.
When it comes to how managers deal with the dynamic situation, Anthony Crawford said that 3M's adaptability is key to weathering the current situation. Managers have to "learn to be comfortable with what is uncomfortable," and should "expect and accept" that there will be surprises, and must adjust as they appear. "It is about adjustment, rather than progress," Crawford said.
Looking at the crisis from a managerial perspective, Dominik Kania said that the key is to make it through the pandemic safely, because, in the end, it will subside.

REAL ESTATE

The effects of relocating manufacturing facilities to Poland on the country's commercial real estate market was discussed by the committee in November. The speakers were Iwona Chojnowska-Haponik and Rafał Szajewski—Business Location Consulting Directors at JLL; Krzysztof Jarosz, Director of Rzeszów Science & Technology Park; and Christoph Paetzold, Manager of International Production at Phoenix Contact E-Mobility.
In their joint presentation, Iwona Chojnowska-Haponik and Rafał Szajewski outlined the global situation regarding foreign direct investment (FDI), which they said is expected to drop sharply because of the pandemic. However, some countries and industries are not going to get hurt as badly. Every time there has been a downturn in the global economy, there have been geographic locations and industries that are able to intensively attract new investment. Poland is one of these countries, and is expected to generate more FDI inflow into a range of industries, the central one being manufacturing.
New investors are expected to take advantage of opportunities in Poland in technological advancement including robotics, artificial intelligence and digital supply chains, as well as new solutions and tools based on blockchain and the Internet of things (IoT).
Poland, however, is not the only attractive country for FDI in Europe. Many other countries have already implemented regulations to encourage reshoring so investors can bring their manufacturing back to their home country. Overall, it is clear to see that governments in Europe will try to create good conditions for foreign investors, offering incentive packages and tax relief.
Another trend is that with the disruption of global supply chains caused by pandemic outbreaks in different regions, there is a growing number of manufacturers who are eyeing the possibilities of establishing their production facilities closer to their key markets.
The pandemic has also had an impact on consumer attitudes. Today, consumers expect manufacturers to adhere to the principles of environmental sustainability throughout the production process. They also expect consumer products to be environmentally safe. This is why efficient environmental protection will be a key component of many new investment projects in Europe.
Sectors in which new investment is expected to take place soon in Poland include warehousing and logistics, chemicals, personal care products, IT and e-commerce, as well as agriculture and energy.
Another new trend in manufacturing is that production will be more regionalized. Small factories outputting for limited markets with short supply chains will be the norm. Massive production facilities outputting products for a range of distant markets is on the way out. Although new factories will be small, investing in them will be cost-intensive due to the expensive, high-tech solutions they will require. This, in turn, will increase the demand for sophisticated personnel with a diverse set of skills.
Production consolidation will be another trend, with manufacturers in the EU already planning how to group their individual factories that are currently spread out across Europe. The main driver of this trend is not cost, but a desire to achieve a higher resistance to future crises. All of these trends suggest that Poland is becoming an attractive place for investors in manufacturing.
American investors are expected to generate a large part of the new FDI inflow to Poland. They comprise the largest group of foreign investors, as measured by the number of projects executed in Poland and assisted by the Polish Investment and Trade Agency. American investors have invested in production facilities in Poland in sectors such as mobility, electric vehicles, R&D, food processing, electronics, and medical products.
Another speaker, Christoph Paetzold, showcased a new Phoenix Contact E-Mobility investment project under construction in the southern city of Rzeszów, and explained all pivotal aspects of the investment.
The last presentation of the session was delivered by Krzysztof Jarosz, who talked about the requirements investors need to meet to be granted permits to invest in the Rzeszów Science & Technology Park. Jarosz also gave an overview of how the park assists its member firms in optimizing their operations.

TAX & FINANCIAL SERVICES

The most relevant legislative changes that managers should take into account during the pandemic were on the agenda of a committee meeting in September with experts from the law firm Dentons. Aleksandra Rutkowska, Counsel in the Dentons Warsaw office and Head of the Tax Practice Team, discussed regulations governing the Mandatory Disclosure Rules; Tomasz Polarczyk, Senior Associate in the firm's Tax Practice Team, presented the newest changes to VAT regulations, and Tomasz Krasowski, Managing Counsel and member of the Warsaw Tax Advisory practice team, gave an update on the changes in CIT reporting. In turn, Dagmara Cislowska, Head of the Transfer Pricing Team at Dentons, talked about the new regulations in transfer pricing prerogatives.
In November, the committee met with Marta Skrodzka and Jarosław Szajkowski, Tax Managers and Advisors at ASB Poland, who talked about the main changes in the 2021 tax law. In their presentation, the speakers covered the obligations for preparing and publishing tax policy reports, new regulations governing the withholding tax, and the tightening of transfer pricing obligations in re-

gard to transactions completed with entities located in tax havens.

TECH & DIGITAL

In October, the committee met to discuss how technology is transforming business during the pandemic and how the process has affected the role of technology leaders in companies. The speakers included Anna Wiącek, Director at Deloitte Technology Strategy & Transformation; Anna Nadachewicz, Senior Solution Consultant at ServiceNow; Maciej Czerwiński, Sales Leader at ServiceNow; and Marcin Honkisz, Head of Non-SAP Systems at Knauf.
Anna Wiącek presented the main conclusions from a Deloitte survey entitled "2020 Global Technology Leadership Study." She said that with the rapidly changing business environment, the role of technology leaders is not about making companies sell more products and services, but about helping companies use technology to adjust to market changes. The pandemic spurred many social, political and economic changes that had been initiated well before the outbreak of the Covid-19 pandemic. This is why technology leaders need to work as "agents who envision a technology-driven future, enabling and delivering new services and products." Companies that can quickly develop new business models can also enter the market early and enjoy organic growth.
Another finding of the survey is that companies need workers with more and more multidisciplinary and soft skills, not just technical skills. Companies that had undergone a digital transformation said in the survey that if they had had the chance to repeat a specific project, they would have employed more people. This way, the scope of the transformation could have been carried out by more diverse and talented people. The staff would have been more conscious of the transformation and, therefore, more engaged.
Diverse individuals would also have planned better, the respondents of the survey said. They would have used more agile and flexible ways of working to improve the results of the transformation.
Więcek said that business organizations need to reform the way in which they approach IT. For the last 15 years, IT experts have held positions such as IT infrastructure operators and IT service enablers. Now they need to be strategists for their companies. They need to master the understanding of the potential of IT in creating new products and services, how to make changes happen with the use of technology, and how to select the right technology for facilitating the change. In practice, IT specialists do not need to play the role of catalysts of the change. It is a global trend and Poland is not an exception.
In the second part of the meeting Anna Nadachowicz and Maciej Czerwiński presented how ServiceNow accelerates their clients' business through cloud-based solutions that manage workflow. Marcin Honkisz supplemented the presentation by explaining how ServiceNow's platform supports Kanuf's growth and business development.

TRAVEL & TOURISM

The pandemic has delivered a heavy blow to the Polish tourism industry, said Robert Andrzejczyk, President of the Polish Tourism Organization (POT), who met online with the committee in September. Andrzejczyk presented the impacts of the pandemic on the air travel and hotel sectors in Poland. He said that short-term business trips have rebounded after the lockdown, while those planned long-term in advance were at low levels, although they have been on the rise since May.
Leisure travel rebounded for the summer months but went down to lower levels in the fall again.
Foreigners still visit Poland, but only on business trips or to meet with their relatives in the country. Their numbers are very low as compared to before the pandemic. Most of them come from Germany, the Czech Republic, Slovakia and Hungary.
Long-haul travelers are almost gone because Poland, as a part of the Schengen Area of 26 EU member states, has kept its borders closed to travelers from non-EU countries, keeping travelers from the US away, "the number one non-European market for the Polish tourist industry," Andrzejczyk said.
The speaker explained that with the stagnation of incoming traffic from the US, the POT is rethinking its marketing strategy for international markets for the next five years. The new strategy may be launched in January, but as markets have not recovered from the pandemic depression, the launch will most likely be postponed.
The guest said that the market is not going to recover to pre-pandemic levels until a vaccine against the virus is made universally available. Until then, new trends in traveling will prevail.
The number one trend is a greater sensitivity to health-related issues, both on personal and collective levels. This translates to the rise of "slow tourism" involving train travel to countryside locations. With this comes a growing interest in local destinations. There is also a great focus on anti-virus protection, resulting in a growing demand for disinfectants, face masks and other preventive measures.
During the pandemic, domestic tourists travel for leisure in small groups and are most inclined to visit sites in Poland that are not frequented by others. Such patterns of consumer behavior now also exist in countries with similar levels of Covid-19 infections to Poland.
The most important challenge for the tourism industry in Poland is to find ways in which the sector may benefit from these new changes. One such area is countryside tourism. This is why the POT plans to increase expenditure in developing the domestic market, by helping the industry adjust its marketing activities to the demand side. The agency also plans to allocate most of its funds to boost the levels of innovative products and services offered by the Polish tourism industry.
Andrzejczyk said that in the leisure sector, short-haul travel will recover faster than long-haul. It is expected that in 2021, as much as two-thirds of all air travel will be for distances not exceeding 1,500 kilometers. This means that Poland will lose Asian markets, and the POT plans to refocus its advertising efforts to much closer markets such as Germany and Scandinavian and other affluent EU countries, hoping to use micro-campaigns to reach prospective travelers there.

COVER STORY

LESSONS FROM THE PANDEMIC

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

KEEPING BAD LUCK AT BAY

The hotel industry is going through an unprecedented crisis

People in the hospitality industry smile a lot. It is always genuine. With their smile, they create a warm atmosphere and make their guests feel welcome. Yet, as the pandemic continues more or less unabated, even the most senior professionals find it increasingly difficult to put on their professional smile as the hospitality industry is engaged in a dramatic struggle for its very survival.

Dr. Marcin Szymfel, General Manager of the hotel complex Crowne Plaza Warsaw—the HUB, and Holiday Inn Express Warsaw—the HUB, saw the writing on the wall this summer. "The pandemic destroyed tourism," he wrote in an email to *AmCham Quarterly* in August. "Three months ago, I knew we would have a difficult time over the summer, but I thought that the market would improve in the fall. Now it is clear that this will not happen."

The tourism industry is a significant contributor to Poland's gross domestic product. The industry contributed 6 percent to the country's GDP in 2019, while the share of agriculture remained at 3 percent.

Yet, this year, the numbers will turn out quite differently. According to Dr. Szymfel, Poland's tourism industry will lose at least PLN 80 billion due to the pandemic. "Hotels in Warsaw alone will lose some PLN 3 billion in 2020-24," Szymfel said, adding that many of them had already run into debt.

HIGH HOPES

2019 was a record-breaking year for the Polish tourism industry. According to data from the Ministry of Development, the number of foreign tourists visiting the country for more than one day reached 21.1 million, surpassing 20 million for the first time. In 2019, 19.6 million foreigners visited Poland, leading to a 7.6 percent growth year-on-year.

14.3 million tourists in 2019 came from EU countries, an increase from 13.6 million in 2018. More than half were German tourists, with over 7 million visiting Poland in 2019, a 5.4 percent year-on-year growth, compared to 6.3 million in 2018. Most visitors from outside of the EU came from the US, Canada, South Korea, Japan, and Australia. Their total number reached 892,000 in 2019, a 10.6 percent increase compared to the 807,000 who visited Poland in 2018.

Last year, foreign tourists spent USD 9.8 billion in Poland, a 2.1 percent growth over the 2018 number.

This is why, at the beginning of the year, hopes across the tourism industry were riding high. As Poland's prominence as an attractive tourist destination for foreign travelers grew, many market analysts predicted that 2020 would beat the 21.1 million number.

DROPPING NUMBERS

In January 2020, a record number of foreign tourists visited Poland, beating the numbers for January 2019. February was also strong. In March, however, when the first Covid-19 case was recorded in Poland and a lockdown of the economy was introduced mid-month, the number of foreign tourists dwindled by 70 percent. As the lockdown continued, their numbers diminished. According to Poland's Central Statistics Office (GUS), nearly 3.3 million tourists in Poland spent one night in a hotel room in May last year. Yet, that number was only 387,000 in May 2020, and only 5.2 percent of those stays were booked by foreigners. International tourism in Europe in May had thus dropped to numbers last seen in 1985.

SUMMER BREAK

The lockdown ended in mid-June, and Poles took their summer vacations *en masse.*

Despite that, only 2.7 million tourists stayed in hotels in July 2020, a decline of 33 percent (compared to May 2019, when 4.1 million tourists stayed in hotels). Of this number, only 10 percent were foreign tourists, a nearly 70 percent drop from 2019. Almost half of all foreign tourists staying in hotels in Poland held a German passport.

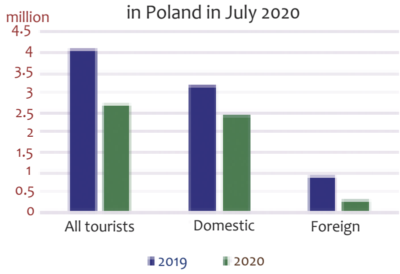
August was a little better, with 3.2 million tourists staying in hotel rooms for one night, including 300,000 tourists from abroad (a 14.4 percent rise from July). Compared to August 2019, the influx of foreign tourists to hotels in Poland in August 2020 declined by nearly 64 percent.

During the summer holidays, the most popular destinations were seaside and mountain resorts, and Pomerania and Western Pomerania were the most popular regions. The Grand Hotel in Sopot, located at the seaside of the Gdańsk Bay, was at full capacity. Big cities that traditionally saw high numbers of tourists during the summer now looked deserted. Most tourists associated these big cities with a greater risk of contracting the coronavirus, and Warsaw saw the most considerable losses, followed by the Silesian metropolis Kraków, and Łódź.

After the summer vacation season, Poles returned to work, and schools across the country welcomed their students back. Three weeks later, this had led to Poland's 10,000 new daily Covid-19 cases, a number that was soon surpassed. Hotels were reopened in September and October, catering to clients in a limited capacity and organizing small meetings for companies and private individuals. Government regulations soon limited the hotels further, allowing them to offer their services only to business travelers staying at the hotel.

Hotel beds in July

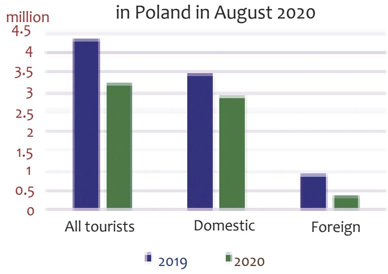
270,000 foreign tourists used hotel accommodation in Poland in July 2020



Source: Central Statistical Office GUS

Hotel beds in August

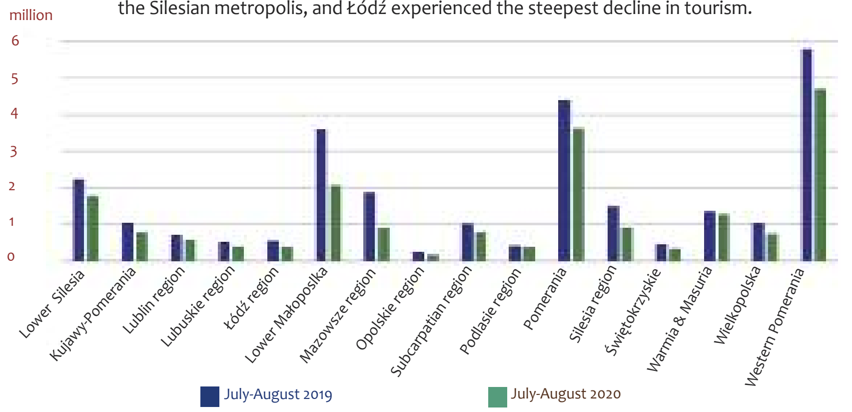
300,000 foreigners used hotel accommodation in Poland in August 2020



Source: Central Statistical Office GUS

Summer (not) in the city

The most popular destinations this summer were seaside and mountain resorts. Warsaw, Kraków, the Silesian metropolis, and Łódź experienced the steepest decline in tourism.



Source: Central Statistical Office GUS

Empty spaces: The pandemic-related restrictions sent commercial airlines into a downward financial spiral, back to numbers last seen in the 1950s.

FINANCIAL LIFELINE IN DOUBT

Most hotels in Central and Eastern Europe depend heavily on international tourism, and visitors from North America, Asia, and EU countries used to be their financial lifeline. As countries closed their borders and went into lockdown, international air travel nearly froze. The pandemic-related restrictions sent commercial airlines into a downward financial spiral, back to numbers last seen in the 1950s.

According to the International Air Transport Association, consumers spent an estimated USD 871 billion, or roughly 1 percent of the global GDP, on air travel in 2018. The leading European airline Lufthansa Group reported a fleet of 763 planes in its 2019 annual report. Yet, in 2020, the airline suffered an operational loss of EUR 1.2 billion in the first quarter and a loss of EUR 1.7 billion in the second quarter. The company received government aid granting it EUR 9 billion in exchange for a 20 percent stake in the company. With hundreds of their aircraft grounded, the airline reported a third-quarter operational loss of EUR 1.3 billion. At that point, it became clear that the airline will not begin to recover until 2023, and Lufthansa will most likely have to keep 300 aircraft grounded in 2021 and 200 in 2022.

What is more, the company announced plans to slash 22,000 full-time jobs across the entire Lufthansa Group, which includes brands such as Brussels Airlines, Swiss International Air Lines, Austrian Airlines, and Eurowings. Lufthansa also has plans to permanently reduce the size of its fleet by at least 100 aircraft.

Other major airlines in Europe also downsized their operations and received state aid. According to the Center for Aviation (CAPA), apart from Lufthansa and its subsidiaries, the most significant beneficiaries of state aid have been Air France-KLM, Norwegian, Alitalia, TAP Air Portugal, airBaltic and SAS.

Poland's national airline, LOT, which is state-owned, has been covered by a government support package worth "billions of złoty," according to Deputy Prime Minister Jacek Sasin, who is responsible for state assets. It is clear that the Polish government is determined to save the airline that, in 2019, for the first time in its history, carried over 10 million passengers in a single year.

SEEKING OUT NEW STREAMS OF REVENUE

At the beginning of the lockdown, which started mid-March in Poland, the hotel industry saw a tide of cancellations. Having lost the revenue stream that is international tourism, five-star hotels regrouped and reorganized their resources to cater to a new target: domestic clients.

The Sofitel Warsaw Victoria closed on March 14, as the hotel's few guests were not sufficient to maintain the hotel's profitability levels. The decision was not an easy one, but it was appreciated by the hotel team because no one at the time was prepared to bear the psychological burden of the lockdown and work in the new conditions.

The hotel reopened after 100 days, on July 15. "Only the most adaptable people were selected to work; individuals who showed potential to adjust to the new working conditions in the most effective way," said Aneta Lewandowska, General Manager of Sofitel Warsaw Victoria. During the lockdown, the hotel's management devised an action plan. The hotel restaurant was equipped with a new entrance from the street, so people who were not hotel guests could go into the restaurant without crossing through the lobby. This helped the restaurant generate increased traffic of local clients, with

Severed connections: Restrictions in international air travel deprived Warsaw's Hotel Bristol of loyal clients from the US who stayed at the hotel every summer.

Lewandoska noting that "The domestic market has now grown stronger because people are not traveling abroad."

The hotel also compiled an offer for the corporate sector as hybrid meetings and conferences were growing in popularity. The hotel serviced meeting groups of up to 25 individuals and "Simply looked for business where business was," Lewandowska said, adding that it was just a small compensation for the significant loss of no longer being able to host corporate events. This is the dark side of the new situation. A hotel with a 2,000 square meter ballroom needs to hold events in the MICE sector (meetings, incentives, conferences, exhibitions) to generate required revenue levels. Before the pandemic, such events were mainly supported by international clients.

Joanna Czechowska, Director of Marketing in Poland for the Sheraton and Marriott International hotels, said that hotels had to redesign their offers to reach new clients, with many developing their hotel restaurants and ability to host hybrid meetings. "There is no international tourism, and we have to focus locally," Czechowska said in August.

The Bristol Hotel in Warsaw also focused on domestic clients, with a range of offers aimed at individual guests. Its special offer was a weekend package for two, dubbed "Weekend Escape," which turned out to be very popular. "Our hotel was the favorite of many tourists from the US who would come to Warsaw every summer," said Marta Blazik, Sales Manager at the Hotel Bristol in Warsaw. "But with flights grounded, the market has changed, and we have to create an offer for domestic clients." The hotel also hosts hybrid meetings for companies.

Stefan Bauer, General Manager of The Bridge Wrocław MGallery, said that the market experienced a shift in travel patterns. Local destinations suddenly became very popular, and international travel was significantly limited. Wrocław, which is not a top destination for international tourists, has always had a robust domestic market offer. Hotels in the city generated higher summer hotel occupancy rates this year than in Warsaw, a market that had relied heavily on international and business travel.

The Bridge was especially busy on weekends in the summer, with many guests booking rooms one or two days in advance. The business sector also used the hotel for hybrid meetings and rooms for day use as a "home office away from home."

"There is definitely a demand for hybrid meetings," Stefan Bauer noted. "They are costly because they require video equipment and infrastructure, but many feel the meetings are important for keeping in touch with their people in different places around the country, Europe, and even the globe."

The Bridge also offered private dining rooms for those who required privacy and were not inclined to use city restaurants because of the pandemic. Yet, private dining was not an area in which the hotel generated significant profits. "Serving guests in five or six different rooms requires more waiting staff and leads to a lower profit margin," Bauer said.

SAFETY FIRST

Another cost-generating aspect for hotels comes with Covid-19-related safety standards. Hotels not only need to be perceived as safe places in order to attract guests, but the health and safety standards they follow also need to be effective. In the hotel industry, safety is not about perception, but about efficiency.

The cost of safety: The Westin Warsaw spent PLN 20,000 on hand sanitation stations and other safety-related equipment in May alone.

The Polish Tourism Organization issued its own safety guidance for hotels, and the latter generally combine their own safety standards with those from the chamber.
The IHG chain applied a uniform set of standards called the "IHG Clean Promise" across its hotels. The manual has been meticulously applied across all the hotels despite the fact that running costs went up between PLN 4 to PLN 10 per room a day with the new regulations. Other chains followed suit, and today, according to Marcin Szymfel, "hotel chains offer some of the safest workplaces in the economy."
The Westin Warsaw spent PLN 20,000 on hand sanitation stations and other safety-related equipment in May alone.
Most hotels now also use keyless entry, thanks to which guests can enter their bedrooms using their smartphones. Hotel restaurants are equipped with QR codes that send offline menus directly to guests' smartphones, so they do not need to page through print menus.
Housekeeping services are organized in a way that the staff does not come into contact with guests. Public spaces and high-traffic areas are rearranged to permit only a limited number of people, and the number of people per elevator is also limited. Hotel restaurants have redesigned their buffet areas and guests are now served by personnel, instead of serving themselves.
Some hotels went the extra mile in helping their guests feel safe. The Bridge uses a robotic air purifier that works during coffee breaks after guests have left the meeting area. "Our guests welcome all the safety measures we implement, including temperature taking, face masks, face shields, and hand sanitizing stations," said Bauer.
Safety measures do not only affect frontline employees but entire hotel teams. At the Sofitel Warsaw Victoria, team members who do not need to meet face-to-face use video-conferencing solutions, even when they are in the same building at the same time.
Despite the fact that hotel staff cannot work from home, new technologies have entered significantly into the hospitality sector. These technologies require considerable investments in infrastructure to support heavy data traffic, but once this was completed, the possibilities abound. Throughout the pandemic, hotels have been working closely with technology companies on new solutions and there is a healthy exchange of ideas between the two sides as both of them discover new opportunities.

MANAGING UNCERTAINTY

Hotels are learning how to function in the new reality of low demand caused by the pandemic and higher running costs due to Covid-19 regulations. "We need to react quickly to demand and the changing situation," Stefan Bauer said. "We need to improve our communication with the people that we work with, because information is the key to our success. We need information to understand what is going on, and we need to react faster than before."
Hotels check every euro twice before they spend it, constantly rethinking and reassessing their strategies. They are now focused on becoming more flexible. Cancellation three months before the date for which an event was booked is history, and one week is the new norm. "I have some bookings for next week, but I am not sure if I will make money. A client could call me tomorrow and say that they have to cancel but plan to return to the hotel next year. This demands a lot of flexibility and resilience," Bauer said.
There is also the emotional factor connected with people who are afraid of losing their job, or of them or a family member falling sick. To put it simply, people fear for their future. "We have to be stronger even in the way in which our people perceive us," Bauer said, adding that no one in the managerial echelons of the industry had been trained to cope with such a prolonged situation.
Marta Blazik from Warsaw's Bristol Hotel admits that it is a challenging situation. Before the pandemic, the hotel could do long-term planning of its provisions. The pandemic requires that everything be done at the last moment because nobody knows if the client will have to cancel just

before the event due to illness or another pandemic-related emergency. "We need to react to the market much faster now," Blazik said, "We are more or less managing. It is a part of this business and its culture to manage." Joanna Czechowska admitted that "it is hard to predict anything, and we must react to unprecedented challenges."

Before the pandemic, the average amount of time in advance a room was booked at the Sheraton was 82 days. The pandemic shortened this to an average of 10 days. Pre-pandemic prices also no longer apply. "We try to match our prices with our clients because the pandemic has also had a negative financial impact on them," Czechowska said.

Aneta Lewandowska from Sofitel Warsaw Victoria sees the pandemic as a trying time for the industry. While there are many questions regarding the future, Lewandowska was happy to have noticed that clients have been getting used to the new reality as more and more customers become interested in conducting hybrid meetings at the hotel.

GOVERNMENT AID

2020 is a dramatic year for the hospitality industry, which experienced massive financial losses and was forced to reduce employment that was impossible to maintain at pre-pandemic levels. Hotels that were in business before the pandemic resorted to the government aid program called the Anti-Crisis Shield, in which the government co-financed employees' salaries and covered their social security fees. The program ended at the end of July. To help the hospitality sector, the government launched another program—a travelers' bonus program in which the state covered a part of the hotel bill for tourists who used hotels participating in the program. The program itself totaled PLN 3.5 billion but had no impact on five-star hotels. Big cities were generally thought to be unsafe, especially Warsaw—a city that recorded the highest daily numbers of new Covid-19 cases in summer. The government has announced preparations for a new aid program for the business sector, but no details have been revealed at the time of this writing.

According to Dr. Szymfel, the ideal 2020-21 aid program for the hospitality industry will partially cover hotel employees' salaries and social security fees, provide the hotels with tax relief from local taxes, and partially cover their electricity bills. The government should also partially cover the interest hotels pay on the loans they have taken and help them refinance their loans. "This aid would help us survive," said Szymfel, adding that it would cost PLN 30 billion in 2020-21, according to his estimate.

New kid in town: The hotel complex Crowne Plaza Warsaw—the HUB, and Holiday Inn Express Warsaw—the HUB, is the most recent addition to the hotel market in Poland's capital city.

However, Aneta Lewandowska feels that no type of financial aid is sustainable in the long run. The best way to help the hospitality sector is to free it from the limits set by the government on meetings as well as on international travel.

Stefan Bauer also said that government aid will be limited because, sooner or later, state coffers will be empty. "We need to be mindful of the fact that we will not be able to save every business," Bauer said. "We all need to adapt in terms of flexibility, resilience, and how we approach things."

TESTING INVESTORS' STRENGTH

The demand for top-notch hospitality facilities reflects the health of the global economy. Although the demand is cyclical, the long-term trend since the 1960s has been for continued and accelerated growth.

According to a report issued in the fall by real estate advisory firm Cresa Poland, there has been a correlation between the development of modern office space in and luxury hotels in Poland and the country's accession to the European Union in 2004. "Following the accession, the office space market grew much faster than the hotel industry," said Bolesław Kołodziejczyk, Head of Research and Advisory at Cresa Poland. "Infrastructure bottlenecks experienced by business travelers were addressed utilizing short-term rental of private flats and smaller, non-chain hotels. To make the most of this op-

Time to reshuffle: The Sofitel Warsaw Victoria reopened and focused more than ever before on domestic market, local community and hybrid meetings with a new digital studio dubbed "Victoria" for virtual streaming.

portunity, hotel developers intensified their efforts, increasing the supply of new rooms and the number of development projects in the pipeline. International hotel chains entered the Polish market, reaching high occupancy rates and profitability."

Yet, the outbreak of COVID-19 has come as a surprise to all market participants, from developers to hotel chains to banks. A decline in hotel occupancy rates driven by social and economic restrictions and combined with temporary border closures has had an adverse impact on the business environment.

"Had it not been for the pandemic, we would now be witnessing accelerated growth in the hotel industry as well as high rates of return on investment in hotels," said Iga Kraśniewska, Analyst at Research and Advisory at Cresa Poland. "However, given the current circumstances, demand generated by the business sector as well as social and economic restrictions imposed by governments will be major factors that determine the future of the hotel market in Poland," she said.

Yet, according to Kołodziejczyk, "the foundations of demand in the industry continue to be relatively strong, which is a sign that business clients will return as soon as the general conditions improve. The question is, will it be too late for some hotels?"

This all depends on investors' ability to take a loss for an extended period as they deal with complex cost structures with little room for cutting expenditures. Hotels need to shoulder their maintenance costs, including the maintenance of elevators, ventilation, and air conditioning systems. They also need to pay license fees and management fees to the company that is managing the hotel. A hotel of 800 rooms in one of the capital cities of Central and Eastern Europe with a staff of 400 people can cost up to EUR 1 million to run for one month.

> *"It is going to be a difficult winter. We will have to balance the mood and support of our guests because the situation is taking a toll on everyone."*

SURVIVAL MODE

While market analysis leaves no doubt that the hotel industry will be on the rise once the pandemic is over, the sector itself is facing an unprecedented challenge. Considerable uncertainty remains over when and under what conditions hotels will resume the full scope of their services, and the demand for their offering is back to pre-pandemic levels.

Aneta Lewandowska is sure that the pandemic's challenges will bring many positive long-term changes to the hospitality sector, as it will come up with a more diverse offering and embrace new types of clients.

Stefan Baurer said that the crisis will make hotels take a different approach to their business. They might be inclined to extend their services regarding hybrid meetings and develop new business ideas around it, as well as other services they can offer.

Yet, Bauer reminds us that "It is going to be a difficult winter. We will have to balance the mood and support of our guests because the situation is taking a toll on everyone."

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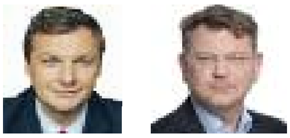

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Empty spaces: KFC found itself in an extremely challenging situation at the beginning of the lockdown after all restaurants had been shut down.

THE ART OF CUSTOMER SERVICE

AMREST BRANDS KFC, PIZZA HUT, AND STARBUCKS ADAPTED SWIFTLY TO THE CHANGING MARKET, PRESERVING JOBS AND FURTHER DEVELOPING THEIR ONLINE SALES CHANNELS. HOWEVER, THE GOVERNMENT COULD STILL DO MORE TO HELP THE STRUGGLING RESTAURANT SECTOR SURVIVE.

Like every business in the restaurant sector, AmRest, which runs franchise restaurant chains KFC, Pizza Hut, and Starbucks coffee shops, found itself in an extremely challenging situation at the beginning of the lockdown after all restaurants had been shut down. Yet, by combining innovative approaches to customer service with online communications and smartphone applications and powered by the incredible resilience of its staff and management, the company was able to reach a modus vivendi to last through the pandemic and onwards.

CLOSED

When the lockdown hit in March and KFC restaurants were off-limits to diners, the firm relocated its marketing activities to internet communication channels. The company already boasted a history of successful communication with its customers through mobile applications and on social media and decided to make the most of this now. KFC increased home delivery service in new cities and urban areas and introduced contactless delivery methods. KFC and Pizza Hut used new Covid-safe standards to ensure that the product and the delivery staff were free from the virus and that the delivery person could not get infected while delivering the food to the customer. At the same time, the company ran an educational campaign online, urging its customers to stay home and communicating their new Covid-safe delivery options. "It was a safe method and our customers clearly appreciated it, because sales volumes grew very quickly," said Bartosz Pęczalski, President of KFC Poland.

Contactless delivery was a success but involved substantial logistical and managerial effort. KFC and Pizza Hut personnel and staff from partnering firms that processed orders and did deliveries for the two brands, such as Glovo, all had to undergo training in Covid-safe delivery methods involving disinfectants, protective wear, and contactless payments methods. "We had to prepare the procedures and guide our partners' delivery drivers through the training," said Bartosz Pęczalski. "It was a very fruitful cooperation because our customers could safely enjoy their favorite foods, our partners could boost their turnover, and we could boost our sales."

SOCIAL RESPONSIBILITY

Operating at a time difficult not only for the company but for all of society, AmRest has placed a strong focus on corporate social responsibility. The chain began to use its contactless delivery method to bring meals to hospitals treating Covid patients all over the country. Through this effort, over 40,000 meals were delivered along with nearly 290 kilograms of coffee. AmRest also joined a national program aiding the National Health Service, dubbed "Calling for Reinforcements," piloted by leading firms in the HoReCa sector.

CROSS-TRAINING

As the lockdown continued, new regulations allowed restaurants to open takeout services, and AmRest outlets immediately used that opportunity too. Restaurants with drive-thru facilities were back in business.

On May 18, all restaurants were allowed to reopen their venues. The company had to adapt new safety procedures to adhere to the sanitary regulations and make sure all its staff and customers were safe. The chain also had to estimate how popular each outlet was in order to properly allocate its human resources, as the company did not want to cut jobs. Workers from some outlets which remained closed were retrained for other skills which were needed at that time by other restaurants. The program covered KFC, Pizza Hut, and Starbucks coffee shops, which were also open. The company hired transportation services to safely move the retrained staff to new locations where they were needed the most.

ALWAYS WELCOME

Opening for business under strict pandemic safety regulations brought new challenges. One of these was addressing customers who did not bring protective face masks with them. Such customers were not many, but they were obviously in breach of the new regulations and compromised the safety of other guests as well as staff. The company devised a particular procedure in which these "forgetful" guests were offered disposable face masks and requested to put them on, all in a friendly and welcoming manner. This worked well, as the procedure was in sync with the spirit of the business. "It is definitely better to give away disposable face masks and then deliver great customer service, than to reprimand quests," said Pęczalski.

Another challenge that KFC faced was spreading its customers to maintain social distancing. To help the situation on this front, the chain extended its takeout options to customers with mobile applications. To avoid waiting in the restaurant, customers can now order a takeout package and pick it up at the restaurant of their choice, either at the drive-thru window or brought to their car. There are parking spaces reserved at selected restaurants for those who pick the car option. They alert the restaurant once they have arrived through the smartphone application, and a member of the personnel brings them their order to the car. The customer can choose to have the order passed through their car window or placed in the trunk. This delivery option, which combines the elements of takeout service with contactless delivery, is becoming increasingly popular.

Bartosz Pęczalski: The global character of our company helped us a lot during the crisis, and the pivotal role of that help can hardly be overestimated.

GLOBAL EXPERTISE

Pęczalski said that as a part of a global corporation, managers in Poland were able to make use of market analyses and problem-solving methods developed by company in other markets during lockdowns. It is because of this that managers in Poland knew online sales channels would be in high demand, and contactless delivery services and takeout sales would soar. Company managers had video calls with their counterparts in other markets to share best practices for implementing cover safety standards and solving other issues. The calls were a source of extensive knowledge about what can be done, as managers who took part in them represented different markets in many countries, and each country had its own lockdown regulations. "The global character of our company helped us a lot during the crisis and the pivotal role of that help can be hardly overestimated," Pęczalski said. By perfecting new customer service options and promoting these across social media, the KFC/Pizza Hut brands are widening avenues for their business to grow. Even after the pandemic is over, the communication channels and delivery methods will remain in place, as will the food safety standards and hygienic regimes for delivery staff. According to Pęczalski, this is all in sync with market trends which had been quite visible before but were reinforced even more strongly during the pandemic.

THE GOVERNMENT'S HELPING HAND

AmRest took advantage of the "Anti-Crisis Shield," a government program offering financial aid for a period of time to companies experiencing a drop in revenue due to the lockdown. However, according to Pęczalski, the government should do more to help the HoReCa sector specifically. The first regulation to promote safety by making it easier to maintain social distancing would be lifting the Sunday trade ban. "If people had two days to do for their weekend shopping, there would be fewer of them frequenting the shopping malls on Saturdays, which is an important safety aspect in the time of the pandemic," Pęczalski said.

Another program that the restaurant sector desperately needs is one focused on helping restaurants bring in more customers. The Polish government fashioned one such program called a "Tourism Bonus" to help out the hospitality sector. Pęczalski noted that a similar program should be aimed at restaurants. He pointed to the "Eat Out to Help Out" program in the UK, whereby restaurant guests enjoy a 50 percent discount from Monday to Friday. The government covers the other 50 percent of the bill, under the condition that customers eat in the restaurant and do not order alcoholic drinks. "Such a 'happy hour program' would greatly help the restaurant sector, which has experienced a dramatic drop in revenue and generally is struggling for survival," Pęczalski said.

Industry 4.0: Robotic solutions help companies optimize their operating costs and increase production efficiency.

I, ROBOT

THE ECONOMIC CRISIS LED MANY COMPANIES TO CONSIDER INDUSTRY 4.0 SOLUTIONS AS LABOR COSTS CONTRIBUTE TO THE DISRUPTIVE BUSINESS ENVIRONMENT.

In today's world, it is hard to fathom a production company that could function without robots and workflows supported by automated processes. After the pandemic hit, Rockwell Automation, a provider of industrial automation and robotics solutions, found itself deeply embedded in challenges the production and manufacturing sector across Poland and Europe was facing.

Many Rockwell clients, such as pharmaceutical companies, saw a decline in their markets. An important position on the Rockwell client roster, automotive and tire producers, nearly froze production right after the lockdown and only began operating at a limited capacity later in June.

On the other hand, Rockwell clients in the fast-moving consumer goods industry observed steady market demand for their products and recorded a steep rise from the demand side due to the rising popularity of e-commerce sales channels. It soon became clear that some clients would face challenges in keeping their production processes operating in a higher gear, which means new challenges and opportunities for Rockwell.

HOME OFFICE

Like other companies during the lockdown, Rockwell implemented anti-Covid procedures across its factories and sent many of its people home, including marketing and salespeople. Face-to-face meetings with clients were reduced to the minimum necessary, and Rockwell engineers served clients online.

Some automation engineers and production managers were also able to supervise production from home using IT tools.

The engineering-related professionals faced a considerable challenge in supporting their clients, though, as not all technological processes are easy to discuss and solve by team members who are physically in different locations. Before the pandemic, they would usually meet face-to-face and only held online meetings when they needed to cut costs or there was a time issue.

Yet the technology at hand evolves, and Rockwell has been using communication solutions that allow team members to simultaneously talk, view, and draw on a document by touching the screen of their handheld devices. This substantially facilitates the communication process. Salespeople are also working online. According to Radosław Rudecki, End User Sales Manager at Rockwell Automation, remote work saves travel time when it comes to meetings with clients in distant locations and is good for maintaining relations with clients. Yet, face-to-face

meetings give more opportunities for getting to know potential clients' perspectives on a range of business-critical issues when it comes to starting these client relations.
What is more, Rudecki said that some clients, mainly those aged 40 and over, still miss face-to-face meetings. Nevertheless, they must adapt to the present situation. "We have to act the way we do because, in today's world, there are no other ways to move forward," said Radosław Rudecki. "Everyone has to adapt themselves to the situation. We can perform many processes online now. For instance, we can do quality checks online for our clients."

GLOBAL COMPANY

Facing the changing market reality was a challenge for Rockwell in Poland, but managers found it helpful to share best practices through the international Rockwell network. They were able to obtain support from their peers in implementing specific solutions on their local markets that had already proven effective elsewhere. According to Radoslaw Rudecki, such knowledge sharing was especially useful for solutions the company offered across Europe because although the continent is culturally diverse, there are strong similarities in how business is conducted.

ADAPTING TO CLIENT NEEDS

Facing economic uncertainties and business disturbances, firms began to work on optimizing their production costs. Rockwell saw an increased demand for its services that help clients maintain their production. Generally, when a production line is stopped for too long, certain parts of the machinery will need replacing, entailing often considerable costs. Some Rockwell clients froze their investment projects that had been aimed at new robotic solutions and instead chose to repair and tune up their existing machinery. Repair costs can range from 20-70 percent of the new machinery's cost depending on the type of machinery, so savings are considerable.
Rockwell now offers new, flexible ways of financing machinery purchases as a response to the market's current financial situation. Many clients are interested in leasing Rockwell's IT solutions, such as data. Rockwell also sells software for drawing multiple-scenario analyses of how the Covid-19 virus may spread across operated production lines. It shows weak points and enables companies to implement effective procedures and measures to make the facilities virus-proof, thus

IF COMPANIES ADOPT INDUSTRY 4.0 SOLUTIONS NOW, THEY WILL NOT ONLY INCREASE THEIR RESISTANCE TO THE CURRENT CRISIS BUT ALSO REINFORCE THE LONG-TERM COMPETITIVE ADVANTAGE OF THE POLISH ECONOMY.

safeguarding the continuity of production.
Rockwell opened its B2B platforms long before the pandemic offering IT software solutions. Machinery cannot be bought online as every order is "made-to-suit," and sales processes involve engineering analysis.

GOVERNMENT AID

Many of Rockwell clients use the government financial aid program, the Anti-Crisis Shield, and it helped to stabilize the market.
According to Radosław Rudecki, government aid and supporting activities are vital for manufacturers to get to new normal. Particularly those investing in Industry 4.0 solutions. Now is the time to act, as companies still have the budgets for such investment programs, whereas their budgets will inflate as the crisis continues. Anti-virus preventive measures are also costly; face masks wear out and need to be replaced after an hour of work and disinfectants flow.
Labor costs also rise for firms that experience disruptions in delivery chains or see demand peak. They have to pay extra hours to employees working longer hours and operational costs mount, and it is evident that a more extensive application of Industry 4.0 solutions would make a difference.
Yet, even when this is evident, economic uncertainties keep many companies from even considering such a costly investment project. A robotized solution might take up to five years to pay for itself. Taking a five-year perspective is too long and includes too many risk-factors for firms who have seen disruptions in their business and are uncertain how the markets will look next year. Having an opportunity to use government aid in financing Industry 4.0 investment projects would undoubtedly lower risk-factors and encourage more companies to invest.
"We observe that in the current circumstances Poland can become a competitive economy and an important part of new supply chain."Radosław Rudecki said. "Yet we live in a global economy. If companies adopt Industry 4.0 solutions now, they will not only increase their resistance to the current crisis but also reinforce the long-term competitive advantage of the Polish economy."

Watchful eye: Rockwell engineers monitor the performance of their clients' production lines.

SPECIAL FEATURE

AFTER NEARLY TWO DECADES AT THE HELM OF AMCHAM OPERATIONS, MANAGING DIRECTOR DOROTA DĄBROWSKA-WINTERSCHEID IS BIDDING FAREWELL TO THE ORGANIZATION, BUT HER LEGACY IS HERE TO STAY

DOROTA DĄBROWSKA- WINTERSCHEID

IN HER OWN WORDS

After 18 years of leading AmCham Poland, the time has come for me to take a much-needed break and to start the next chapter of my life. I will leave my role as Director in January 2021 with much sadness at leaving my AmCham family, but also with satisfaction at what we have been able to accomplish together. The 18 years since August 2002 have gone by quickly, probably because they have been so intense and so fun. After my initial years of teaching, pushing, drilling, and prodding, we have become a Dream Team like no other. On the backdrop of 300+ exceptional corporate investors in Poland and with the partnership of the US Embassy, we became a machine that you could not stop. Indeed, these have been the best 18 years of my life—AmCham has seen me through my best times and my most difficult times, being both my source of security and my greatest challenge.

It seems that I was uniquely qualified for the job, being American by birth but Polish by choice. My heart is always with Poland and the common good; my head is full of American teachings and a practical, direct approach. Our primary mission at AmCham is to serve our member companies in meeting their needs. We do this keeping in mind to take the best that we can of the American example of free enterprise and applying it to the Polish environment where and when relevant. We have excelled at building relationships. We have made friends in the oddest places and have tended to keep them – across all party lines. We eagerly engage with the government of Poland to give our feedback and voice our concerns, but always with the utmost respect for the office and in the spirit of partnership for the purpose at hand.

GROWING ORGANICALLY

When I came to AmCham, this was a 12-year-old organization with a solid reputation. Back then, the leadership, including Mac Raczkiewicz, Roman Rewald, and Tony Housh, ensured a high standard of quality and engagement with the Polish government. The AmCham staff, however, was kept in the background, and their potential remained largely untapped. There are few things worse than wasted potential, so my first task at AmCham was to enable the four-woman team and help them grow, which they did far beyond my expectations. At the time, we were all 30-somethings with plenty of energy and ambition. We grew professionally while the chamber grew organically, increasing our abilities, our program, our staff, and our regional presence. I quickly learned that every meeting and encounter brought value because there was some kernel of information or some contact that I could pass on to the benefit of a member company.

I proceeded to lead the chamber with a can-do attitude. There was almost no idea that we would not try, including the creation of an AmCham credit card, an SME Retreat in Kraków, a cultural outings program, or an art contest. At the same time, there was also fun to share with respect to American culture. Our first Dinner Dance was a trial run, but the next one turned into an Elvis Presley tribute. What few people in Poland know is that Elvis was not only the King of Rock & Roll, but that he was also a marvelous movie star of the 1950s and 1960s. After Elvis came Marilyn Monroe and a tribute to Old Hollywood, where I got to be Doris Day for one night.

BUILDING STRUCTURES

In 2002, I inherited a small committee structure: the HR Committee then charged 100 PLN per meeting; the Infrastructure Committee was about to launch the first-ever Polish report on Public-Private Partnership; and the Pharma Committee was strong and active, as always. In my conversations with members, I always looked for concrete actions that would bring value. Creating working groups or committees to tackle common problems was an obvious avenue, and so our committee structure grew. I always point out that our committees are member-led and member-driven, but the AmCham office provides the administrative and backup support needed to make sure that agendas move forward. This structure grew organically, as one industry sector saw the accomplishments of another industry group. Soon, the whole community caught on to the potential at hand when working together for a common cause.

A turning point for AmCham Poland came in 2012 when we were tasked with organizing a US-Poland Business Summit. Then-acting Commercial Counselor RJ Donovan came up with the tagline "Taking the Relationship to the Next Level." We were poised and ready, and indeed, that event took AmCham and US-Polish relations to new heights.

THE AMCHAM DINER

A direct consequence of the Summit was the first-ever AmCham Diner. The stage was set, the staff primed, and a new dimension of AmCham Poland took off. I drafted the concept paper and tasked my deputy to create something she had never seen before. Why is the Diner so important? Because at one of the most visible and influential forums, we showcase American might as it manifests itself in Poland. When you see the Diner, you cannot deny the impact and influence of the logos and the brand, and you cannot help but be charmed by the bit of Americana we bring. On a practical level, we have a platform for a variety of important meetings. Marzena Drela, Marta Pawlak, Anita Kowalska, and I would make the most of three intensive days of hosting our guests at the Diner, from morning to night. Although we have loved every minute of it, it is so much more than the good time it may look to be.

HELPING REACH SUCCESS

Leading AmCham Poland has been my life's work and an honor. It has been an easy story to tell of the contribution, impact, and success of American companies in Poland. It is a story of mutual benefits. I always say that US investors are the best type of investor you want because, among others, we are trendsetters. Companies have come in with one small investment, but based on the success of their Polish operations, based on the quality of the local workforce, they have almost all expanded and reinvested, expanding the potential of the Polish workforce and the Polish market at the same time. The level of sophistication grows for the benefit of Poland, while the investors themselves reach their own levels of success. This kind of equation is easy to promote, and I will always be an ambassador for the mission of AmCham and the American investor here.

AmCham Poland is poised for continued success. I think that the time is right for new leadership to take the chamber into a new era. We are most fortunate to have stable staff that are so highly dedicated to the organization and to our mission of serving our member companies. The staff excel in their sense of judgment and the relationships that they have built. I believe that new leadership will bring new ideas and new excitement to the organization, while I look forward to taking a backseat and being an eager guest as soon as we are allowed to meet again.

I would like to take this opportunity to thank my incredible staff who have supported me personally and professionally as we have met new challenges inside and outside of the office. I extend my deepest regards to all the member companies that have put sense to our work and supported us on all our projects. Finally, I want to thank those of you who have worked with us side by side in friendship and in the spirit of reaching a common goal. We have had a lot of fun over the years, and I trust the fun is not over.

Special feature

Always there

Throughout her career with AmCham Poland, Dorota Dąbrowska-Winterscheid has always been in the background supporting the AmCham team, and sometimes in the spotlight, representing the organization at conferences, congresses, and business events in Poland.

1. Dorota speaking at the Regional Tax Conference, Warsaw 2006. 2. Dorota gives an interview for TVP3 in the early days at AmCham. 3. An interview for Polityka Insight at the AmCham Diner at the ABSL conference in Łódź, 2017. 4. Saying farewell to employee Agata Zielińska, with AmCham Team and Madam Ambassador Joan Ashe (far right) May 2008. 5. Dorota with Mirosław Dackiewicz, Agri Plus; US Ambassador to Poland Paul Jones (2015-2018), and AmCham Chairman Tony Housh. 6. With GE CEO Jeffrey Immelt, AmCham Chairman Romand Rewald, and Tony Housh, at the Regional Stakeholder Dialogue, Warsaw, June 2006. 7. With former President of Poland Lech Wałęsa at the SIOR Conference, summer 2018. 8. Dorota, with AmCham Chairman Roman Rewald, hosting the 2013 AmCham Diner in Krynica. 9. Dorota as Marilyn Monroe, and Michał Milowicz as Elvis performing at the AmCham's Diner Dance, January 2005. 10. Dorota as Marilyn Monroe with VIP guests at AmCham's 20th Anniversary Ball, October 2010. 11. With AmCham Deputy

Director Marzena Drela and AmCham Chairman Tony Housh at the US-Poland Business Summit, April 2018. 12. Giving an interview for TVN24 BiS at the 2019 AmCham Diner in Krynica. 13. Dorota as Sarah Palin at the November 2008 US Election Night, with Roman Rewald, Teresa Sukniewicz-Kleiber, and Prof. Michał Kleiber. 14. With Sławomir Sikora of CitiHandlowy and Dorota Warakomska, host of the 2015 AmCham Diner in Krynica. 15. With Minister of Development and Technology Tadeusz Kościnski, Marzena Drela, Grażyna Ciurzyńska of PAIH, and Jolanta Jaworska of IBM at the 2018 AmCham Diner in Krynica. 16. Speaking at the Regional Tax Conference, Warsaw 2014. 17. With Tony Clarey at an AmCham Business Mixer, 2016. 18. With Marta Pawlak, Prime Minister Mateusz Morawiecki, and Marzena Drela at the 2017 AmCham Diner in Krynica.

MONTHLY MEETING

SEPTEMBER

WE ARE ALL IN THIS TOGETHER!

RETURNING THE ECONOMY TO ITS PRE-PANDEMIC PERFORMANCE WILL BE AN UPHILL BATTLE, BUT NEW BUSINESS OPPORTUNITIES WILL ABOUND

The September Monthly Meeting, which took place at the Warsaw Marriott, was devoted to discussing the impacts of the Covid-19 pandemic on the economy. The panelists were Piotr Arak, Director of the Polish Economic Institute, Sławomir Dudek, Chief Economist at Employers of Poland (Pracodawcy RP), and Piotr Kalisz, Chief Economist at Citi Handlowy. Tony Housh, AmCham Chairman, moderated the discussion. The meeting in September was another in a series of hybrid meetings involving an in-person audience at the hotel as well as online participants who joined the meeting via Webex's video conferencing platform. Both in-person and online participants could direct their questions to the panelists.

CONSUMER CONFIDENCE

Poland's economic growth is driven by internal consumption, which is why the data depicting consumer sentiment are crucial in understanding short-term trends in the economy. According to Piotr Arak, consumer spending in July-August was a bit higher than in the same period of 2019, and the growing trend was stable. Confined to their homes during the spring lockdown, consumers began to spend more on home-related items such as furniture and interior decoration. However, live entertainment, including cinemas and theaters, dropped by 23 percent in July-August compared to the same period in 2019. Shopping—not including e-shopping—also dropped, and so did international tourism, as many people dropped their plans to travel abroad in the summer.

"The worry is that consumers are not very optimistic about the economy," Arak said, "which is a serious factor in projecting future economic performance. We do not know if consumers are going to act in a few months as they have been doing so far."

According to Sławomir Durek, data from the Central Office for Statistics (GUS) revealed that consumer confidence was not as high this year as it had been the year before after the summer. "We do not know if it is a strong tendency or just a correction after the summer," Dudek said, "and to what degree it is driven by economic uncertainty."

EXPORTS

Another important aspect contributing to the growth of the economy is international trade. With Poland's main trading partners being the EU states, "the situation is not clear," Arak said. Poland exports a diverse range of products to those countries, and it is difficult to say what product categories will continue to generate demand in export markets. "Our main trading partners are Germany, the UK, France, Italy, and the situation in those countries is not good," Arak said. Poland is a huge manufacturer of automotive vehicles and car parts. Since the automotive industry had been badly hit across the union, this sector is not going to thrive in the months to come. Arak noted that economies such as Slovakia and Hungary rely on the automotive sector to a much higher degree than Poland. Because of the downturn in Europe's automotive market, the crisis will affect them even more significantly. Piotr Kalisz noted that one reason the Polish economy did well during the first economic lockdown (which took place during the second quarter of 2020) was that Germany, Poland's largest trading partner, implemented a massive aid program to support the liquidity of companies. "In March-April 2020, the German economy and the German consumer market did much better than in Poland and other EU countries," Kalisz said. "Poland benefited from the growth in internal consumer demand in Germany, while the Czech Republic, for instance, benefited from the revival of German exports."

THE BALANCE SHEET

In addition to internal consumer demand, the performance of the private sector is another critical factor when it comes to generating economic growth. During the economic lockdown, the private sector was aided by a government aid program called the Anti-Crisis Shield. Because of the program, the liquidity of companies in Poland in July-August was nearly at the same level as in the same period of 2019, according to data from the Ministry of Finance. With this, Poland's GDP in the second quarter of 2020 dropped by 6 percent, below what Eurostat, the statistical office of the European Union, had forecasted. "There are countries in the European Union where the drop was much more dramatic," Arak said.

Along with introducing the aid program for companies, the government stabilized the economy by introducing an aggressive fiscal policy against market shocks, noted Sławomir Dudek. It was the first such move by the government in 10 years.

All of this contributed to a relatively optimistic economic outlook for 2020 from the Ministry of Finance, which predicted the Polish GDP to contract by 3.2 percent. The forecast was in sync with the projections of many commercial banks and independent economic centers.

The AmCham meeting took place in early September when it seemed that the pandemic was conveniently under control in Poland and other EU countries, and few economists doubted that the markets would rebound in 2021. At that time, the European Commission had projected the Polish GDP would increase by 4.1 percent in 2021.

The Polish economy sent signs of revival in early September, which surprised many market analysts. "Economic performance is close to pre-crisis levels and consumer consumption is above 2019 levels," Sławomir Dudek said. He noted that the Polish economy is thought "to be doing better" than the economies of many other EU countries, "but Poland's revival is very fragile."

THE ROLE OF THE GOVERNMENT

According to Sławomir Durek, "while the business sector needed government support to survive the lockdown, there are voices calling for increasing the government's role in the economy. The crisis showed that firms and the economy could not survive without government help," Dudek said. However, he noted that there should be clear-cut lines on how far the government can interfere in the economy. Many companies fear that the government's role in the economy will be extended too far due to the pandemic. For Piotr Arak, government intervention is a necessity. The enormous scope of the crisis requires government involvement, "but it is not that everybody in the public service now wants to own a part of a company. Rather, it happened out of necessity." It is commonly acknowledged that, in this time of need, the government should help the economy to a much higher degree than ever before, and this will prevail as long as the economic turmoil continues. "We all would probably agree that the circumstances of the pandemic are exceptional, and when we think of the new normal, governments will have to be somewhere there on the horizon," Arak said.

BUDGETARY CONCERNS

The government's role in helping the economy through the pandemic is even more pressing when considering the new tax measures that will come into force in 2021. "If companies take advantage of these tax breaks, the government will collect some PLN 6 billion less in taxes in 2021," Piotr Kalisz said. Poland's budget deficit is already huge, and next year the government will need to safeguard effective revenue generators. The question is how. "We do not want economic austerity as we had after the 2008 financial crisis, because if governments decide not to spend, it will hinder economic growth," Kalisz said.

On the other hand, a growing number of entrepreneurs fear tax increases in 2021, Sławomir Dudek noted. He said that "There are plans to introduce new taxation to business, which is worrisome, especially when you realize that there will be a variety of new taxes introduced in Poland in 2021, including a retail trade tax, sugar tax, and new fees on energy prices. This is a big concern, and we hope that during our talks with government representatives through the process of social dialogue, we will be able to persuade the government not to add new fiscal burdens to business in Poland."

LABOR MARKET

One reason the government introduced the Anti-Crisis Shield was to save jobs in the economy. Some 200,000 jobs were lost during the lockdown in spring, noted Sławomir Durek. Not included in this number were some 100,000 jobs performed by foreigners, mostly Ukrainians. Universally, foreigners from outside of Poland's eastern border are known as the "last hired, first fired," which is why the labor market did relatively well during the lockdown. Piotr Arak noted that market analysts were surprised that the unemployment rate did not skyrocket due to the lockdown. "We do not expect the unemployment rate to grow rapidly in any way now," Arak said, adding that, "According to the Ministry of Finance, it will remain at the level of 8 percent, which is a very realistic prognosis." However, he noted that a key question remains about what the companies that had resorted to the government aid program will do when the program expires. Market analysts are not still positive about what those companies will do and what impact their decisions and actions will have on the economy. However, when the economy bounces back, which all panelists agreed will take place sometime in 2021, employers may find it challenging to recruit new employees to ensure rapid business growth, given the demographic situation in Poland (an aging society) and the fact that the pool of workers is limited already.

THE NEW NORMAL

The pandemic's reality has encouraged many businesses to transform and embrace new technologies, especially when it comes to communications. There are new threats, but also new business opportunities. "Some branches of the economy, such as the hotel sector and convention centers, should look for new business models," said Sławomir Dudek. "They should see the crisis as an opportunity to reshape," he noted, adding that in many cases, it was not clear what business models should be applied. "We all agree that the MICE sector (Meetings, Incentives, Conferences and Exhibitions)

may need further support from the government."
In turn, Piotr Kalisz noted that while the pandemic has introduced many new risks, "There are also opportunities because there are changes in the way we work."
While many businesses will fail to adapt to the new normal, "new businesses can emerge in this new situation," Kalisz said, pointing to domestic companies that had begun producing face masks and detergents, filling in a gap that emerged after supply chains from China were disrupted. "This is how the economy works, and there are new business opportunities in this new reality," Kalisz said, adding that the new normal is "a creative destruction not triggered by technology and competition, but by a pandemic. All businesses will need to adapt to this new situation."
If its companies recognize this and adapt to the new situation, Poland will continue to attract foreign investment. This trend grew stronger after Brexit was announced, especially in the sector of business services centers. "This might continue because Poland now has experience in working from home. This is an incentive for investors to optimize costs by employing Poland's experienced, well-educated and qualified labor force that works for lower salaries money than in the West," Kalisz said.
He stressed the "cost and labor quality" aspect of Poland's attractiveness by saying that the country is "the most promising emerging market out of all the EU's emerging markets," which, combined with "the quality labor force" and "relatively low costs," is "a phenomenal opportunity for investors."
According to Piotr Arak, the new normal is an excellent opportunity for Poland to digitize its economy further and continue developing a strong services sector for business. Poland also has a strong industrial sector that emerged from the 2008 financial crisis unscathed, which is why the Polish economy recovered so well. The same situation may repeat in our "new normal."
Piotr Kalisz noted that the European Union earmarked many funds for Poland, which the country will receive through the Economic Recovery program. The funds can be used to develop new energy sources, technology, and innovation. "Even if Poland uses only half of the money earmarked by the EU, it may add over 1 percent to the country's GDP in 2021, which is significant," Kalisz said. "It is going to be a very strong stimulus for economic development that will be spread out over time." Kalisz is optimistic that even if fiscal policies are tightened in the coming years, the Polish economy will see "a recovery, not a stagnation."
Sławomir Dudek agreed but noted that the fourth quarter of 2020 might be worse than the third quarter. "There are some uncertainties, but this is normal. We are now more optimistic than we were two months ago. We are aware of the uncertainties lurking in the fourth quarter of this year, and we believe that there is going to be a period of weakness from the fourth quarter of this year to the second quarter of 2021." Beyond that point, however, the Polish economy is predicted to improve. "Next year, the economic recovery will reach some 5 percent GDP, depending on various details," Kalisz said. "In the second quarter of 2021, the economy will return to pre-crisis levels, which is not bad, given the shock that we experienced in March 2020 and later."

PIOTR ARAK

Director of the Polish Economic Institute. His work experience includes Deloitte, the Polityka Insight think tank, the United Nations Development Program, the Ministry of Administration and Digitization, and the Chancellery of the Prime Minister. Arak studied Social Policy at the University of Warsaw, followed by further studies on using statistical methods in business, and received an MBA from the Warsaw School of Economics and University and the University du Quebec in Montreal. Arak is currently working on a Ph.D. in Public Policy at the University of Warsaw and has authored many papers on digitization, the economics of health care, and economic policy.

SŁAWOMIR DUDEK

Chief Economist at Employers of Poland (Pracodawcy RP). An expert in public finance and a member of the Association of Polish Economists (TEP). Since 2003, he has been associated with the Research Institute of Economic Development at the Warsaw School of Economics. Dudek is also the former Director of the Macroeconomic Policy Department at the Ministry of Finance. From 1996-2019, Dudek served at the Ministry of Finance, heading the Division of Macroeconomic Simulations and Forecasts (2001-2008) and serving as Deputy Director (2008-2012) and Director of the Macroeconomic Policy Department (2012-2019). From 2012-2019, Dudek chaired the Polish delegation to the Economic Policy Committee's meetings at the OECD.

PIOTR KALISZ

Head of Central and Eastern Europe Economics at Citi Research and Chief Economist for Poland at Citi Handlowy. Kalisz is responsible for macroeconomic analyses and forecasts for Central European economies and for marketing these views to institutional and corporate clients. His team includes economists based in Budapest, Prague, and Warsaw. Before joining Citi in 2005, Piotr was the Senior Economist at PKO BP. Kalisz holds a Master's degree in Quantitative Methods and Information Systems from the Warsaw School of Economics (SGH). He completed a one-year management program at the ICAN Institute and is a Certified Financial Analyst charterholder.

Staying Connected

The September Monthly Meeting hosted by the Warsaw Marriott was another in a series of hybrid meetings held by AmCham involving an in-person audience at the hotel and online participants. Both in-person and online participants could direct their questions to the panelists.

1. The panelists: Sławomir Dudek, Chief Economist at Employers of Poland (Pracodawcy RP); Tony Housh, AmCham Chairman (Northrop Grumman) who moderated the discussion; Piotr Arak, Director of the Polish Economic Institute; Piotr Kalisz, Chief Economist at Citi Handlowy. 2. Łukasz Kowalski, MSL; Aleksandra Kazimierski, Morgan Philips; David DeBenedetti, DeBenedetti, Majewski, Szcześniak. 3. Jolanta Jaworska, AmCham Board Member (IBM Poland); Anita Kowalska, AmCham; Tisha Loeper-Viti, Anna Jaros, US Embassy. 4. Frank Wagner, Lufthansa; Tim Hyland, Travel Express. 5. Tony Housh; Jolanta Jaworska. 6. Tomasz Korkosz, Takeda; Marzena Drela, AmCham.

MONTHLY MEETING *OCTOBER*

MEET THE US EMBASSY TEAM

AMCHAM WELCOMES NEW US DIPLOMATS TO WARSAW

AmCham's partnership with the US Embassy in Warsaw is critical to delivering the chamber's mission and services. Over the years, the partnership has been developing from good to great, and it felt like a family meeting when AmCham members welcomed newly-appointed US diplomats in Warsaw at the Monthly Meeting in October. Their posting in Warsaw signals that Poland will remain a key partner for the US in security and also political and business relations, and that the American business community in Poland will continue to have strong support in Washington.

COMMERCE

From a business perspective, the most significant new diplomat in Warsaw is Heather Rogers, who came to Warsaw for a three-year tenure as the Commercial Counselor. Rogers said that her focus in Poland will be the investment climate and challenges that US companies face in Poland. She said that the US government can help such companies navigate these problems in some cases. "The US government may speak to the Polish government on behalf of such companies," Heather Rogers said.
Roger's deputy is Ryan Bowles, another new US diplomat in Warsaw. Bowles will serve in Poland for three years. He will cover energy and regulatory issues specifically. Another appointee is Neil Pickett, Commercial Officer, Commercial Service of the US Department of Commerce, at the US Embassy in Warsaw. Pickett's work will concern the statutory activities of the Commercial Service, primarily supporting US companies looking to expand their business to Poland and advocating on behalf of US companies in tender challenges in Poland. The Commercial Service also helps Polish companies invest in the US. Pickett will serve in Poland for three years and has an in-depth understanding of business. Before joining the Commercial Service, he worked in the private sector, developing international business networks.

ENERGY

Arguably, the most important new appointment was that of Robert Rudich, the Energy Attaché to Poland and the first energy attaché in the history of the US Embassy in Warsaw. Rudich said that his appointment reflects the importance the US government attaches to energy issues in Poland. It is a very deliberate signal that the US sees the energy field as an opportunity for partnership between Poland and the US.
His specialty is in nuclear energy, focusing on new nuclear power designs that offer unique business opportunities. He said he hoped to work closely with AmCham member companies in other energy areas, including gas, coal, and renewables. Rudich will serve at the US Embassy in Warsaw for three years.

TRAVEL TO THE US

Along with the newly appointed diplomats, AmCham hosted US Consul Andy Utschig, who has served in Poland for some time now. Utschig said that while the US has introduced some travel restrictions because of the Covid-19 pandemic, the country is still open for business travel. To enter the US for business during the pandemic, travelers need to qualify for "national interest exceptions," but Utschig said that the US administration wants people to travel to the US to aid in improving the economy. "If you need to travel to the US for business, contact us, and we will respond within five days," the US consul encouraged AmCham members.

AmCham in Warsaw

The last time at the Marriott

The AmCham Monthly Meeting in October was the final opportunity for AmCham members to meet face to face in 2020 before health officials banned in-person meetings across the country as a pandemic precaution later in the month. The venue was the Marriott Warsaw, which provided an excellent breakfast bar for participants of the meeting.


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1. Heather Rogers, Commercial Counselor, US Embassy in Warsaw. 2. Ryan Bowles, Deputy Economic Counselor, US Embassy in Warsaw. 3. Rob Rudich, Energy Attache, US Embassy in Warsaw. 4. Neil Pickett, Commercial Officer, US Department of Commerce, US Embassy in Warsaw. 5. Andy Utschig, Consul, US Embassy in Warsaw. 6. Dorota Dąbrowska-Winterscheid, AmCham Managing Director; Rob Rudich; Tony Housh, AmCham Chairman (Northrop Grumman). 7. Paweł Gruza, KGHM Polska Miedź; Dorota Dąbrowska-Winterscheid; Heather Rogers; Andy Utschig. 8. Weronika Kuna, Microsoft; Marzena Drela, AmCham Deputy Director; Agata Krawczyk, JP Morgan. 9. Robert Grader, Warsaw Marriott Hotel; Dorota Dąbrowska-Winterscheid. 10. Marek Szydłowski, AmCham Vice Chairman (Integer); Andrzej Krawczyk, CVC Capital Partners. 11. Andrzej Kozłowski, Emitel; Anita Kowalska, AmCham.

FOCUS

The Women's Network at GE Healthcare

Stronger together: In-person meetings have always played an important part in the support programs of the Women's Network.

COMING TOGETHER

INTERACTING WITH FELLOW WORKERS IS IMPORTANT AND ONLINE TOOLS CAN HELP

When faced with the "winds of change," one must readjust the sails. The pandemic is a huge challenge for many corporations, but above all, for their leaders. Managerial influence is significantly limited in situations in which 90 percent of employees are working remotely. With this, companies are beginning to monitor their teams' commitment to ensure all individuals are adequately integrated with their companies. Leaders and managers thus face quite a challenge. For some, the situation provides an excellent opportunity to develop and take their career to the next level. For others, it is a moment to reflect and consider whether the path they have chosen is the right one for them.

THE LEARNING CURVE

In 2019, as the leader of the Women's Network group at GE Healthcare, I prepared a plan for the group's activities in 2020. It was comprised of many ambitious projects, training sessions, and meetings. It kicked off successfully, but it took just one day for everything to stop in March. As an office manager, I have had many of my responsibilities increase due to the pandemic but have managed to maintain our network's regular meetings. Once every three weeks, we connected for 30 minutes to talk and see each other over video calls. Every online meeting makes us realize how much we miss each other and our human interaction.

I also learned that not every woman can talk to her manager about what is bothering or worrying her. It is difficult for many women to speak their minds on a range of issues. This was why we decided to hold an online session with makeup artist Katarzyna Rucińska. In 90 minutes, we learned more about makeup than in our entire lives and shared our thoughts as well. This led me to take the idea further and hold our first-ever online training, on the subject of communication. It felt very natural to me because I had learned that it is so important to know not only how to speak your mind but also how to listen to others. We scheduled a set of training programs provided by Leaders Island, an independent consulting company, which was very appreciated by participants. Following this, I have prepared a program exclusively for women aspiring to become leaders. The workshops will be largely based on building relationships and on emotional context. After all, there is nothing more valuable than knowing yourself and your value when it comes to leadership.

BEING TOGETHER MATTERS

I also realized we needed to attend to our physical side as well as our psychological side. A group trip to Turbacz, the highest peak of the Gorce Mountains, seemed to be a perfect idea to spend time together outdoors while observing social distancing and all other safety requirements. Thanks to the support of Tomasz Radczuk, Leader of the GE HealthAhead group and our guide on the trip, we were able to get to know each other in entirely new circumstances. The time spent together made us realize our strengths and weaknesses, and coping with fatigue on the trail boosts your confidence. The next day, we all took part in a run held by the Poland Business Run Foundation. The GE Women's Network group also funded the awards for the best women's team, which were presented for the first time this year.

MOVING FORWARD

We are delighted with what we have achieved so far and continue to move forward. We plan to hold meetings in October and November to discuss preventative care. This is an important issue to discuss, but it is even more important to act and lead by example. This year, the GE Women's Network joined forces with GE HealthAhead and held a run to Piłsudski Mound, one of the landmarks of Kraków. The event helped us remember that "prevention is the foundation," which is important to know, especially during the pandemic crisis. The project's organizer was Natalia Jarzębska, distinguished by her participation in the Women in DT program.

We continue to be active despite the pandemic. Together with the GE Branding Team group and its leaders Magdalena Fuczko and Katarzyna Żydek, we are working on a series of interviews with people from the GE Women's Network. Our group also includes men who support us and participate in the training programs and workshops we organize. The results of our work will soon be available online for all to see.

Anna Zemła

The author is Office Manager and Site Security Leader at GE Healthcare and leader of the Women's Network at GE Healthcare. She graduated from Harvard Business School Publishing and currently studies journalism and social communications.

FOCUS

Personal Data Protection

Presenting points of view: Mirosław Sanek, Deputy President of the Personal Data Protection Office (UODO), and Piotr Drobek, Director of UODO Analytics and Strategy Department, meet AmCham members online.

IN SEARCH OF A BETTER WAY

PERSONAL DATA SAFETY REGULATIONS IN THE EU ARE UNDER REVISION FOLLOWING THE EUROPEAN TRIBUNAL OF JUSTICE'S RECENT VERDICT

In November, AmCham held an online meeting with Mirosław Sanek, Deputy President of the Personal Data Protection Office (UODO), and Piotr Drobek, Director of the UODO Analytics and Strategy Department. The discussion, moderated by Marta Pawlak, Head of Legal & Public Policy at AmCham, focused on the legal repercussions of a judgment passed in July 2020 by the European Court of Justice, which invalidated earlier EU-US agreements regarding the protection of personal data obtained by US companies from the EU.

DIFFICULT HISTORY

The transfer of personal data from the EU to the US has been a controversial issue for a long time. Both the US and the EU assert that they are committed to upholding individual privacy rights and ensuring personal data protection, including electronic data. The US does not broadly restrict cross-border data flows and has traditionally regulated privacy at a sectoral level to cover certain types of data. The EU, on the other hand, considers the privacy of communications and personal data protection to be fundamental rights codified in EU law. Since 2000, many entities have used EU-US negotiated agreements for cross-border data flows. The first agreement introduced a program called Safe Harbor, which was later upgraded and renamed Privacy Shield. However, the EU's top court has invalidated successive accords due to concerns regarding US surveillance laws, striking down Privacy Shield in July with the Schrems II judgment. This invalidated the EU-US Privacy Shield and determined that the use of standard contractual clauses requires data controllers to conduct a case-by-case assessment of the level of data protection that these clauses are to provide. The judgment affects all European companies that transfer data from the EU to the US and puts these entities in a world of legal uncertainty.

CLEARING DOUBTS

According to Mirosław Sanek, there are a variety of legal interpretations of the verdict, ranging from the interpretation that nothing has changed to the interpretation that the transfers of personal data to the US from the EU are illegal. Companies in the EU who do business with the US are now in the dark about whether they can send personal data (of their clients, etc.) to their business partners outside of the EU.

Those doubts may be dispelled by the European Data Protection Board (EDPB) when it updates the requirements that standard contractual clauses need to contain following Schrems II. Sanek said that when data protection experts and the business sector discuss the repercussions of Schrems II, it may transpire that new legal solutions should be applied to safeguard personal data outside of the EU.

ONE FOR ALL

Piotr Drobek noted that the UODO could, as a national personal data safety regulator, issue its own regulations governing data transfers outside of the EU. However, such regulations would only be binding for companies registered in Poland. Companies in other EU states would need to follow different regulations, which would lead to procedural mismatches within the EU. This is why the UODO and other like agencies across the EU prefer to wait for the EDPB to update the contractual clauses. "We understand the consequences of such regulations for business and we see the legal complexity of the problem, but our mission is to protect personal data," Drobek said. He added that once the European Commission announces the new regulations, the UODO will be tasked with implementing them in Poland. The UODO is "open to consulting with the business sector and analyzing solutions from a practical point of view."

FOCUS

Business and the pandemic

At the Marriott Warsaw online conference facility: Tony Housh, Mark Andrijanic, Wojciech Niewierko, and Gabriel Ragy. Rafał Stepnowski joined the discussion online from Gdańsk.

REDISCOVERING POTENTIAL

AMERICAN COMPANIES DRAW LESSONS FROM THE PANDEMIC

In September, AmCham held another discussion panel in the series called "Doing business in the times of Covid-19." The panelists were Mark Andrijanic, Director of Public Policy, Central & Eastern Europe at Uber; Wojciech Niewierko, Member of the Board and Director at Philip Morris and responsible for External Affairs in Poland and the Baltic States; Gabriel Ragy, CEO and Chairman of the Board at P&G Central Europe; and Rafał Stepnowski, Director of Government Affairs at Boeing, who also leads Jeppersen, the Gdańsk-based Boeing subsidiary. The discussion was moderated by Tony Housh, AmCham Chairman (Northrop Grumman).

TECHNOLOGY

In his opening remarks, Tony Housh said that while the pandemic was in its initial phase in Poland in May-June, the business sector was already wondering when the situation would return to normal. As the crisis continues, however, it has become clear that the new situation, which resulted in the universal adaptation of communication technologies across a broad spectrum of businesses, has created huge challenges for companies. However, the impact on the markets has also led to new business opportunities and possibilities.

Gabriel Ragy noted that P&G had made good use of communications technology to maximize employee and client engagement. The introduction of the home office for P&G's employees led the company to change the design of the office space to allow for more human-to-human interaction to compensate for the lack of such when working from home. "The worst thing that could happen would be for us to work from home as if we were working in a cubicle," Ragy said, adding that "Finding the right balance is the key. No extreme solutions apply."

Mark Andrijanic added that the pandemic also accelerated innovation for Uber. He said that operating a network of tens of thousands of drivers, the company had to "rethink the concept of health and safety overnight" to ensure the safety of its drivers and riders. The solution was "face-mask recognition software," which allowed the company to "disallow drivers without face masks from delivering Uber services."

According to Boeing's Rafał Stepnowski, technology allowed the company to successfully transition its employees to work from home and maintain the quality of service delivered to its customers. No work productivity issues were noted. The company had been prepared, having learned from the example of its huge office in China, which transitioned to remote work in January-February. "We learned our lessons from our colleagues in China," Stepnowski said. "It was important that we entered the pandemic as prepared as possible."

The move was successful. While the company has been working remotely throughout the pandemic, it has also maintained fully operational offices. The office is only an attractive offer for a small portion of the staff, though. "Our challenge today is that only about 10-15 percent of our staff want to return to the office," Stepnowski said.

Wojciech Niewierko observed quite a different problem at Philip Morris. He said they had applied home office solutions across the company (except for at the company's factory in Poland). However, after some time, employees started wanting to meet again, go to dinner together, and socialize. It is the company's policy not to allow any meetings in large groups, though. "Before the pandemic, we thought we were going to the office for work," Niewierko said, "but now we know that this was an oversimplification. The office was not only a place to work, but also a place to form interpersonal relationships." This is something for which technology has not yet offered alternatives.

AGILITY

With the question of technological transformation comes the issue of how agile and flexible businesses can be in their responses to the changing market situation. Although all the panelists represented large companies—and such are generally thought to be slow in moving with the market—their stories contradicted this belief. Philip Morris cut the production of tobacco products and replaced them with the production of disinfectants, and joined the race to develop an anti-Covid, nicotine-based drug.
For Uber, adapting to the changing market was an obvious move. While the company saw an 80 percent drop in its ride-hailing service business, its food delivery service soared. The company had to allocate its resources properly. "We were lucky enough to have had Uber Eats on our platform, and this business doubled during the crisis," Mark Andrijanic.
Boeing reduced its R&D department, which had been focused on developing futuristic designs, and moved its engineers to the production area. The company had to make changes in response to changes in the market and new demands across its supply chains.
Rafał Stepniewski said that for Boeing, it was a question of how the company can manage productivity and innovation, and the pandemic made this question a priority. Opportunities are everywhere, Stepniewski said, "Be it the site structure, organizational structure, or functions that have been made redundant."
Gabriel Ragy agreed with Stepniewski, saying that the pandemic has forced organizations big and small to rethink how they do business in areas such as leveraging technology for their needs and cutting unnecessary layers of management so decisions can be made quickly. "We are more agile, as we have empowered people at the frontline to make decisions," Ragy said. "Companies have to keep constantly adjusting themselves during such a crisis. Today, those organizational structures are being disrupted, and this allows companies to work in a much more agile way."
In turn, Wojciech Niewierko observed that after companies moved their people to home office mode, it transpired that "junior managers can have more frequent interaction with senior managers," which contributes to the flexibility and agility of the entire organization.
When it comes to how agile a business can become regarding its productivity potential during the pandemic, Wojciech Niewierko told the story of a company that had planned to install a sophisticated piece of equipment in one of its factories in Russia before the pandemic. The company conducted a technological assessment regarding whether the installation could be completed remotely by engineers stationed in Germany using remote work tools such as augmented reality. The result of the assessment was a resounding no. However, the pandemic had already begun to develop before the installation could take place. The engineers were not able to fly from Germany to Russia and were forced to complete the installation remotely after all. "This clearly shows," said Niewierko, "that companies have more productivity potential than they recognize."

RETAINING TALENT

The pandemic has also significantly impacted the labor market, which worries some employers who are looking far ahead. While some workers have been made redundant, this has not changed the country's demographic challenges that necessitate a larger labor force. Since the beginning of the pandemic, Philip Morris kept this in mind, having announced that "nobody would lose their job because of the pandemic." According to Wojciech Niewierko, this united the workforce around the shared purpose of supporting all Philip Morris operations throughout the pandemic: the office, the factory, and the shared services center. The announcement was especially welcomed by salespeople, who, Niewierko explained, "confined to their homes, could not sell."
The company conducted an employee satisfaction survey among its people three months into the pandemic. The survey revealed the highest satisfaction rates seen in many years at the company, which meant that its no-job-cuts policy appealed to its team.
Meanwhile, while technology and innovation are helping companies adjust to changing markets, some companies are still finding it impossible to maintain jobs at pre-pandemic levels. And some of them were surprised to see that their employees—mainly software developers and engineers—left them quite willingly, perhaps hoping for better career opportunities in other sectors.
For Wojciech Niewierko, this is a question of how attractive a company can be to new talent in terms of the new technological changes and new opportunities they can offer. Niewierko noted that "With the changes in the way we work, things have changed here as well. Because of the involvement of technology in the managerial processes, there may be some changes in the way people progress in corporations."
For P&G, technology is only one part of the solution. Since working for a business does not require being present in the company's office, the company is working to attract talent from all over the world. "This helps us be more agile because we can gain access to talent with no obstacles," Ragy said.
However, all panelists agreed that the problems regarding employment and workforce availability cannot be solved by the business sector alone. With the new forms of work (home office) and high levels of worker flexibility required by the market, lawmakers must step in to help build an adequate legal framework for the modern labor market.
According to Ragy, the labor laws in Poland and many EU countries are not fit for the modern business environment, as they do not take into account the new, flexible work locations. "We have to adopt new labor laws that provide the needed flexibility to combine office and home office work models," Ragy said.
Mark Andrijanic noted that self-employed individuals do not have enough legal protection in Poland, which is unfortunate because self-employment is the future of labor. Meanwhile, government aid programs aim to support employees at companies but not self-employed people, "which is a tragedy of sorts," Andrijanic said.
He added that to make the best of the economic recovery, Poland needs to have flexible labor laws and a modern immigration policy. "Everyone is competing for top talent now, and we need to have immigration policies that are well-targeted," Andrijanic said. He maintained that the economic recovery will be an opportunity for Poland to close the gap in economic development with Western Europe. It would be a shame if the country failed to take advantage of this opportunity and continued to maintain outdated labor and immigration laws.

FOCUS

The Greatest Contemporary Innovators Project

MEET SUCCESSFUL INNOVATORS

A NEW ONLINE MENTORING PROGRAM FROM THE INDUSTRIAL DEVELOPMENT AGENCY, ARP, OFFERS FRESH IDEAS ON INNOVATION AND BUSINESS FROM SOME OF THE WORLD'S LEADING PRACTITIONERS

As the world is affected by the Covid-19 pandemic, it is a common expectation that the reality after the pandemic will include positive perspectives for growth. It is a universal expectation that the world will be very different from the one we used to know. There is hope it will be filled with innovative thinkers with new ideas that will help battle the negative effects of the crisis.

INSPIRATION FROM SUCCESS

The need to make a better world after the pandemic was why Paweł Pacek and Bartosz Sokoliński, both directors at the government-run Industrial Development Agency (ARP), came up with the idea for WEinnovators.club and "The Greatest Contemporary Innovators" project. They compiled a list of experts who had been involved in some of the most innovative projects and behind the success of some of the most innovative companies. The experts have a variety of perspectives and come from academic, business, and technological backgrounds. After compiling the list, Pacek and Sokoliński invited the experts to speak online about their experience and current work and share insights on different aspects of innovation and their visions of the future.

The response was positive, and that was how the APR's Greatest Contemporary Innovators Project came into being. It is dedicated to students, startup founders, academic lecturers, and corporate professionals in Poland as well as other European countries.
"It's no secret that the center of global innovation is located in the US," said Pacek. "Our aim is to not only introduce new technologies to the local market but also to inspire people to develop new business ideas and management theories," Pacek said.

TOP EXPERTS

More than half of the speakers at WEinnovators.club come from the USA. That is why, Pacek noted, the series of webinars became an ambassador of American business and science in Poland and Europe. "We are extremely proud to present lecturers from the most renowned American universities as well as representatives of the most innovative companies," Pacek said. "So far, we have had 26 webinars with icons including Prof. Rita McGrath, Alexander Osterwalder, Prof. Sir Andrew Likierman, Dr. Luc Julia, Paul Misener, Prof. Vivek Wadhwa, Dr. David Hanson, and many others!" Each webinar is hosted by an expert from Poland, who moderates the Q&A session that takes place after the presentation.

PARTICIPATE ONLINE!

Each conference is streamed live on YouTube (on the WEinnovators.club channel) and Facebook (Sieć Otwartych Innowacji). The recording of each webinar is posted on WEinnovators.club. Those who want to be updated on upcoming events can subscribe to a newsletter on the website as well.
There are two speakers scheduled to present before the winter break: on December 9, Prof. Mark Esposito from Harvard University will share his thoughts on recent innovations, and on January 13, the speaker will be Eric Schurenberg, CEO, Mansueto Ventures—the publisher of *Inc. Magazine* and *FastCompany*. Anyone can take part in each online session, and the organizers are open to new speakers, including from the American business community in Poland. AmCham members who would like to submit their speaker candidates should contact Paweł Pacek at pawel.pacek@arp.pl.


AMERICAN CHAMBER OF COMMERCE IN POLAND
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Company Profile Jacobs

ALWAYS FORWARD!

AmCham.pl Quarterly Editor Tom Ćwiok talks with **Jonathan Billings, Vice President, Country Manager, and Head of Integrated Delivery at Jacobs**, a technical solutions and project management company, about how the company is developing in Poland to provide global expertise to its local clients.

What is the core business of Jacobs, and how would you describe the company's expertise?

Jacobs is a solutions company made up of talented, multidisciplinary people who work across industries around the globe to reinvent the way we will all live tomorrow. Our teams provide a full spectrum of professional services, including consulting, technical, scientific, and project delivery for government and private sector clients. We are challenging today to reinvent tomorrow by solving the world's most critical problems for thriving cities, resilient environments, mission-critical outcomes, operational advancement, scientific discovery, and cutting-edge manufacturing, turning abstract ideas into realities that transform the world for good. Our 55,000 employees globally, including over 1,700 in Poland, work every day to deliver impactful, innovative solutions for a more sustainable and connected world.

What were the company's milestones in development in Poland?

We have operated in Poland since 1991, initially as CH2M Hill, supporting infrastructure projects. In 1996, we established the first legal entity and grew from that point to become one of Poland's largest technical solutions providers, supporting our key sectors. Currently, we have over 1,700 professionals in project management, strategic consulting, architecture, engineering design, project delivery, and business support functions. In recent years, we have invested in the development of Poland as a strategic operation, and we have made a long-term commitment to invest and grow here.

Last year Jacobs announced an extension of its global delivery center, which would add 200 new engineering and project delivery jobs. How important are the Polish operations of Jacobs to the entire group?

Our Polish operations are a key part of our company's *Global Integrated Delivery* approach to providing services for our clients. Our philosophy is to bring global expertise to local projects, with Poland integrated as a strategic delivery location. The Poland operation supports the entire global business, in addition to serving the local market. Our Kraków office is now one of the five largest sites in the Jacobs network and one of the few that supports every aspect of the business. On a typical day, our teams work on projects and activities with both our lines of business across five continents.

What can you tell me about the company's value system and how it translates into corporate values?

Our values are centered around integrity, inclusion, innovation, challenging the accepted, and being bold in our approach to developing solutions for our clients. This is encapsulated by four core values that serve as a guide for our company's high-performing, innovative, and empowered culture. The first value is that we do things right. It means that we always act with integrity, taking responsibility for our work, caring for our people, and staying focused on safety and sustainability. We make investments in our clients, people, and communities so that we can grow together. Another value is that we challenge the accepted. We know that to create a better future, we must ask difficult questions. We always stay curious and are not afraid to try new things. Our third value is that we aim higher. We do not settle and are always looking beyond to raise the bar and deliver with excellence. We are committed to our clients by bringing innovative solutions that lead to profitable growth and shared success. And we live inclusion. This value means for us that that we put people at the heart of our business. We have an unparalleled focus on inclusion with a diverse team of visionaries, thinkers, and doers. We embrace all perspectives, collaborating to make a positive impact.

What personal characteristics do you seek in new job candidates?

In addition to basic qualifiers such as educational background, domain experience, and English language skills, we look for candidates who are enthusiastic, that value inclusion, and would like to be a part of an organization defined by a culture of caring, knowledge sharing, and challenging the accepted. We appreciate individual contributors, but we also need people who can work in teams and communicate effectively with others, both locally and globally.

Many companies in Europe find it difficult to hire the right talent. Do you see similar problems in Poland?

We have generally been able to find the right talent for our business, which is a testament to the education system and the quality of the talent pool here in Poland. However, for niche areas, it can be a challenge to find the right candidate with all the skills needed for the role. In this case, we often hire the best available candidate, with a plan to provide training and development to help them to grow and be successful in the role. We currently have several positions open in Poland, supporting our business in architecture, engineering, project design, graphic design, finance, accounting, procurement, IT, and HR. We have strong links with a number of universities and provide internship opportunities in all areas. Our team of Jacobs University Ambassadors organizes various workshops, events, and meetings with students and graduates as part of our internship program. We also have a formal GraduateDevelopment Program, a two-year structured development framework designed to help graduates integrate, perform, and develop long-term career and business skills.

What is the impact of the Covid pandemic on your company in Poland?

Our global business proved to be very resilient, and there were continued opportunities to support our global operations from Poland. As we have a mix of local and international work, we were relatively insulated from some of the impacts that working in a single geography or sector may have caused.

Overall, the effects on our organization in Poland were less dramatic than originally anticipated. While we did see some local contract delays and movement restrictions reducing construction site activities, this was balanced by our global support activities, where we benefited from our successful rapid transition to working from home. Our business continuity plan enabled a quick transition to home-working, and our teams were able to support other regions impacted by the pandemic in their geographies. Like many other companies, we slowed some of our investment activities in the middle of the year until we had a clearer picture of the changing environment and our priorities going forward.

What are your strategic plans for Poland for 2020 and beyond?

We are currently assessing the so-called future of work and considering how a changing operating model will impact our facility, technology, and team collaboration needs. We will continue to invest in new services and delivery capacity in 2020 and beyond. As mentioned earlier, we have several professional roles advertised to support activities in both the local market and in support of the global Jacobs business. Locally, we are focusing on supporting the sectors of advanced manufacturing, life sciences, transportation, water, energy, aviation, and defense. These are areas in which we are optimistic about the Polish market and where Jacobs can provide solutions to help our government and private sector clients succeed.

We are optimistic about the Polish market in all areas where we do business. Our continued growth is built on providing innovative solutions to ensure successful outcomes for our government and private sector clients.

Company Profile Sense & Body

DELIVERING A HEALTHY BALANCE

AmCham.pl Quarterly Editor Tom Ćwiok talks with **Ines Rosa, CEO of Sense and Body**, a cosmetics company, about how the company has adjusted its operations and business practices over time to make the most of market momentum.

What can you tell us the specifics of your company?

My company imports and distributes cosmetics that stand out on store shelves. Thanks to business relations developed over 20 years, we represent carefully selected manufacturers from Europe, including Germany and Italy, from Asia, and of course, from the USA.

We initially focused on the Polish market and expanded over time to represent Japanese and other brands as an exclusive distributor for Europe. We have been operating well-known American brands in Europe for years and are now focusing on distributing unique brands from all over the world to the American market. Sentique International, my company in the USA, handles cooperation with American producers who wish to appear on the well-known European market and cooperates with companies outside the USA who wish to appear in the USA.

How would you characterize Dr. Hauschka, and how does this differ from other health and beauty programs available on the market today?

Dr. Hauschka is an excellent example of how we work with unique brands on a global scale. Fifty years ago, when the Austrian doctor Rudolf Hauschka created the method in Germany, nobody had heard of natural and organic cosmetics. Today, the whole world follows these trends, offering products of varied, often low, quality. Dr. Hauschka, however, used half a century to perfect his method and products.

We decided to create a day spa called the Dr. Hauschka Institute to introduce our clients to the concept of genuinely organic cosmetics. What captivates me the most about this brand is the care taken to ensure the highest quality standards of cosmetics production, packaging, as well as the assortment and selection. We use Dr. Hauschka products at the spa and follow the cosmetic procedures outlined in manuals provided by the manufacturer. Our beauticians have completed multi-stage training in Germany, and our treatments are holistic and consistent with the brand's philosophy.

What is the importance of the Polish market for the company in terms of business development?

The Polish market turned out to be our springboard to Europe and the USA. It is from here that we have proven that small and medium-sized distributors can find exciting products that reflect the frequently changing trends and expectations of increasingly demanding customers. The Polish cosmetics market is significant, as evidenced by the fact that the Rossmann drug store chain here is the largest European family player. Still, Poland's market is not as mature as some other European markets, so there is enormous potential for development.

I wonder how the pandemic has impacted your business, because, on the one hand, consumers are spending more time at home and have become more interested in their health. On the other hand, they are trying to limit their contact with others, which may negatively impact their willingness to visit a day spa or a shopping mall. What have been your observations?

Well, from my perspective, the pandemic confirmed the lipstick effect. Consumers, especially women who are unable or unwilling to afford more extravagant items, still want to buy something luxurious to lift their mood. The measure of extravagance in times of crisis is the purchase of lipstick. We are a distributor of American International Industries, the largest global manufacturer of eyelashes under the Ardell brand, and saw this trend reflected in our company's increased sales of false eyelashes. Thanks to this trend, our business did not suffer, and we even saw sales go up during the pandemic. Luckily for our industry, drugstores and pharmacies remained among the few operating retail outlets during the lockdown, but the cosmetics themselves had to move to the privacy of our homes. One of my colleagues likes to use the example of their neighbor who devoted a large part of the day to applying makeup and getting ready, only to leave her house for a few minutes to shop at a local store.

Before the pandemic, our industry had begun to turn to e-commerce more actively, and the pandemic has significantly accelerated this process. We have been implementing augmented reality and big data analysis at Sentique International, with our American partners and sister company in Poland. At first glance, this does not seem associated with cosmetics. Still, for example, an application in which a client can virtually try on eyelashes or an eye shadow color has become a new reality.

The pandemic requires many safety measures. What measures have been implemented by the Dr. Hauschka Institute?

Since the inception of the Dr. Hauschka Institute, we have always put our customers' safety and comfort first. We implement all necessary measures to maintain the highest level of safety, both for the spa's clients and, of course, for our employees. I believe that today's situation has made us realize that taking care of our health should be a priority.

Your company also runs an online store...

The online store is one of our additional activities, like the Dr. Hauschka Institute. Our shop is more of a showroom because, in my opinion, it is challenging to exist on your own in the face of massive and professional competition and powerful sales portals such as Allegro or Amazon. For this reason, we are interested in cooperating with large players and creating company stores for our brands at larger operators.

Do you think Poland is a good market for foreign investors in terms of existing business regulations and regulatory frameworks for business?

Compared to the USA, I must admit that Poland does not have a very friendly environment for business. The multitude of bureaucratic, sometimes incomprehensible procedures and non-obvious tax laws that allow tax officials freedom of interpretation can be discouraging. I would like the regulations to be more straightforward, transparent, and business-friendly to encourage business development.

What are the company's plans for the next year and beyond?

We are currently analyzing our product range and studying global trends, sentiments, and market potential. In the cosmetics industry, one of the most exciting determinants of trends and the prevailing and future fashion is the American market, so the synergy between my companies in Poland and the USA is very beneficial. We are also working on introducing new and modernized private labels, as well as modern management technologies to our companies. Listing all of this, I have realized how much we are operating in the virtual world and becoming more and more connected with it. Perhaps this is a sign of our times and the current situation. Like my friend's neighbor, we are also trying to find ways to devote some time and attention to ourselves. We are striving to maintain a balance between the pandemic threats attacking us from the media and our increased stress levels. We are fortunate to have the Dr. Hauschka Institute, where we can undergo relaxing treatments under professional supervision and forget about the world around us, even for a moment. I heartily recommend this and wish everyone health and mental resilience!

We are fortunate to have the Dr. Hauschka Institute, where we can undergo relaxing treatments under professional supervision and forget about the world around us, even for a moment.

THE QUESTION OF BUSINESS CONSCIENCE

Sustainable development goals and responsible financial leadership

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

Fifty years ago, economist and Nobel Laureate Milton Friedman wrote an essay in the *New York Times* setting out why he thought the primary responsibility of an employee is to the business, rather than to wider society. Since then, Friedman's argument has been used by countless organizations to justify a focus on shareholder rather than stakeholder value. Given the collapse of global economic growth due to COVID-19 (the World Bank has predicted a 5.2 percent contraction in 2020) and its impact outside the boardroom, is business reconsidering that view?

THE ROLE OF BUSINESS

Recently there seems to have been a change in prevailing opinion about the role of business in wider society. For example, I have noticed more business books advocating for it (*Accountable*, *Reimagining Capitalism*, to name two), and they have come at a time when people are more receptive to moving beyond the former status quo. The world we live in is vastly different from that of the 1970s. We are much more aware in 2020 of the risks to the planet from climate change, for example, than we were when Friedman wrote his seminal essay. The workforce has also been transformed. More companies define themselves by the values they hold, and these have an impact on the talent they attract. A survey by Deloitte found that to appeal to Generation Z—the latest cohort to join the workforce, "... companies and employers will need to highlight their efforts to be good global citizens. While focusing on the quality of the goods/services you provide is still important, a company's ethics are more important than ever."

It is something of which we at the Association of International Certified Professional Accountants (AICPA) are mindful. In June this year, the association was one of a number of organizations from a wide range of sectors to call on the UK Prime Minister Boris Johnson to put the UN's Sustainable Development Goals (SDGs) at the heart of his COVID-19 recovery plans. Early evidence from the Business and Sustainable Development Commission showed that if implemented, the SDGs could create at least USD 12 trillion in business opportunities in just 60 market hotspots and estimates this could be 2-3 times bigger across the whole economy.

To that end, in February this year, AICPA was a co-signatory of a letter calling for accountancy professionals to make sustainability and the fight against climate change central to their work.

The association's CEO, Barry Melancon, said that the global risks we now face, particularly environmental-related risks, "are pushing our profession to expand its remit." AICPA has shown its commitment to sustainability by signing up to the UN Global Compact—the apparatus which has pledged to implement the SDGs—because it is the right thing to do. Ensuring that we are running our businesses responsibly and for the long-term is non-negotiable if we want our organizations to survive. We owe it not just to our employees, but also to those who feed our supply chains, directly benefit from our products and services, or who depend on our success for their own well-being.

DRIVING GLOBAL CHANGE

These are all areas where management accountants and finance professionals have a key role to play at every level, from proposing the business case for pursuing appropriate SDGs to the board-level alignment of sustainability initiatives with corporate activities.

The SDGs are vast in their scope; they apply to all countries and make no distinction between "developed" and "developing" economies. They are also the responsibility of organizations of all kinds, all sizes, and all purposes.

Businesses have a particularly critical role to play in driving the global change and societal improvement that the UN is demanding. Business has the global influence and economic power needed to make a difference where it matters most: in the communities where people live and work. COVID-19, no respecter of status or company turnover, showed us very starkly how interdependent are our global lives. It also showed extremely clearly why working in concert matters.

It is not just business that is going to transform, but also the accountancy and finance professionals who are driving that. That is not as cynical a statement as it sounds, as change requires buy-in from all those affected. If stakeholders can be convinced that there is also a tangible benefit that affects them, they are more likely to be open to engagement. Widening corporate focus to a broader base of stakeholders means that finance leaders can become the face of positive and much-needed change, too. Being at the vanguard of these necessary adjustments to the way we do business is also critical for finance professionals as they fledge from their back-office functions to sit alongside the executive leadership team members.

BETTER DAYS TO COME

It is tempting to claim that the COVID-19 crisis has taken the concept of enlightened stakeholder theory from vague management talk to very tangible practice. It has done this only insofar as it accelerated an existing trend. People are saying they will remember how businesses treated them during the pandemic and act accordingly, making firms think more carefully about their behavior.

Would this have surprised Milton Friedman? I doubt it, because if the market dictates that it wants business to have more of a conscience, it would be foolish for companies to act otherwise. The desire to act in the best interests of shareholders and society are here aligned. Perhaps companies will have learned a valuable lesson that might change how they choose to rebuild. Perhaps the pandemic offers them opportunities to be more agile and better fit stakeholder needs. Perhaps business and society will finally be walking together.


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EXPERT Business leadership

THE KINETIC LEADER

By **Daniel Martyniuk**, *Partner and Technology Advisory Leader, Deloitte Polska*

Boldly reinventing the enterprise: findings from the Deloitte 2020 Global Technology Leadership Study

Faced with unprecedented uncertainty, businesses need their technology leaders to be resilient, agile, and future-focused now, more than ever. At the same time, current market, economic, and social conditions indicate that this is the time for transformational, not incremental, change. And who better than technology leaders to help drive this change?

In the late summer of 2019, an enthusiastic team of Deloitte technologists, futurists, researchers, and writers began working on the 2020 Global Technology Leadership Study. Formerly known as the Global CIO Survey, this comprehensive research project has, since 2015, tracked the evolution of organizations, their technology functions, and the critically important roles that technology leaders play in them.

REALITY CHECK

As our latest effort launched, innovation and technology disruption were proceeding at fever pitch, and markets were climbing. More importantly, many organizations operating at the vanguard of digital innovation were leveraging their technology and technology leaders' expertise in unique ways to create a competitive advantage. We, like you, wanted to know what challenges and opportunities these pioneers face. Likewise, what do digitally advanced organizations expect from their technology leaders? The timing was right. Deloitte's 2020 Global Technology Leadership Study would examine how tech leaders can guide their organizations to new ways of thinking and new goals that emphasize change.

THE COVID CHANGE

The ground unexpectedly shifted beneath our feet as COVID-19 ushered in an era of unfamiliar challenges and unexpected risks. Business disruption is nothing new, but as the ramifications of this pandemic ripple through the global economy, it appears that organizational resilience may have met its toughest test in living memory.

Though the world has changed since work on the 2020 Global Technology Leadership Study began last summer, the findings from this research are even more pertinent to the current situation. For example, it is no longer enough for a CIO to be a trusted operator or even a strategic business cocreator. Even before the current disruption, technology leaders were being called upon to serve as change agents—kinetic leaders who envision, enable, and deliver growth and help their organizations navigate change.

KEY FINDINGS

The 2020 Global Technology Leadership Study describes the attributes, objectives, and practices of organizations that are ahead of their peers and explores the critical dimensions of change for technology leaders. Key findings include:

- Companies that are ahead of their competition are growth-oriented and have engaged leadership. In our analysis, slightly over one in 10 (11.6 percent) organizations are delivering significant value through technology. Distinguished by an orientation toward growth and leaders who advocate for, prioritize, and appreciate the value of technology, these companies are at the leading edge of leveraging technology for business growth. They have different operating rhythms and strategic priorities, not just in the technology function, but also across the entire enterprise.
- Organizations need kinetic leaders to drive innovation and manage change. The perspectives of C-suite executives and corporate board members on the role of future technology leaders are converging. Business and technology leaders agree that their organizations need dynamic, change-oriented technology leaders—kinetic leaders—to help envision a technology-driven future, lead complex transformations, and be the chief architect of innovation and change within the business.
- Opportunities abound for tech leaders who have the tenacity to lead across the enterprise. By stepping beyond a functional leadership role, tech leaders can drive technology deep into the organization. This requires organizations to embrace enterprise agility by rethinking their approaches to talent, learning, collaboration, and strategic technology funding practices.

DRIVING TRANSFORMATION

During this time of unprecedented volatility and uncertainty, technology leaders have an opportunity to help guide their organizations. Not only can they hone strategies for managing the crisis at hand and the recovery ahead, but they can also prepare for and lead a tech-driven transformation to help their businesses thrive as they and their industries adapt to the new norms of the post-pandemic world.

The tools they use could include a technology visionary's outlook, an appetite for growth and transformation, the willingness to make audacious bets, and the tenacity to stick to their convictions. Their leadership skills can help them influence business strategy, develop the next generation of talent, and integrate technology into the fabric of their business.

CONCLUSIONS

COVID-19 will likely continue to have implications for businesses, accelerating the move from physical to virtual ways of operating and requiring technology leaders to help architect significant enterprise changes. These disruptions call for bold thinking and a sweeping vision of transformation—an incremental approach is a timid substitute.

EXPERT The warehouse and logistics market

A ROLLER COASTER YEAR

By **Jakub Sobotkowski**, *Partner, Advocate, Real Estate Poland at Dentons*

The logistics market is now stronger than ever before

Covid-19 is a black swan event that has had many negative effects on the global economy and did not leave the commercial real estate unscathed, either. Some market sectors suffered terribly and are only just turning the corner. Logistics has played the role of the last man standing through the help of e-commerce and other factors.

REACTING TO THE LOCKDOWN

No one saw this one coming, so initial confusion was inevitable. The unprecedented lockdown restrictions in Poland and across Europe forced everyone to reassess and adjust quickly.

The logistics sector was not hit directly by specific government measures like those imposed on shopping malls. There was no legislation curtailing construction in Poland besides social distancing on construction sites. Most work on logistics and industrial construction sites was able to continue, with over one million square meters reportedly completed in 2020.

The lockdown restrictions did impact legal proceedings, though, following the extension of statutory deadlines in Covid-specific legislations. It inevitably took longer to obtain administrative permits for development or land divisions. The tax authorities slowed the process of issuing the tax rulings required by investors regarding most large transactions. Local authorities also took their time issuing certificates and information regarding the legal status of real estate. The extensions of statutory deadlines were mostly lifted in May, and the timeframes required for obtaining the permits or certificates have more or less returned to acceptable in most places.

Face-to-face meetings died a sudden death and were replaced by teleconferences and video conferences. While technology and people's mindsets adjusted quickly, the absence of international travel and physical inspections wreaked havoc at the peak of the lockdown. Even though negotiations were able to move to virtual spaces, closing meetings still required a personal presence. Meetings were held with full safety measures and a minimum number of attendees, sometimes limited to a notary and the signatories. Real estate transactions were no exception. Although pandemic restrictions were gradually lifted, most meetings remain virtual, employing increasingly sophisticated tools for negotiations, sharing documents, and video content.

NO TURMOIL

The economic slowdown has undoubtedly affected specific logistics tenants, with retailers and automotive industry companies claiming to be the worst hit. Some have sought rent reduction or relief, citing *force majeure* clauses or specific civil law provisions regarding an unexpected change of circumstances. Landlords in the sector were largely unmoved and did not see Covid-19 as a *force majeure* event or a reason to rush into permanent changes in contractual relationships. In some instances, specific relief or rebates were agreed on in amicable negotiations rather than invoking civil law solutions, which would need to be upheld by the courts—a process that could prove lengthy (1-2 years) and ill-suited to a tenant in distress.

Meanwhile, couriers and third-party logistics companies were seeing their number of operations skyrocket to historical levels. Joining them were tenants active in online channels, naturally boosting demand for warehouse space.

HEAVY INVESTMENTS

Amid the despondency, the logistics real estate market has shone like a beacon of hope, reporting high levels of investment. According to some sources, in H1 2020—the Bad Old Days, as we will soon call them—logistics transactions in Poland posted a record volume of up to EUR 1 billion. This accounts for about half of the total investment activity on the commercial property market in that period, which was something completely unprecedented. Industrial assets are being presented as targets of choice for investors and attracting several new ones not previously active in the sector.

TRENDS AND OPPORTUNITIES

The e-commerce boost has been widely cited as one of the key factors contributing to the sector's exceptional growth and resilience. Analyses show the e-commerce sector increased by 26 percent in 2020 compared to the analog period of 2019, accounting for more than 11 percent of the overall consumer sales market. The same analyses forecast a 20 percent share by 2025. The pandemic has accelerated the growth of e-commerce far beyond even the most optimistic forecasts of 2019, and its impact on the demand for various types of available logistics facilities is inevitable.

Supply chain disruptions are believed to be a catalyst for the sector's growth. The relocation of production from Asia to Europe closer to the markets appears an excellent opportunity for the CEE economy, which is an overall stable market and competitive in terms of rental rates and labor costs compared to the broader European market. The expected expansion of last-mile logistics in major cities means that brownfield sites remain very much on the radar of the players involved, as the supply of new land for development is often limited.

WHAT'S IN STOCK FOR THE FUTURE?

There are so many unknowns regarding the long-term macroeconomic impact of Covid-19, but one thing seems to be clear: the logistics real estate market is now stronger than ever before. And inevitably, offices remain one of the leading market drivers with strong fundamentals (despite questions about rethinking future office space use), and retail claims to be bouncing back from the lockdown trade ban perturbations. Sure, the second wave of Covid-19 is coming, but when we get to 2021 and reflect on this roller coaster of a year, the industrial and logistics sector will turn out to have been the most dynamic part of the Polish real estate market in 2020.

EXPERT Transfer pricing

A NEW PHASE BEGINS


By **Jakub Roszkiewicz**, *Senior Manager in the Transfer Pricing Team at KPMG in Poland, and* **Marta Krawcow**, *Consultant in the Transfer Pricing Team at KPMG in Poland*

A new amendment to the transfer pricing law introduces new reporting rules

The most recent Polish amendment to pricing transfer regulations became effective on January 1, 2019. In addition to introducing important amendments regarding the identification of transactions subject to documentation and improvement in the scope of the arrangement of transfer pricing documentation, the amendment has also changed the existing reporting of related party transactions. The CIT-TP and PIT-TP forms have been replaced with TPR-C and TPR-P returns, respectively.

The new forms require the provision of a much more significant amount of information concerning the taxpayer. This includes, for example, the financial information of a given entity in the form of selected financial ratios, as well as other detailed information concerning the transactions concluded with related entities.

PREPARING TPR-C/TPR-P RETURNS

Transfer pricing reporting under the new obligation is required for entities that conclude controlled related party transactions that fulfill the criteria for their inclusion in transfer pricing documentation. This also includes, in a limited scope, entities qualifying for the domestic exemption under which they are not obligated to prepare transfer pricing documentation. This exemption is applicable in the case of the conclusion of transactions by and between domestic entities if none of such entities suffered a tax loss in the year subject to the documentation or enjoyed exemptions related to business activity in special economic zones or other tax exemptions.

The TPR-C/TPR-P return may also be prepared for transactions concluded with independent entities in which a Polish taxpayer pays or concludes a deed with a company or partnership that is not considered a legal person (that has exceeded specified limits), and the payment or deed is for the benefit of an entity doing business in a country engaging in harmful tax competition.

INFORMATION REGARDING TPR-C/TPR-P RETURNS

As stated above, the information provided in the TPR-C and TPR-P returns is more detailed than the information required in the CIT-TP/PIT-TP forms. Important elements include information concerning the related entities, information regarding the transfer pricing methods of determining and verifying the prices, and, most importantly, the profit level indicators applied in each benchmarking analysis prepared for the documented transaction. Taxpayers are obligated to indicate the benchmarking analyses' results in the scope of interquartile ranges and the full range of results.

Such detailed data allow tax authorities to assess individual taxpayers' financial results and verify the profitability of individual transactions concluded with related entities. Thus, it will be possible to select for control not only the taxpayers (as was the case in CIT-TP/PIT-TP returns), but also individual transactions, without the necessity of commencing any verifying activities.

DEADLINES

Pursuant to the CIT Act and the PIT Act, TPR-C and TPR-P forms must be submitted electronically to the Head of the National Revenue Administration by the end of the ninth month after the end of the tax year. Transactions concluded by taxpayers in the tax year beginning after December 31, 2018, are reported in 2020, which will be a unique year. The COVID-19 pandemic has led the tax authorities to extend the deadlines for TPR-C/TPR-P reporting. If the original deadline for submitting transfer pricing information was between March 31, 2020 and September 30, 2020, it has now been extended until December 31, 2020. If the original deadline was between October 1, 2020 and January 31, 2021, it has been extended by three months from the original deadline. Transfer pricing information (TPR-C/TPR-P) should be submitted electronically using the form made available in the Bulletin of Public Information.

THE FUTURE OF TPR-C/TPR-P RETURNS

The new way of reporting will surely provide taxpayers with numerous problems in selecting the relevant data for inclusion in the return and collecting relevant information from the group. Nevertheless, Poland is not isolated in implementing the reporting, which imposes full transparency in the scope of the transactions concluded with related entities. The way in which reference data will be analyzed and what conclusions will be drawn will be important because the occurrence of indicators and ratios exceeding certain limits may have a full economic and business justification in some situations.

There should be no fundamental changes in the formula of the TPR-C/TPR-P form in 2020. However, the scope of the data required under transfer pricing reporting is expected to be expanded in the coming years.

In the future, data obtained from the TPR-C/TPR-P form may be used in an automatic analysis to search for deviations from the typical results, as just one example. This will enable the tax authorities to select taxpayers and transactions for inspection even more efficiently.

If the original deadline for submitting transfer pricing information was between March 31—September 30, 2020, it has now been extended until December 31, 2020. If the original deadline was between October 1, 2020 and January 31, 2021, it has been extended by three months from the original deadline.

EXPERT Contractual penalties

LANDLORDS LIMITED

Contractual penalties in lease deals have their limits

By **Agata Biernadska**, *Advocate, Associate at Łaszczuk & Partners*

In a resolution dated November 20, 2019, the Supreme Court of Poland (case no. III CZP 3/19) ruled that it is impermissible to charge a contractual penalty in the event of repudiation of a contract for failure to perform a monetary obligation. The Supreme Court's interpretation undoubtedly complicates life for lessors of real estate and has a significant practical impact on them, making it more difficult to obtain compensation in the event of an early dissolution of a lease due to a tenant's late payment of rent. The court expressly held that no contractual penalty is owed to the landlord in such a situation, even if provided for in the contract.

THE GROUNDS

The practice in the commercial real estate market is to conclude leases for a definite period. This is intended to ensure the landlord a steady stream of rental income and is also advantageous to the tenant, who need not fear that the landlord will terminate the lease without cause (which could happen in the case of a lease for an indefinite period, in which case it is only necessary to comply with the statutory or contractual termination notice period). The possibility of an early termination of a lease for a definite period is extremely limited under the Polish law and is only permissible in instances expressly stated in the contract. The most common basis for a landlord's termination of a lease contract is their tenant's inability to pay the rent. It should nonetheless be stressed that a single month's delay in payment of rent will not entitle the landlord to terminate the contract. Under the Civil Code's mandatory applicable provisions, the landlord does not have the right to terminate the lease until the tenant falls into a delay in rent payment for two full rental periods. The landlord must also provide a written warning granting the tenant an additional month to pay the overdue rent. Given that the rent for commercial premises is typically payable monthly, the landlord must suffer a lack of three months of rent payments before they can terminate the lease.

EARLY LEASE TERMINATION

It should also be stressed that in the case of leasing office premises, the landlord often incurs high costs for fitting out the premises to suit the tenant's needs. For this reason, the practice of reserving contractual penalties in the event of an early contract termination due to the fault of the tenant became widespread. The amount of the contractual penalty was most often set as the sum of rent due for the remaining period of the contractual lease term, or a fixed amount equal to, for example, 12 or 24 months' rent. Sometimes clauses could be encountered stipulating that a penalty could be no less than the equivalent of, for example, 6 months' rent.

Significantly, a contractual penalty is owed regardless of the amount of injury suffered by the creditor, or even if the creditor suffers no actual loss. This facilitates the enforcement of contractual penalties because the creditor does not have to present complicated evidence.

Under the Supreme Court resolution cited above, the landlord will not be able to demand payment of a contractual penalty if the contract was terminated because of overdue rent or a failure to comply with other monetary obligations. In this situation, the landlord will only be able to pursue a claim for damages covering lost benefits in the form of a shortfall in rent and possibly other elements such as decorating costs, the difference between the current rent and the new rent the landlord is able to obtain, brokers' fees, and costs of adapting the premises to suit the new tenant's needs. It should be kept in mind that in this case, the landlord will bear the burden of proving the amount of the injury, and this can be difficult. For example, if the landlord seeks payment of damages equal to 12 months' rent, they will have to demonstrate that it will not be possible to lease the premises for 12 months (e.g., due to the condition or location of the premises, or prevailing market conditions). The landlord will also have to actively seek out a new tenant for the premises to mitigate the loss resulting from the contract's early termination. The landlord cannot sit idly by and expect the former tenant to pay damages equal to the total rent through the original term of the lease, or at least 12 or 24 months. It may also happen that the landlord succeeds in renting out the premises to a new tenant while the litigation seeking damages from the previous tenant is still pending. In this case, the damages will cover only the total rent for the period when the premises remained unleased, and possibly the other elements referred to above.

DELAYS

Under the Supreme Court's foregoing resolution, it also appears doubtful for the landlord to impose contractual penalties for delay in delivery by the tenant of lease security in the form of a security deposit. Lease agreements often include a provision in which the landlord may demand a contractual penalty for every day of the tenant's delay in delivering the security deposit. Because the payment of a security deposit is a monetary obligation, according to this Supreme Court resolution, such a provision should be deemed unlawful and invalid. In this situation, as it is impossible to reserve a contractual penalty, the landlord has limited leverage to motivate the tenant to pay the security deposit on a timely basis. A reasonable approach on the landlord's part is to provide for the maximum interest rate on delay in payment of the deposit and to withhold delivering the premises until the tenant pays the security deposit.

Landlords also often declare that they will not commence work on the premises until the security deposit is paid. This has a practical justification, as it is difficult to expect the landlord to adapt the premises to suit the tenant's needs without having any security for payment of the rent. The landlord should also ensure that the contract includes a provision enabling them to repudiate or terminate the contract with notice in the event of a lengthy delay in payment of the security deposit by the tenant.

EXPERT Construction law

BUILDING MADE EASIER

By **Edyta Dubikowska***, Co-Head of Real Estate at Squire Patton Boggs in Warsaw*

Red tape in construction has been shortened

On September 19, 2020, most provisions of an extensive amendment to the Construction Law took effect. The amendment extends the possibilities of allowing the derogation from technical and building provisions. Now, seeking such a derogation is possible not only before obtaining a building permit but also upon changing the building permit. However, the derogation cannot be obtained in the case of lawless building legalization.

SHORTER CATALOG

The amendment clarifies the types of construction objects and categories of construction works that require a building permit or the notification of the authorities of the intended construction works. Consequently, the catalog of construction works that do not require any formalities has been simplified, extended, and adapted to satisfy practical needs.

As of September 19, 2020, there is no requirement to obtain a building permit or notify the authorities of a building's redevelopment if the redevelopment does not affect the building's external partitions or structural elements.

In addition, the catalog of structures not requiring a building permit before proceeding with them has been extended. It will no longer be necessary to register or seek a permit to build, among others, ATMs, ticket machines, deposit machines, vending machines, package lockers, and other service machines up to 3 meters tall.

BUILDING DESIGN

As of September 19, 2020, building design is comprised of three elements:

(1) land and land outline planning design,

(2) architectural and building design, and

(3) technical design.

The technical design must include, among others, construction and installation solutions. Upon applying for an occupancy permit, an investor must submit the technical design to the building supervision authority. The design must comply with the outline planning design of the plot of land. The architectural and building design must also be approved by the architectural and building administration authorities.

Furthermore, if the investor wishes to change the technical design so that it does not comply with the outline planning design of the plot of land and the architectural and building design, the latter must be changed first. The amendment also introduces more lenient regulations regarding significant deviations from construction design, including that changes to the technical design no longer require an amendment to the building permit.

TRANSFERRING PERMITS

Before the amendment came into force, the authority that issued the building permit was obligated, if the current investor wished, to transfer the permit to a different entity if such entity had accepted all the terms and conditions of the decision and had made a statement regarding their right to dispose of the real property for building purposes.

Following the amendment, the current investor's consent to transferring the building permit will not be necessary if the ownership title or the perpetual usufruct right to the real property will be transferred from the current investor to a new investor seeking the building permit transfer.

ILLEGAL MADE LEGAL

Before the amendment, whether lawless building legalization was allowed depended on its compliance with the local development plan or outline planning decision. The new regulations waive that requirement with regard to investments completed more than 20 years prior. Now, the owner of a lawless building may choose the "simplified legalization" procedure. The simplified legalization procedure entails submitting:

(1) a statement regarding the disposal of the real property for building purposes;

(2) a land surveyor's as-built stock of the structure; and

(3) an expert's opinion regarding the structure's technical condition.

During the procedure, the authority will verify whether the documents mentioned above are complete and whether the expert's opinion shows that the technical condition of the legalized structure does not pose a threat to life and limb and allows the building to be used as it currently is or is intended to be used. Upon successful verification, the authority will issue the legalization decision based on which the structure may be used.

In addition, owners of buildings completed at least 20 years before initiating the procedure and qualifying as lawless buildings will not be obliged to pay a legalization fee. However, the exemption will not apply to structures to which a legalization procedure is already underway. The simplified legalization procedure may not be used if a decision to halt the building works was issued less than 20 years ago.

INVALIDATING PERMITS

The amendment has shortened the time for invalidating building and occupancy permits and is intended to result in greater confidence in the decision issued and lower risk for real property owners and buyers. As of September 19, 2020, a building permit may not be invalidated if it was issued more than five years prior, and an occupancy permit may not be invalidated if it was finalized more than five years prior. However, these prescription periods will not apply to invalidation proceedings issued before September 19, 2020.

ILLEGAL USE

Before September 19, 2020, using a structure in violation of the construction law entailed a potential one-time fine for the investor. However, under the amendment, a fine may be now imposed multiple times. The amendment introduces provisions that state that a building may not be used without obtaining an occupancy permit or notifying the authorities of the completion of construction works. It also allows the authorities to impose multiple penalties on an investor or owner for as long as the violation continues.

EXPERT Labor law

THINK LOCAL!

New rules for delegating employees to work abroad

By **Katarzyna Saganowska**, *EMEA Head of Compliance, TMF Group*

Polish firms are among Europe's leaders in sending their employees to work abroad in other EU countries. According to numbers from the National Social Security System (ZUS), nearly 646,000 employees were posted to work abroad by Polish companies in 2019 alone.

THE TIME HAS COME

Two years after being voted in by the European Parliament on Jul 30, 2018, a new directive governing posting workers abroad has come into force. As a result, Polish companies that offer services in other EU countries must pay their employees according to the rules of the country in which they work. The regulations aim to ensure equal treatment when a posted employee performs work in the same position as a citizen of the host country. It can already be easily anticipated that it is a challenge to comply with individual EU countries' unique pay laws, especially when workers from Poland are posted to not one but several countries, which is a standard practice among construction and transport companies. In practice, this means that Polish employers must know the regulations enforced in each EU member state where they post workers in order to calculate their salary accurately. This change is also significant regarding the amount of remuneration paid to posted employees.

UPS AND DOWNS

Until now, this calculation has usually been based on the minimum or more favorable rates that were in force in the host country. Consequently, this is one of the most controversial outcomes of the new law. Yet, there may be potential benefits. The changes related to the introduction of the directive might positively affect the following issues in the area of the Labor Law:

- Regulations on individual and collective freedoms in the employment relationship
- Discrimination and ensuring equality in employment between men and women
- Protection of parenthood and related rights
- Added protections concerning the right to strike
- Other regulations concerning working time, rest, holidays, paid vacations, remuneration (including overtime allowance), health and safety regulations, child labor, illegal work, and reimbursement of business trip expenses, including transport, accommodation, and meals.

The directive's provisions require EU member states to publish information on the local (national) conditions of employment of workers.

TOUGH MEASURES

Experts say that due to imprecise provisions of the EU directive and its implementation by EU member states, it may be challenging to determine which specific labor law provisions should be complied with. Individual countries have interpreted the directive's provisions in different ways and consequently implemented them into their legal systems at their own discretion and judgment. France implemented the directive in a very general way, leaving a wide range of interpretation to its administrative bodies. Conversely, in Germany, the regulations are detailed, and their complexity goes far beyond the purpose of the directive and is sometimes mutually exclusive. In addition, experts also say that Western European countries are taking steps to tighten controls and impose administrative penalties for violations of the new regulations.

POSTING TIME

There are also many uncertainties related to long-term postings. Previous regulations on the period of posting did not provide for restrictive solutions. They did not impose a specific deadline and only assumed that the posting was temporary. Now, the secondment period will be reduced to 12 months. After this period, the extinction of the secondment will still be possible. However, it will be necessary to apply all the terms and conditions of employment provided for in the host country's regulations, which ultimately equates to posted workers with the status of national workers. The new directive limits the possibility of posting workers to 12 months, with the possibility of extending this period by six months based on a "reasoned notification" submitted by the employer to the authorities of the host country. Importantly, the calculation of the posting period includes periods of substitution by workers in the same job. In theory, therefore, it is sufficient to give notice of the extension of the posting period to 18 months, and EU member states cannot question it. In practice, it is still unknown in many countries to which institutions entrepreneurs are to submit these reasoned notifications (this is to be decided by the countries themselves).

TEMPORARY EMPLOYMENT

The system of operation of Temporary Employment Agencies is also being changed. The new directive introduces a principle according to which EU member states must treat posted and local temporary workers equally. Posting workers is beneficial for Polish companies because of the competitive (often lower) price of the service and the service's availability and high quality. The new regulation results in significant limitations or even barriers regarding the possibility of posting workers. In summation, it is worth noting that if the barriers are too high, Polish entrepreneurs will be forced to establish a company in the host country. Opening a company or a daughter company will increase business costs and result in higher costs for service recipients. It will also lead to a decrease in Polish budget revenue from taxes and social security contributions paid by employers of posted workers.

REGULATING HOLDINGS

By **Paulina Janik**, *Corporate Lawyer and Attorney-at-Law, Vistra Poland*

Legal foundations for holdings are on their way

Since the Commercial Companies Code (CCC) came into force in 2000, Poland's economic reality has undergone numerous transformations and is now significantly different than it was 20 years ago. In particular, Poland lacks regulations governing holdings. With this, a company's individual interest takes precedence over the interest of a group of companies while, in reality, these interests are not necessarily the same. The government plans to approve a new draft of the CCC in Q4 2020, and the draft will be referred to further stages of the legislative process.

The draft introduces a legal category of "a group of companies" understood as "a dominant company and company or subsidiaries guided by—in accordance with an agreement or articles of association of each subsidiary—a common economic strategy (interest of a group of companies), enabling the dominant company to exercise uniform management over the company or subsidiaries." The dominant company shall be interpreted accordingly to art. 4 § 1 p.4 of the Commercial Companies Code.

GENERAL PRINCIPLES

Art. 21(2) § 1 of the CCC introduces a general principle stating that a dominant company may issue binding instructions regarding the management of a company's matters if this is justified by a specific interest of the group of companies. The execution of such instructions is authorized by a previous resolution issued by the subsidiary's management board or board of directors. In further provisions, however, this rule has an exception. The resolution authorizing the execution of the instructions may be passed if this does not impinge on the interests of the company or if it can be reasonably assumed that the damage to the subsidiary will be remedied within the right amount of time (a maximum of two years) from the date it occurred. The resolution itself should outline the interest of the group of companies in the instructions, the expected benefits or damages arising from the instructions for the subsidiary, and the expected method and time taken to remedy the damage to the subsidiary. The subsidiary will, however, retain the right to refuse to execute the instructions in specific situations. This includes, for example, if the execution of the instructions could lead to the subsidiary's insolvency or a threat of insolvency, if there is a justified fear that the instructions are contrary to the interests of the company and will cause damage to it that cannot be remedied by the dominant company or another subsidiary of the group within the next two years, or if this unfavorable circumstance constitutes a threat to subsidiary's continued existence. The articles of association can, however, introduce stricter requirements in this regard.

SPECIAL CASES

Under art. 21(4)§1, a single-person subsidiary will not have the possibility of refusing to execute a dominant company's binding instructions. In this case, however, the board members of such a company have been taken into account by directly linking this situation with the modification of the scope of their responsibilities pursuant to art. 299 of the Commercial Companies Code. The introduction of art. 299 §2(1) into the draft means that board members will be able to free themselves from liability if they prove that the sole cause of the subsidiary's insolvency was the execution of binding instructions. They must also indicate the assets belonging to the dominant company that will enable the satisfaction of the pursued claim by way of enforcement against the dominant company's assets outlined in the proposed art. 21(14).

Also highlighted is a case in which a subsidiary belongs to a group of companies in which the dominant company directly or indirectly owns at least 75 percent of the share capital. Such an entity will be able to refuse to execute binding instructions only if such execution would lead to the insolvency of this company or a threat of insolvency. However, if the execution of such instructions in the described subsidiary would lead to insolvency, the dominant company will be responsible for the damage caused to the subsidiary. The dominant company will also be held liable if the instructions were issued in violation of the interest of the group of companies. In each of these cases, the premise excluding the liability of is a lack of fault. This is defined as acting within the limits of justified economic risk and is based on information, analyses, and opinions that should be carefully assessed and taken into account in the given circumstances. The subsidiary will be able to bring an action for damages to court within one year from the occurrence. After this period passes, the right to bring an action for damages against the company to court will be acquired by each shareholder or stockholder of the subsidiary.

CONCLUSIONS

The amendment aims to regulate the holding, which has been present in legal transactions for a long time but has not been legislated until now. The changes in this regard strengthen the role of the dominant company in a group of companies and provide for, among other things, the possibility of a dominant company issuing binding instruction to its subsidiaries, something that can have enormous consequences not only for the companies themselves but also for their board members. Based on the planned changes, it can be noted that dominant companies receive fairly extensive rights when it comes to implementing the broadly understood interests of the group. Members of the subsidiaries' boards will need to conduct an in-depth analysis of the content of the instructions issued to them by their dominant companies and all circumstances related to their company's current situation, as well as the implications of executing such instructions. Only time will tell how the provisions mentioned above will function in legal transactions and what effect they will have on subsidiaries and their board members.

EXPERT Criminal law

FIGHTING WHITE-COLLAR CRIME

By **Arkadiusz Matusiak**, *Counsel and Head of White-Collar Crime at Wolf Theiss*

The liability for crimes committed by collective entities is becoming more severe

The Polish Ministry of Justice is drafting a new law regarding the liability of collective entities for criminal offenses. The draft defines collective entities as large companies and enterprises of 250 employees or more that have compliance departments and effective tools and procedures to monitor their employees. The draft introduces collective liability for all criminal offenses, excluding private complaint offenses. The requirement to obtain a previous conviction for an individual has also been removed in the drafted law.

RESPONSIBILITY

According to the drafted law, collective entities will be held liable for a criminal act, including "an act or omission" directly related to their business and carried out by their corporate bodies, including management boards and supervisory boards, or by individual members of these bodies. The collective entity will also be held liable for a criminal offense in connection with its activities if the criminal offense is committed by:
(i) an individual who is empowered to represent, make decisions for, or act in the interest or on behalf of the collective entity as a board member or managing partner;
(ii) an individual who has been mandated to act as a result of a superior's misuse of authority or failure to perform his or her duties, or;
(iii) an individual employed by a collective entity in connection with the performance of work on its behalf.
In other words, an entrepreneur will be liable for any unlawful conduct of his or her employees, provided that they are connected with the business activity of that enterprise.
In determining the collective entity's liability, the court will examine whether all corporate bodies and persons empowered to act in the name or interest of the entity have exercised due diligence in relation to the entity's organization and the supervision of its activities. This will cover due diligence regarding the selection of the members of the management board, and persons entitled to represent and make decisions, employees, and subcontractors will also be relevant. It will be particularly important to assess organizational arrangements to prevent the commission of a criminal offense.

SEVERE SANCTIONS

The draft includes penalties that can be levied against businesses, with sanctions ranging from PLN 50,000 to PLN 50 million (EUR 12,000 to EUR 12 million). It will now also be possible for a court to liquidate a collective entity. In addition to changing the catalog of penalties, the draft introduces several new measures. These include:
- A prohibition on the pursuit of a particular type of economic activity
- A "ban on the use of international organizations of which Poland is a member"
- The obligation to reimburse to the Treasury the equivalent of public financial support received from the time the offense was committed until the collective liability decision was given
- The permanent or temporary closure of a branch of the collective entity

The draft also amends the law regarding the National Court Register. Penalties, preventive measures, and information regarding the establishment of compulsory management that can be chosen by a prosecutor and appointed by a judge will now be subject to registration in the National Court Register.

DISCRETIONARY POWERS

Proceedings against a collective entity may be initiated when there is reasonable suspicion that a criminal offense has been committed, and there is public interest in prosecuting the case. In assessing the existence of public interest, the public prosecutor will take into account factors such as the degree of social harm of the alleged act, the benefits obtained by the collective entity, the nature of the rules infringed and the degree of their infringement, as well as the amount of time needed to settle the case. It is worth noting that the burden of proof will rest with the collective entity. The entity will have to prove that there has been no breach of law, that all procedures in the collective entity are in place, and that due diligence has been demonstrated.

COMPLIANCE DEPARTMENTS

The drafted act recommends that large companies have compliance departments. The responsibilities of the various bodies of the collective entity should also be defined, and there should be established rules for the supervision of employees. The absence of such conditions may indicate irregularities in the company's operations, which in turn, may lead to the imposition of a penalty. The drafted act also obligates companies to implement several due diligence solutions, including defining rules for dealing with the risk of irregularities, defining the responsibilities of corporate authorities including the management board, employees, and organizational units, and designating a person or organizational unit responsible for supervising compliance with the law and internal regulations.

GET PREPARED

Preparing for the new law will require companies to work on their internal regulations. This includes developing and implementing standards and solutions to demonstrate due diligence in dealing with and preventing law violations and abuses, such as unethical behavior and corruption. It also means that companies will need to create or strengthen their internal compliance departments and properly verify that their counterparties have their own compliance procedures.

EXPERT Insurance

BEYOND ACTUAL DAMAGES

By **Mateusz Kosiorowski**, *Insurance Practice, Government Claims Practice, Wardyński & Partners*

Business interruption insurance and the coronavirus crisis

Even before the state of epidemic threat was announced in Poland, some businesses, anticipating the probable impact of the impending pandemic, decided to take out business interruption insurance. But can this type of coverage make up for at least some of the losses due to the pandemic?

THE NATURE OF THE INSURANCE

It is recognized in the insurance industry in Poland that the coverage of lost profits, known as business interruption insurance (BII), is one of the most complex insurance products. One reason for this is that the construction of this coverage is, to some degree, similar to claiming damages for lost benefits under the general provisions of the Civil Code. This coverage is based on hypothetical assumptions and theoretical calculations to determine what profit an enterprise would have achieved if the injurious event covered by the insurance had not occurred. This is thus protection against financial risk in which the interest of the insured essentially boils down to the insured's expectation of achieving a certain level of revenue or turnover (see K. Malinowska, commentary to Art. 821 of the Civil Code in Commercial Insurance Law, vol. 2 (2nd ed., Lex 2010). Because the subject of this insurance is a financial interest that can be valued in money, BII coverage is classified as a form of financial insurance. This construction can pose difficulties for underwriters in assessing the insured's risk. The calculations will depend on the industry (in which some types of enterprises may be more exposed to a given risk than others) and the frequency of occurrence of given types of perils. Thus taking into account Poland's commercial and climatic realities, the risk of fire or flood here would be assessed differently than, for example, the risk of a tornado in the Great Plains or a hurricane in the coastal Carolinas in the United States. The risk calculation affects the limits of the insurer's liability and the premiums payable for coverage against this financial risk.

Thus we might venture to say that BII coverage is analogous to personal injury insurance for individuals. The main difference is that BII targets professional entities and their business operations. Just as benefits from personal insurance may compensate for a temporary inability to work, business interruption insurance protects enterprises against perils that could have a negative impact on their turnover or profit. BII can also cover certain fixed costs that the insured must pay despite a standstill in operations, including rent, salaries, and other regular business costs.

A NEED FOR PARALLEL PROPERTY INSURANCE

As a rule, BII coverage is coupled with property insurance. Insurance companies require an enterprise wishing to take out BII coverage to take out a property policy simultaneously. This is because the construction of insurance against lost profit assumes that only damage or destruction of the insured's property could lead to further liability of the insurance company for business interruption. In other words, an enterprise cannot insure against a purely financial risk in the form of lost profit, illiquidity, or failure to achieve projected revenue. These events must be correlated with damage to or destruction of the insured property.

Consequently, BII is, in essence, a supplementary form of coverage. A classic example of an injury covered by this type of insurance would be a restaurant fire that causes several months' downtime in operations until the premises are restored. The loss in this respect consists of the damage to or destruction of insured property (such as the building, inventories, or fixtures) and a failure to achieve a certain profit due to the halting of restaurant operations.

Thus it is necessary to identify not only the property covered by the insurance (which could also include expenditures for adaptations), but also the risks covered by the insurance (against fire, structural failure, and more), as well as other essential elements of the insurance relationship (accidentalia negotii). Certain concepts must also be defined, such as what the parties regard as a loss (typically a financial detriment to the insured property) or a peril (a sudden, contingent, and uncertain event that directly causes injury to the insured property and is outside the control of the insured).

Moreover, it will be essential to establish rules and procedures, enabling a way to determine whether the insured has failed to achieve the projected profit or had to incur increased operating costs as a result of injury to the insured property. It will generally be necessary to involve an auditor or accounting expert when reviewing claims for BI coverage.

It is apparent that merely establishing the essential contractual mechanisms for this type of coverage may present a considerable challenge for the parties involved. The insurance policy and its terms must be precise and straightforward, as any doubts could generate a future dispute. In BI coverage, precise specification of the conditions is particularly important, as the amount of the covered loss is hypothetical. The parties to the insurance (particularly the insured) must be aware of the factual and legal state that may constitute grounds for payment of compensation and how the amount of compensation will be determined.

It should be pointed out that if the terms of the policy require interpretation, this will be based on the general provisions of the Civil Code. Thus the interpretation will be controlled by the parties' mutual intent and the aim of the contract, rather than the literal wording of the provisions.

It should also be kept in mind that under the commonly-adopted rule, any doubts in interpretation of a contract will be construed against the party that drafted the contract (e.g., Supreme Court of Poland's judgment of June 21, 2007, case no. IV CSK 95/07). This rule is also confirmed in the regulations governing insurance. In Art. 15(5) of the Insurance and Reinsurance Act, ambiguously worded provisions of an insurance contract, general conditions of insurance, or other contractual forms are interpreted in favor of the insured, the party taking out the insurance, or the beneficiary. As pointed out by the Supreme Court of Poland, this provision "requires the adoption of the variant of understanding favorable to the insured, the party taking out the insurance, or the beneficiary, and rejection of the variants that would be unfavorable to these entities" (judgment of April 12, 2019, case no. I CSK 321/18).

However, as the Supreme Court stated in the same judgment, "This directive cannot be understood to mean that any discrepancy in the meaning of an insurance contract must be resolved in favor of the insurance company's client. Nor is it the case that the use of a word or expression with multiple meanings (vague or unclear) must, in every instance, result in a finding that the provision of the contract is ambiguous.... The requirement referred to in this regulation does not exclude the application of interpretive maneuvers aimed at eliminating ambiguity with the help of reference to the linguistic context and other typical methods of interpreting linguistic statements."

Thus it is evident that, particularly from the insurance company's perspective, the conditions of business interruption insurance must be constructed precisely and clearly. This will significantly limit the risk of potential litigation over insurance coverage.

LOSSES INCURRED DURING THE PANDEMIC

For the reasons described above, insurance companies commonly include clauses in insurance contracts to release them from liability (contractual exclusions). A classic example is the exclusion of the insurer's liability when the insured has intentionally caused the loss (reiterating commonly applicable regulations) or when the loss results from gross negligence by the insured.

Another example of a contractual exclusion is an enumeration of the types of events (risks) not covered by the insurance. This includes, in particular, "uninsurable risks" that fall within the category of events that the state is supposed to guard against. Examples of such exclusions include risks arising out of military action, riots (recently widespread in the United States in connection with "Black Lives Matter" protests), terrorist attacks, and, indeed, epidemics of the SARS type. The SARS exclusion became standard in 2003 after the first severe acute respiratory syndrome coronavirus (SARS-CoV-1) epidemic. Insurers had not previously identified this as a serious type of risk, and the common absence of this exclusion led to payouts of many millions of dollars in compensation (including under BI coverage). It is now standard for insurers to include clauses excluding their liability for losses arising from epidemics caused by a SARS virus (the current COVID-19 pandemic is caused by the virus SARS-CoV-2) in the coverage they offer. Nonetheless, through negotiations and with higher premiums, an insurer may waive this type of exclusion and assume an increased risk.

MASTER POLICIES

When discussing the issue of BII, we should also raise the issue of "master policies," insurance concluded under a policy that is an integral part of an international insurance program. Enterprises interested in BI coverage are often those providing services on international or global markets, where there is a need for the insurance they take out to fit within a common framework and limits. Policies of this type are standard in industries such as energy, construction, and hotels.

PROVISIONS' ORIGINS

The conclusion of BII coverage under a master policy means that the conditions of insurance must typically be assessed on two legal levels: the Polish regulations (related to the local insurance) and the relevant provisions outlined in the international scheme. As the master policy sets the framework and limits for the insurance, the scope and limits of coverage in the local (national) insurance should, as a rule, be no broader than those specified in the international scheme. Nonetheless, business interruption insurance should specify which provisions of substantive law should be applied and which terms are considered controlling if there is any discrepancy between the terms outlined in the international scheme and those provided for in the national coverage.

SUMMARY

As this overview shows, business interruption is a relatively complicated insurance product. This follows from the specific construction of this coverage, which is coupled with property insurance and covers losses of typically purely hypothetical amounts. Given the current status of the coronavirus pandemic, it may be assumed that business interruption insurance will generally not cover pandemic losses, as insurance companies have routinely excluded SARS epidemics (which would include COVID-19) from the scope of coverage since 2003. It should also be remembered that a condition for payment of compensation under business interruption insurance is an injury to property, and the coronavirus epidemic does not directly cause such injury. Nonetheless, it cannot be ruled out that an insurance company will be required to pay compensation under business interruption coverage, for example, if the policy contains a clause on official acts of civil authorities. But even then, as a rule, it will also be necessary to identify injury to the insured property.

Business interruption is a relatively complicated insurance product. This follows from the specific construction of this coverage, which is coupled with property insurance and covers losses of typically purely hypothetical amounts.

WELCOME!

By **Magdalena Świtajska**, *Advocate, Employment & Global Mobility practice, Wardyński & Partners*

How to become a Polish national

The growing interest of non-EU citizens in living and working in one of the European Union countries has become an important driver for them to seek EU citizenship, including citizenship in Poland. Polish citizenship can be obtained at birth or through naturalization in one of two ways: being recognized as a Polish citizen or by the President of Poland's discretionary decision to grant citizenship.

CITIZENSHIP AT BIRTH

Children acquire Polish citizenship regardless of where they are born if at least one of their parents is Polish. If someone born to a Polish parent does not have any documents confirming their Polish citizenship, they may apply for formal confirmation of their Polish citizenship.

Polish citizenship handed down by a parent can be proven with documents or copies including the parent's passport, birth certificate, military service book, certificate of baptism, or membership in a local community or residence on Polish territory (and also on lands formerly belonging to Poland).

The entire procedure usually takes 4–6 months and is conducted in Poland by the governor of the province where the parent is registered.

CITIZENSHIP THROUGH RESIDENCY

A person can apply for recognition as a Polish citizen in a variety of cases. The most common route is through long-term continuous legal residence in Poland for at least three years (two years for foreign citizens who have been married to a Polish citizen for at least three years) based on a permanent residence permit, permission to settle, or a long-term EU resident permit.

The required period of continuous stay in Poland is only one year for persons staying in Poland based on a permanent residence permit granted on the basis of a "Pole's Card," or Polish origin.

In all cases, being recognized as a Polish citizen requires passing a Polish language exam at the B1 level or higher. Other requirements include having a stable source of income in Poland and a place of residence in Poland. The entire procedure usually takes 2–6 months and is conducted in Poland by the province governor.

PASSPORT FROM THE PRESIDENT

The President of Poland may grant Polish citizenship to a foreign citizen at the foreigner's request. The decision to grant citizenship is entirely discretionary, which means that the president may grant Polish citizenship to any foreigner irrespective of whether the statutory provisions regarding Polish citizenship have been met. Therefore, no fixed criteria or requirements apply to this procedure.

The decision-making process takes all of the foreigner's circumstances into consideration, including their family situation (family members in Poland), employment in Poland, social, civic, political, business, cultural, sports, and other activities in Poland. This also includes a recommendation from the Ministry of Internal Affairs and Administration and other institutions, and a possible background check.

The procedure is not demanding in terms of the required documents, but is time-consuming. Currently, it takes about a year to obtain a presidential citizenship decision. In 2019, there were 2,157 applications for granting Polish citizenship submitted to the President, and over 80 percent of them were successful. In practice, the majority of favorable decisions were issued to applicants who have made a significant contribution to the Polish economy, politics, culture, or sports.

In 2019, there were 2,157 applications for granting Polish citizenship submitted to the President, and over 80 percent were successful.

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