POLAND

INVESTMENT CLIMATE STATEMENT

2015

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Executive Summary

In the twenty-six years since Poland discarded communism and the eleven years since it joined the European Union (EU), Poland's investment climate has improved steadily and is highly conducive to U.S. investment. Since 2007, Poland's economy has grown by almost 24 percent compared with the EU average growth at 0.6 percent. In 2014, Poland was an EU leader in consumption and investment growth. Poland outperformed other EU member states throughout the global economic crisis. Poland's strong prospects for future growth will likely continue to attract new investors seeking access not just to its dynamic local market of over 38 million people, but also to the broader EU market of nearly 500 million.

Foreign investors also cite Poland's young, well-educated, and relatively low-cost work force as a major reason to invest. Other factors making Poland an attractive investment destination are its proximity to major markets and its political stability. The volume of U.S. investment in Poland amounts to around USD 20 billion, taking into account the amounts routed through U.S. subsidiaries in other countries. That makes the United States one of the largest foreign investors in Poland.

Poland has worked to establish a solid legal foundation and tax regime conducive to investment. The government continues to focus on streamlining regulation and bureaucratic processes to make doing business easier. However, U.S. investors express increased concern over regulatory, legal and investment environment uncertainty, particularly in the energy sector. Poland is in the process of consolidating its overall energy policy. Foreign investors are increasingly skeptical of interactions with state owned or affiliated energy enterprises as well. The government seeks to expand the economy by encouraging entrepreneurship and innovation through the use of domestic and European Union funding (EU Structural and Cohesion funds, as well as EU Horizon 2020 program funds) to support scientific research, technological development, and innovation.

There are growing opportunities for foreign direct investment (FDI) in a number of Polish sectors. In services, business process outsourcing of accounting, legal, and information technology services, as well as research and development, is Poland's fastest-growing sector, and will continue to attract FDI. The defense industry is another promising sector, as Poland prepares to spend up to USD 45 billion through 2022 on military modernization, and will look for domestic production and technology transfer opportunities in awarding tenders. There are also opportunities for FDI in the energy sector (nuclear, renewables and natural gas) as Poland seeks to diversify its energy mix, and in information infrastructure as Poland implements its plan to connect all Polish households to the internet by 2020.

Other issues for investors to watch besides energy sector consolidation include developments in neighboring Ukraine. Further turmoil in Ukraine and disruptions in trade relations with Russia could reduce Poland's GDP growth for 2015 (projected at approximately 3.4 percent) by about 0.1-0.2 of a percentage point. To mitigate the impact of the Ukrainian crisis, Polish companies have diversified their export markets and taking advantage of rising domestic demand to expand sales in Poland. They are likely to continue foreign and domestic expansion in 2015.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Poland welcomes foreign investment as a source of capital, growth, and jobs, and as a vehicle for technology transfer, research & development (R&D), and integration into global supply chains. By the end of 2013, according to IMF and National Bank of Poland data, Poland attracted an estimated USD 221 billion (cumulative) in foreign direct investment (FDI), principally from Western Europe and the United States. Foreign companies generally enjoy unrestricted access to the Polish market. However, Polish law limits foreign ownership of companies in selected strategic sectors, and limits foreign acquisition of real estate, especially agricultural land.

Poland continues reforms to improve the investment climate. Poland has continued to improve administration of real estate registers and public procurement law. The September 18, 2014 amendment of Public Procurement Law introduced rules for application of non-price criteria for evaluation of offers; a new rule on determination of abnormally low prices; rules for reliance on resources of third parties by contractors and their joint and several liabilities; and expanded the grounds for enabling a contracting entity to retain a bid bond. Numerous minor changes in civil procedure entered into force in January 2015, such as escrow payments of monetary amounts in dispute, the rights of non-parties, and certain aspects of competition cases. A new Geological and Mining Law entered into force in January 2015 and eliminated the need to obtain two separate concessions for exploration and extraction purposes. Also, two or more entities will have the right to apply for one concession jointly.

Despite these reforms, many foreign investors complain of over-regulation, over-burdened courts and prosecutors, and burdensome bureaucratic processes. Parliament established a permanent commission in late 2012 to accelerate Poland's deregulation process.

Other Investment Policy Reviews

OECD Environmental Performance Reviews: Poland 2015: http://www.oecd.org/poland/oecd-environmental-performance-reviews-poland-2015-9789264227385-en.htm

Laws/Regulations of Foreign Direct Investment

The basic legal framework for establishing and operating companies in Poland, including companies with foreign investors, is found in the Commercial Companies Code. The code provides for the establishment of joint-stock companies, limited liability companies, or partnerships (e.g., limited joint-stock partnerships, professional partnerships). These corporate forms are available to foreign investors who come from an EU or European Free Trade Area (EFTA) member state or from a country that offers reciprocity to Polish enterprises, including the United States.

With few exceptions, foreign investors are guaranteed national treatment. Companies that did not have a subsidiary established in the EU before May 1, 2004, but that conduct, or plan to commence business operations in Poland must observe all EU regulations, and may not be able to benefit from all privileges to which EU companies are entitled. Foreign investors without permanent residence and the right to work in Poland may be restricted from participating in day-to-day Polish operations of a company.

According to the Law on the National Court Register of October 1997, all companies, commercial partnerships, and sole proprietorships must be listed in the Register of Entrepreneurs, part of the district court-managed National Court Register. The Register of Entrepreneurs is a public document. The law specifies situations in which registration may be refused (e.g., if required documents are not submitted on time or on national security grounds).

Under the Law on Freedom of Economic Activity, branch offices are registered in the National Court Register under the name of the foreign investor, with the notation branch in Poland. A branch office can perform any activity within the scope of business of the parent foreign investor. In contrast, representative offices must limit their activities to promotion and advertising for the parent foreign investor. Representative offices must register with the Ministry of Economy. In 2015, the Act referred to as the 4th deregulation tranche took effect. Its aim is to simplify regulations of economic activity, reduce reporting and documentation duties of firms, remove existing legal interpretation problems, and improve labor efficiency and investment opportunities. Polish authorities have an ambitious plan to pass a new, more liberal version of the Polish economic enterprise law, the so called constitution for entrepreneurs, with a goal to make entrepreneur – state relations more equal, in late 2015.

Industrial Promotion

Poland has a number of government programs and strategies to stimulate investment to targeted sectors including: the Energy Policy of Poland until 2050 (http://www.mg.gov.pl/Bezpieczenstwo+gospodarcze/Energetyka/Polityka+energetyczna), the Electrical Power Sector Program, the Policy of the Government of the Republic of Poland with respect to the Oil Industry in Poland, and Coal Mining Activities in Poland 2007-2015. Large investments in priority sectors may qualify for the "Program for Supporting Investment of Considerable Importance for the Polish Economy for 2011-2020" which offers grants to large investments that create jobs in sectors, including automotive, electronics, aviation, biotechnology, and services (finance, information and communication, professional business services). The program also supports research and development (R&D) with grants for creation of new jobs and investment grants. Companies can learn more at: http://www.paiz.gov.pl/governmental_grants

Limits on Foreign Control

Poland places limits on foreign ownership and foreign equity for a limited number of sectors. Polish law limits non-EU citizens to 49 percent ownership of a company's capital shares in the air transport, radio and television broadcasting, and airport and seaport operations sectors. The government repealed the law requiring state ownership of LOT Polish Airlines and affiliates in July 2013. State-owned airport construction and services company Porty Lotnicze will issue stocks at the beginning of 2016, but maintain the state's primary ownership. Porty Lotnicze's employees will have the right to acquire up to 15 percent of the company.

Licenses and concessions for defense production and management of seaports are granted on the basis of national treatment for investors from OECD countries. Pursuant to the Broadcasting Law, a TV broadcasting company may only receive a license if the voting share of its foreign owners does not exceed 49 percent and if the majority of the members of the management and supervisory boards are Polish citizens and hold permanent residence in Poland. In the insurance sector, at least two members of management boards, including the chairman, must speak Polish.

The Law on Freedom of Economic Activity requires companies to obtain governmental concessions, licenses, or permits to conduct business in certain sectors, including broadcasting, aviation, energy, weapons/military equipment, mining, and private security services. According to the Law on Freedom of Economic Activity, a permit from the Treasury Ministry is required for certain major capital transactions (i.e., to establish a company when a wholly or partially Polish-owned enterprise is contributed in-kind to a company with foreign ownership).

Polish law restricts foreign investment in land and real estate. Since Poland's EU accession in 2004, foreign citizens from EU member states, Iceland, Liechtenstein, Norway, and Switzerland do not need permission to purchase non-agricultural real estate, or to acquire or receive shares in a company owning non-agricultural real estate in Poland. These foreign citizens are subject to restrictions on the acquisition of Polish agricultural land, however. Under the terms of its accession to the EU, Poland will remove nearly all restrictions on acquisition of Polish agricultural land for all categories of foreign citizen by the end of May 2016.

Citizens from countries other than the EU, Iceland, Liechtenstein, Norway, and Switzerland are allowed to purchase an apartment, 0.4 hectares (4,000 square meters) of urban land without restriction, or up to one-half hectare of agricultural land with building restrictions and restrictions on eligibility for government support programs. In order to make large commercial real estate purchases, such foreign citizen must obtain a permit from the Ministry of Interior (with the consent of the Defense and Agriculture Ministries), pursuant to the Act on Acquisition of Real Estate by Foreigners. A foreign business intending to buy real estate in Poland may apply for a provisional permit from the Ministry of Interior, which is valid for two years from the date of issue, during which time the company is expected to assemble documents demonstrating it is a viable business. Permits may be refused for reasons of social policy or public security. Foreigners can (and do) lease agricultural land.

Privatization Program

Major privatization is over in Poland. The focus is on consolidation and improvement of efficiency in entities still under state control. After 25 years of privatization, the Treasury controls or owns shares of enterprises it deems strategic and dozens of others slated for sale. With few exceptions, the Polish government has invited foreign investors to participate in major privatization projects. In general, bidding criteria have been clear and the process has been transparent. There are nearly 50 state-owned enterprises (SOEs) classified as strategically important, most are in the energy, financial, and mining sectors. The government intends to keep majority share ownership of these firms, or to sell tranches of shares in a way that will ensure maintenance of state control. In late 2012, the Treasury Ministry established the Polish Investment Program (PIR). It uses privatization revenues and government assets, including local governments and SOE holdings, to co-finance investments in areas such as energy, hydrocarbons, transport, local infrastructure, industrial and telecommunications infrastructure.

Screening of FDI

Poland does not have any general screening mechanism for foreign firms' entry and establishment of businesses.

Competition Law

Poland's anti-trust authority, the Office of Competition and Consumer Protection (UOKiK), reviews investment and merger transactions for competition-related concerns. Its mandate covers transactions of a magnitude which influences, or may influence, the Polish market. Participants in planned transactions must obtain UOKiK's advance clearance if their turnover in the year preceding the application exceeded either EUR 1 billion globally or EUR 50 million in Poland. The law provides for a waiver of the obligation to notify UOKiK in certain situations, such as if the annual turnover in Poland of the target enterprise was less than EUR 10 million in the two previous years, or if parties to the merger already belong to the same capital group. In January 2015 significant amendments to Poland's competition law entered into force with the aim to make merger control more efficient and toughen antitrust regulations.

Investment Trends

An increasing share of FDI in Poland is in services, although Poland has a large base of manufacturing. One of the largest FDI projects announced in Poland in 2014 was an expansion of the General Motors plant in Tychy. According to the Polish Information and Investment Agency (PAIiIZ), the number of new investment projects is growing in the automotive, business process outsourcing (BPO), research & development, aviation and IT sectors.

According to Ernst & Young's European Attractiveness 2014 report, Poland was voted the most attractive country for investments among CEE states. Poland ranked second behind India in KPMG's, IT Outsourcing Service Provider Performance Satisfaction Study 2014/2015. According to the World Bank's 2015 Doing Business report, in the category of Ease of Doing Business, Poland has taken positive steps to enhance trade across borders and enforce contracts. The report noted Poland's tax system and business regulations remain burdensome, particularly in relation to new business formation. UNCTAD's World Investment Prospects Survey 2013–2015 ranked Poland as the fourth European and the fourteenth World's top foreign investment destination.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	35 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	32 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	45 of 143	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	USD 13,240	data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

Foreign exchange is available through commercial banks and exchange offices. Payments and remittances in convertible currency may be made and received through a bank authorized to engage in foreign exchange transactions, and most banks have authorization. Foreign investors have not complained of significant difficulties or delays in remitting investment returns such as dividends, return of capital, interest and principal on private foreign debt, lease payments, royalties, or management fees. Foreign currencies can freely be used for settling accounts.

Poland provides full IMF Article VIII convertibility for current transactions. The Polish Foreign Exchange Law, as amended, fully conforms to the OECD Codes of Liberalization of Capital Movements and Current Invisible Operations. In general, foreign exchange transactions with the EU, OECD, and European Economic Area (EEA) countries are accorded equal treatment and are not restricted.

Except in limited cases which require a permit, foreigners may convert or transfer currency to make payments abroad for goods or services and may transfer abroad their shares of after-tax profit from operations in Poland. Foreign investors may freely withdraw their capital from Poland. Full repatriation of profits and dividend payments is allowed without obtaining a permit. However, a Polish company (including a Polish subsidiary of a foreign company) must pay withholding taxes to the Polish tax authorities on any distributable dividends unless a double taxation treaty is in effect. A double taxation treaty is in place between Poland and the United States; this was updated in February 2013, but the United States had not yet ratified the update as of March 2015. As a rule, a company whose headquarters is outside of Poland is subject to corporate income tax on income earned in Poland, under the same rules as Polish companies.

Foreign exchange regulations require non-bank entities dealing in foreign exchange or acting as a currency exchange bureau to submit reports electronically to the National Bank of Poland

(NBP) at http://sprawozdawczosc.nbp.pl. An exporter may open foreign exchange accounts in the currency it chooses.

Remittance Policies

Poland does not prohibit remittance through legal parallel markets utilizing convertible negotiable instruments (such as dollar-denominated Polish bonds in lieu of immediate payment in dollars). As a practical matter, such payment methods are rarely, if ever, used. Poland is not a Financial Action Task Force (FATF) member, but is seeking membership.

3. Expropriation and Compensation

Article 21 of the Polish Constitution states: "expropriation is admissible only for public purposes and upon equitable compensation." The Law on Land Management and Expropriation of Real Estate provides property may be expropriated only in accordance with statutory provisions such as construction of public works, national security considerations, or other specified cases of public interest. The government must pay full compensation at market value for expropriated property. Acquiring land for road construction investment has been liberalized and simplified to accelerate property acquisition. Most acquisitions for road construction are resolved without problems. However, there have been a few cases in which inability to reach agreement on remuneration has resulted in expropriation and compensation protests/disputes. Post is not aware of any expropriation actions against U.S. investments, companies, or representatives.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Poland is a civil law legal jurisdiction with a civil code. The Polish legal system offers an acceptable level of protection for business, but has undergone appreciable changes in a very short time. Poland also has a written commercial law, the Commercial Companies Code. This code provides for the establishment, organization, operations, dissolution, division and transformation of commercial companies.

The UN Convention on the International Sales of Goods applies to all everyday cross-border business transactions in European countries. Consequently, most ordinary international business transactions with Poland are regulated by these legal principles.

In civil and commercial matters first instance courts sit in single-judge panels, while courts handling appeals sit in three-judge panels. The majority of disputes are handled in the first instance by District Courts (Sad Rejonowy). When the value of the dispute exceeds a certain amount or the subject matter is specialized (i.e. intellectual property), Circuit Courts (Sad Okregowy) serve as first instance courts. Circuit Courts also handle appeals from District Court verdicts. Courts of Appeal (Sad Apelacyjny) handle appeals from verdicts of Circuit Courts as well as generally supervise the courts in their region.

The judiciary acts independently. The Polish judicial system generally upholds the sanctity of contracts. Judgments of foreign courts are, under the Polish Civil Procedure Code and European

Community regulation, able to be recognized. However, there are many judgments of foreign courts which are not accepted or accepted partially in Polish courts. One of the reasons for delays in the recognition of judgments of foreign courts is an insufficient number of judges with specialized expertise.

Generally, foreign firms are wary of the slow and over-burdened Polish court system, preferring other means to defend their rights. Contracts involving foreign parties often include a clause specifying that disputes will be resolved in a third-country court or through offshore arbitration.

Bankruptcy

Poland's Bankruptcy Law provides that a company's creditors or its governing bodies (i.e., its Board of Directors or another body, depending on the corporate form of the debtor) may file to declare bankruptcy. The Creditors Preliminary Assembly has the right to decide, at the initial stage of the bankruptcy process, whether a workout agreement is possible or whether the assets of a bankrupt company should be liquidated. Liabilities are repaid in the following order: the cost of legal proceedings; employee remuneration; liabilities to the State and Social Security Fund (ZUS) secured by a mortgage or pledge; other liabilities secured by mortgages or pledges; other taxes and other public liabilities; and other liabilities. The Mortgage Banking Act and the Law on Registered Pledges and Pledge Registry protect qualified mortgagors and secured creditors against subsequent tax liens and other secured and unsecured claims. Monetary judgments are usually made in local currency.

In 2014, the OECD estimated it took an average of three years to close a business in Poland, versus the OECD average of 1.7 years. In October 2014, the government submitted a draft Restructuring Law to parliament. If passed it would significantly amend the current Bankruptcy & Recovery Law, eliminate bankruptcy proceedings with an option of concluding an arrangement and recovery proceedings from the Bankruptcy Law. The main aims of the new regulation are to: significantly shorten the time it takes to agree to a restructuring arrangement; increase the use of restructuring procedures by entrepreneurs; and allow the institution of court proceedings as early as possible at a financially-distressed company to limit further indebtedness and prevent the "harmful" disposal of assets by a debtor (e.g. to benefit one creditor at the expense of others).

Investment Disputes

Poland's sale of state-owned enterprises, adoption of EU regulations, and passage of legislation limiting the role of the state in economic activity facilitated a friendlier environment for firms than in the past. However, investors express growing concern about the investment climate, specifically in the energy sector, where the regulatory environment is not clearly defined. Investors say the timely process of energy policy consolidation has made the legal, regulatory and investment environment for the energy sector uncertain in terms of how the Polish judicial system deals with questions and disputes around energy investments by foreign investors, and in foreign investor interactions with state owned or affiliated energy enterprises.

International Arbitration

Poland does not have an arbitration law, but provisions in the Polish Code of Civil Procedures of 1964, as amended, which is based to a large extent on UNCITRAL Model Law. Commercial contracts between a Polish company and a foreign company often contain an arbitration clause. Arbitration tribunals to settle disputes arising from international commercial activities operate through the Polish Chamber of Commerce, and other sector-specific organizations. Under the Code of Civil Procedure, an arbitration agreement must be concluded in writing.

There is no distinction in law between domestic and international arbitration. The law only distinguishes between foreign and domestic arbitral awards for the purpose of their recognition and enforcement. The decisions of arbitration entities are not automatically enforceable in Poland, but must be confirmed and upheld in a Polish court. Under Polish Civil Code and European Community regulation, local courts accept and enforce the judgments of foreign courts, however, in practice; there are many judgments of foreign courts which are not accepted or accepted partially in Polish courts. One of the reasons for delays in the recognition of judgments of foreign courts is an insufficient number of judges with specialized expertise.

ICSID Convention and New York Convention

Poland is not a member state to the International Centre for Settlement of Investment Disputes (ICSID convention). Poland is party to the following international agreements on dispute resolution, with the Ministry of Finance acting as the government's representative: The 1923 Geneva Protocol on Arbitration Clauses; The convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York convention); The 1961 Geneva European Convention on International Trade Arbitration; The 1972 Moscow Convention on Arbitration Resolution of Civil Law Disputes in Economic and Scientific Cooperation.

Duration of Dispute Resolution

On average it takes 13 weeks to enforce an arbitration award rendered in Poland, from filing an application to a writ of execution attaching assets (if there is no appeal), and 15 weeks for a foreign award. The most complicated and time-consuming enforcement proceedings involve enforcing awards involving real estate, while enforcement involving a bank account can be effected in a very short time, provided that the party against whom the enforcement is sought raises no objections.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Poland has been a World Trade Organization member since 1995. Post is not aware of Poland’s notifications to the World Trade Organization (WTO) of any measures it maintains that are inconsistent with its obligations under the Trade Related Investment Measures (TRIMS) Agreement.

Investment Incentives

A company investing in Poland, either foreign or domestic, may receive assistance from the Polish government. A number of incentives are potentially available to foreign investors: income tax and real estate tax exemptions in Special Economic Zones (SEZ); investment grants of up to 50 percent of investment costs (70 percent for small- or medium-sized enterprises); grants for research and development; grants for other activities such as environmental protection, training, logistics, or creating renewable energy sources. Incentives for SEZ have been extended until 2026, including less stringent criteria for land incorporated into SEZ, reduced thresholds on minimum number of jobs created and minimum capital expenditures for SME until 2016.

Regulations on special economic zones and on public assistance to entrepreneurs provide the basis for exemptions from income tax or other incentives. The amount of assistance (e.g., tax exemptions, grants, etc.) available to investments outside of SEZs varies from region to region. The government produces a regional aid map which specifies an assistance ceiling for each region, expressed as a percentage of a project's new investment or employment costs. Poland does not have restrictions on government financed or subsidized national research and development programs. U.S. and other foreign firms can participate in these programs if their company is registered in Poland. More information on government grants: http://www.paiz.gov.pl/governmental_grants; Incentive Investments in SEZs: http://www.paiz.gov.pl/investment_support/investment_incentives_in_SEZ

Research and Development

Poland is in the process of transforming into a knowledge-based economy to increase economic competitiveness. Poland plans to spend 1.7 percent of GDP on research and development by 2020. During 2014 – 2020 Poland will receive approximately USD 88.85 billion in EU Structural and Cohesion funds that the Polish government is dedicating to research and development (R&D). In April 2014, the Polish government approved the Enterprise Development Program 2020 to create a friendly business environment and support R&D, innovation projects, and cooperation between business and academia. The Enterprise Development Program and the National Strategy for Smart Specialization were adopted on April 8, 2014. These programs focus on promoting an innovation-friendly business environment and improving R&D support system financing with better financial instruments and tax incentives. Businesses may also take advantage of the European Union's primary research funding program, Horizon 2020.

There are tax incentives for R&D: the New Technology Tax Relief and the Tax Deduction for R&D centers. These incentives have been in place for almost ten years, but are infrequently used. In 2013, only 75 companies claimed the technology tax relief, with an average pretax credit of $1.3 million per company. Design of the technology tax relief is targeted at supporting the purchase of technology and not in-house development. Eligibility criteria for the R&D centers tax deduction are considered too restrictive, especially for newly opened firms. Only 34 R&D centers benefitted from this tax incentive in 2014.

Ministry of Infrastructure and Development on European Funds for Research and Development: http://www.mir.gov.pl/english/News/Strony/Beginning_of_EuropeanFunds2014_20_billions_for_development.aspx

Performance Requirements

Post is not aware of excessively onerous visa, residence, work permit, or similar requirements inhibiting mobility of foreign investors and their employees. Polish law limits non-EU citizens to 49 percent ownership of a company's capital shares in the air transport, radio and television broadcasting, and airport and seaport operations sectors as outlined in section 1 of this report: Limits on Foreign Control. Pursuant to the Broadcasting Law, a TV broadcasting company may only receive a license if the voting share of its foreign owners does not exceed 49 percent and if the majority of the members of the management and supervisory boards are Polish citizens and hold permanent residence in Poland. In the insurance sector, at least two members of management boards, including the chairman, must speak Polish.

Data Storage

Poland has no policy of forced localization designed to force foreign investors to use domestic content in goods or technology, and no requirement to store data locally. Polish regulations protect an individual's personal data that is collected in Poland regardless of where the data is physically stored. GIODO (Bureau of the Inspector General for Personal Data Protection) is the institution that enforces personal data regulation.

6. Right to Private Ownership and Establishment

Domestic and foreign private entities generally may freely establish, acquire, or dispose of a business, and may engage in economic activity in accordance with the Commercial Companies Code. The Civil Code, as amended, regulates property rights of individuals or legal entities. Civil Code regulations are based on the principles of equality of all parties regardless of their ownership status, equivalency of obligations, discretion, protection of private ownership, and freedom of contracts.

7. Protection of Property Rights

Real Property

Poland has a non-discriminatory legal system accessible to foreign investors that protects and facilitates acquisition and disposition of all property rights, including land, buildings, and mortgages. Many investors, foreign and domestic, complain that the judicial system is slow in adjudicating cases involving property rights.

Poland recognizes and enforces secured interests in property, movable and real. The concept of a mortgage exists in Poland, and there is a recognized system of recording such secured interests.

Widespread nationalization of property during and after World War II has complicated the ability to establish clear title to land in Poland, especially in major municipalities. While the

Polish government has an administrative system for reviewing claims for the restitution of communal property, former individual property owners must file and pursue claims in the Polish court system in order to receive restitution. There is no statute of limitations regarding the filing or litigation of private property restitution claims. As a result, it is sometimes difficult to establish clear title to properties; no comprehensive estimates of what portion of land does not have clear title in Poland exist.

Intellectual Property Rights

Polish intellectual property rights (IPR) law is stricter than European Commission directives require. Enforcement is good and improving. Physical piracy (e.g., optical discs) is not a problem in Poland. However, online piracy continues to be widespread, despite progress in enforcement. Poland has two notorious online markets, Darkwarez.pl and Catshare.net.

Polish law requires a rights holder to start the prosecution process. In Poland, authors' and creators' organizations and associations track violations and present motions to prosecutors. Rights holders express concern that penalties for digital IPR infringement are not high enough to deter violators. In an effort to address these concerns, the Polish government established a national IPR strategy for 2015-2017 that will address penalties, etc. The Polish government seized 6,004,462 articles of counterfeit goods in 2014.

In 2014 the Ministry of Culture and Higher Education presented amendments to existing Copyright and Related Rights law: as wide as possible access to copy right works in the area of so called public lending right which includes orphan works and works not commercially available; and the second related to time of copyright protection. Both proposed amendments are likely to be approved by the Council of Ministers in early 2015.

The Polish Patent Office signed an agreement with the U.S. Patent and Trademark Office (USPTO) to participate in USPTO's Patent Prosecution Highway (PPH). The agreement came into force on November 1, 2014. The PPH speeds up the examination process for corresponding applications filed in participating intellectual property offices.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Resources for Rights Holders

Ministry of Culture and National Heritage: http://www.mkidn.gov.pl/pages/the-ministry-of-culture-and-national-heritage/international-cooperation/world-intellectual-property-organization.php
General information on copyright in Poland: http://www.copyright.gov.pl/pages/main-page/copyright-in-poland/general-information.php
Polish Patent Office: http://www.uprp.pl/o-urzedzie/Lead03,14,56,1,index,pl,text/
Ministry of Administration and Digitalization: http://mac.gov.pl/en/the-areas-of-our-activity

Contact Point at Post for Intellectual Property Issues
Angela Palazzolo
Trade and Investment Officer
Ul. Ujazdowskie 29/31, 00-540, Warszawa, Poland
+48 22 504 2000; ICSPoland@state.gov

Mission Poland has compiled lists of attorneys with the help of Polish District Bar Associations. Mission Poland assumes no responsibility for the professional ability or integrity of the persons who appear on the list: http://poland.usembassy.gov/poland/attorneys.html.

8. Transparency of the Regulatory System

Polish accounting standards do not differ significantly from international standards. Major international accounting firms provide services in Poland. In cases where there is no national accounting standard, the appropriate International Accounting Standards may be applied. However, investors complain of regulatory unpredictability and high levels of administrative red tape. Foreign and domestic investors must comply with a variety of laws concerning taxation, labor practices, health and safety, and the environment. Complaints about these laws, especially the tax system, center on lack of clarity and strict penalties for minor errors.

Proposed laws and regulations are published in draft form for public comment, and ministries must conduct public consultations. Poland follows OECD recognized good regulatory practices. Participation in public consultations and the time period allotted for them are often limited. Proposed legislation can be tracked on the Prime Minister’s webpage, http://legislacja.rcl.gov.pl/.

9. Efficient Capital Markets and Portfolio Investment

In 2014, the open pension fund (OFE) reform and Russian aggression in Ukraine increased uncertainty, putting the Warsaw Stock Exchange (WSE) under pressure. At the same time, a deflationary trend since mid-2014 combined with successive interest rate cuts ensured good performance by Polish bonds in 2014.

The WSE Capital Group presented a new development strategy in fall 2014 based on organic growth rather than merging with another exchange. The strategy is based on six pillars: a liquid equity market; a developed debt market; a competitive derivatives market; a commodity market attractive to investors; a comprehensive offer of information products for investors and issuers; and entering new business segments, if feasible.

The need for medium-term financial support for modernization of electricity and gas sectors may increase the importance of the corporate bond market. The WSE Capital Group plans to develop its commodity market by harnessing the potential of energy companies and financial investors.

Money and Banking System, Hostile Takeovers

The Polish regulatory system is effective in encouraging and facilitating portfolio investment. Both foreign and domestic investors may place funds in demand and time deposits, stocks, bonds, futures, and derivatives. Poland has healthy equity markets that facilitate the free flow of financial resources. Poland provides full IMF Article VIII convertibility for current transactions. Banks can and do lend to foreign and domestic companies. Companies can and do borrow abroad and issue commercial paper. The Act on Investment Funds allows for open-end, closed-end, and mixed investment funds, and the development of securitization instruments in Poland. In general, no special restrictions apply to foreign investors purchasing Polish securities.

Credit allocation is on market terms. The government, however, maintains some programs offering below-market rate loans to certain domestic groups, such as farmers and homeowners. Foreign investors and domestic investors have equal access to the Polish financial markets. Private Polish investment is financed from retained earnings and credits, while foreign investors utilize funds obtained outside of Poland as well as retained earnings. Polish firms raise capital in Poland and in other countries.

The banking sector is sound with major banks well capitalized. According to the National Bank of Poland (NBP), the January 2015 appreciation of Swiss franc to all major currencies, including the Polish zloty will not be a significant threat to domestic banking sector stability. In general, supervision and risk management have proven efficient in containing excessive risk-taking. The state still owns several banks, but the sector is predominantly privately owned. However, the Swiss franc surge cooled mergers and acquisitions in the banking sector, as buyers and sellers assess the effects of a sharp rise in the cost of mortgages denominated in the Swiss franc.

NBP stress tests indicate most domestic banks hold sufficient capital to absorb effects of a severe macroeconomic shock and maintain high capital-adequacy ratios. With an average capital-adequacy ratio of 14.9 percent in September 2014, all banks meet the 8 percent minimum. This ratio has been stable in recent years, due to an increase in share capital and retained profits. Poland's banking sector comfortably meets European Banking Authority regulatory requirements.

The reliance on parent bank funding by some subsidiaries has been reduced, in line with NBP recommendations. Reflecting underlying stability and a healthy rate of real GDP growth, credit to households and corporations is growing at a steady rate. NBP loosening and the ECB's recent package of monetary loosening measures bodes well for liquidity across the sector. Despite improvements in the real economy, asset quality has so far failed to improve, with the ratio of non-performing loans still almost double the level of 2008.

The top ten banks held USD 244.7 billion in assets at the end of 2014. The entry into force of regulatory changes arising from the CRDIV/CRR package did not bring about major changes in the level of regulatory capital, capital requirements and capital adequacy ratios. Changes related to the entry into force of the above mentioned European regulations will, however, have a significant bearing on the structure and manner of operation of the cooperative banking sector – both banks themselves (capital adequacy), and the affiliating banks (liquidity requirements).

The situation in the credit unions (SKOK) sector remains difficult. Authorities have intensified efforts to resolve the small but vulnerable credit union segment with a number of institutions developing rehabilitation plans and merger and takeovers occurring.

As a response to an attempted of a hostile takeover of one of Poland's strategic state-owned companies (Grupa Azoty) by a foreign company in 2012, the Treasury Ministry is drafting a bill which would legitimize annulment of transactions in shares of Poland's strategic companies if such transactions are considered a threat to national security. The regulation will be similar to the law in force in such countries as Austria, Germany, the United States and Canada. Normally, hostile takeover attempts are rare.

10. Competition from State-Owned Enterprises

State Owned Enterprises (SOEs) still exist in sectors, most notably mining, energy and financial. There is no up-to-date consolidated list of SOEs available. The Treasury Ministry's website includes a document called; Priorities for Managing a Portfolio of Entities Supervised by the Treasury Ministry until 2015, dated August 2014, which lists companies in which the state held a majority or minority share, and specifies the SOEs over which the state intends to retain control for strategic reasons. The Treasury Ministry intends to focus on building value of key entities for Poland's security and strive to reduce the national government's engagement in areas where its participation is not required. There is no consolidated information on SOE budgets for R&D available to Post. The Polish government is working to improve the efficiency of SOEs through enhancing corporate governance standards.

The same standards are generally applied to both private and public companies with respect to access to markets, credit, and other business operations such as licenses and supplies. Officials at various levels of government occasionally exercise their discretionary authority to assist SOEs. In general, SOEs are meant to pay their own way, financing their operations and funding further expansion through profits generated from their own operations. SOEs are governed by a board of directors and most pay an annual dividend to the government. SOEs prepare and disclose annual reports. The process for investment disputes involving SOEs is transparent and non-discriminatory. Since Poland's EU accession, government activity favoring state-owned firms has received careful scrutiny from Brussels.

OECD Guidelines on Corporate Governance of SOEs

The majority of Polish SOEs are under Ministry of the Treasury supervision. A relatively small number of SOEs are supervised by other Ministries, such as the Ministry of Economy and the Ministry of Infrastructure, as well as province (regional) governors. In Poland, the same rules are binding in SOEs and in publicly listed companies unless statutes provide otherwise. (In Treasury companies, employees may designate two fifths of the Supervisory Board's composition. In addition, according to the privatization law, in wholly-owned Treasury companies with more than 500 employees, the employees are allowed to elect one member of the Management Board.) In Poland, SOEs are subject to a series of additional disclosure requirements above those set forth in the Company Law. The Treasury prepares specific guidelines on annual financial reporting to explain and clarify these requirements. SOEs have to prepare detailed reports on management board activity, plus a report on previous financial year activity, and a report on the result of the examination of financial reports. The state representatives to the supervisory board have to go through examinations to be able to apply for a board position. Many major state owned companies are listed on the Warsaw Stock Exchange (WSE) and are subject to the Code of Best Practice for WSE Listed Companies.

Sovereign Wealth Funds

There are no sovereign wealth funds in Poland.

11. Corporate Social Responsibility

While there is no specific legislation in place to promote corporate social responsibility (CSR) good practices among Polish companies, the Ministry of Economy is tasked with supporting the implementation of CSR programs. Companies are, with growing frequency, compiling CSR activity reports based on international reporting standards.

OECD Guidelines for Multinational Enterprises

Many Polish companies, particularly small and medium size enterprises, lack the knowledge and experience to implement effectively generally accepted CSR practices, such as those described in the OECD Guidelines for Multinational Enterprises. There is an ongoing discussion among employers whether CSR regulations should be enforced on companies or if CSR should be a voluntary process. (www.csr.gov.pl).

12. Political Violence

Poland is a politically stable country. Constitutional transfers of power are orderly. The last parliamentary elections took place in October 2011; the new government formed in November 2011, although the prime minister resigned to assume the presidency of the European Council in September 2014, and a new prime minister reshuffled the cabinet. The next elections will be in May 2015 for the presidency and October 2015 for the national parliament.

There have been no confirmed incidents of politically motivated violence toward foreign investment projects in recent years. Poland has neither insurgent groups nor belligerent neighbors. To date, the civil unrest in neighboring Ukraine has had minimal impact on Poland's business climate. The Overseas Private Investment Corporation (OPIC) provides political risk insurance for Poland but it is not frequently used, as competitive private sector financing and insurance are readily available.

13. Corruption

Poland has laws, regulations, and penalties aimed at combating corruption. In 2014, the Transparency International (TI) index of perceived public corruption ranked Poland as the 35th least corrupt among 175 countries. Due to the downward trend of corruption in Poland, Transparency International closed its Polish chapter in 2011.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

The Polish Central Anti-Corruption Bureau (CBA), and national police all investigate public corruption. The Justice Ministry and the police are responsible for enforcing Poland's anti-corruption criminal laws. The Finance Ministry administers tax collection and is responsible for denying the tax deductibility of bribes.

Reports of alleged corruption most frequently appear in connection with government contracting and the issuance of a regulation or permit that benefits a particular company. Allegations of corruption by customs and border guard officials, tax authorities, and local government officials show a decreasing trend. If such corruption is proven, it is usually punished.

Overall, U.S. firms have found that maintaining policies of full compliance with the U.S. Foreign Corrupt Practices Act (FCPA) is effective in building a reputation for good corporate governance and that doing so is not an impediment to profitable operations in Poland. In April 2014, the Polish subsidiary of a U.S. information technology firm agreed to pay criminal penalties and forfeitures in the United States after admitting to violating the FCPA in Poland. The Polish CBA is conducting its own investigation into corruption accusations against this and other U.S. firms.

Poland ratified the UN Anticorruption Convention in 2006 and the OECD Convention on Combating Bribery in 2000. Polish law classifies the payment of a bribe to a foreign official as a criminal offense, the same as if it were a bribe to a Polish official.

Resources to Report Corruption

Contact at government agency or agencies are responsible for combating corruption:
Centralne Biuro Antykorupcyjne (Central Anti-Corruption Bureau - CBA)
Centralne Biuro Antykorupcyjne, ul. Poleczki 3, 02-822 Warszawa
+48 800 808 808
kontakt@cba.gov.pl or via web: www.cba.gov.pl; link: Zglos Korupcje (report corruption)

Contact at watchdog organization (international, regional, local or nongovernmental organization operating in the country/economy that monitors corruption, such as Transparency International):
Batory Foundation, Public Integrity Program
+48 (22) 536 0257
op@batory.org.pl
Batory Foundation's contact information is for whistleblowers only.

14. Bilateral Investment Agreements

The United States and Poland signed a Treaty Concerning Business and Economic Relations in 1990; it entered into force in 1994 and was amended and re-ratified in October 2004.

As of March 2015, Poland had in force 59 bilateral investment agreements: Albania (1993); Argentina (1992); Australia (1992); Austria (1989); Azerbaijan (1999); Bangladesh (1999); Belgium and Luxembourg (1991); Belarus (1993); Bulgaria (1995); Canada (1990); Chile (2000); China (1989); Croatia (1995); Cyprus (1993); the Czech Republic (1994); Denmark (1990); Egypt (1998); Estonia (1993); Finland (1998); France (1990); Germany (1990); Greece (1995); Hungary (1995); India (1997); Indonesia (1993); Iran (2001; although Poland supports international sanctions regimes); Israel (1992); Jordan; Kazakhstan (1995); Kuwait (1993); Latvia (1993); Lithuania (1993); Macedonia (1997); Malaysia (1994); Moldova (1995); Mongolia (1996); Morocco (1995); the Netherlands (1994); Norway (1990); Portugal (1993); Romania (1995); Serbia and Montenegro (1997); Singapore (1993); Slovenia (2000); Slovakia (1996); South Korea (1990); Spain (1993); Sweden (1990); Switzerland (1990); Thailand (1993);

Tunisia (1993); Turkey (1994); Ukraine (1993); United Arab Emirates (1994); the United Kingdom (1988); the United States (1994); Uruguay (1994); Uzbekistan (1995); Vietnam (1994).

Bilateral Taxation Treaties

The United States and Poland have a tax treaty, which was last updated on February 2013 and is awaiting ratification by the United States Congress.

A totalization treaty (The Agreement between the United States of America and the Republic of Poland on Social Security) prevents double taxation, enables resumption of payments to suspended beneficiaries, and allows transfer of benefit eligibility.

Poland has signed (as of December 2013) Double Tax Treaties with:
Albania, Algeria (a), Armenia, Australia, Austria, Azerbaijan, Bangladesh, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Canada, Chile, China, Croatia, Cyprus, Czech Rep., Denmark, Estonia, Egypt, Finland, France, Georgia, Germany, Greece, Guernsey, Hungary, Iceland, India, Indonesia, Iran, Ireland, Israel, Italy, Japan, Jersey, Jordan, Kazakhstan, Korea, Kuwait, Kyrgyzstan, Latvia, Lebanon, Lithuania, Luxembourg, Macedonia, Malaysia, Malta, Isle of Man, Mexico, Moldova, Mongolia, Montenegro, Morocco, Netherlands, New Zealand, Nigeria (a), Norway, Pakistan, Philippines, Portugal, Qatar, Romania, Russia, Serbia, Singapore, Slovakia, Slovenia, Saudi Arabia, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Syria, Tajikistan, Thailand, Tunisia, Turkey, Ukraine, UK , United Arab Emirates, Uruguay (a), U.S., Uzbekistan, Vietnam, Zambia (a), Zimbabwe (Note: (a) Treaty signed, but not yet in force)

15. OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) provides political risk insurance for U.S. companies investing in Poland against political violence, expropriation, and inconvertibility of local currency. In Poland, OPIC currently offers medium and long-term financing through its direct loan and guarantee programs. Direct loans are reserved for U.S. businesses or cooperatives. Loan guarantees are issued to U.S. lending institutions.

The World Bank Group's Multilateral Investment Guarantee Agency provides investment insurance similar to OPIC's for investments in Poland.

16. Labor

Poland has a well-educated, skilled labor force. Productivity remains below Western standards but is rising rapidly, and unit costs are competitive. In 2014, the average gross wage in Poland was around $1200 per month. Poland's economy employed roughly 16 million people at the end of 2014, with total unemployment of 10.1 percent and 27.4 percent youth unemployment in December 2013 (as measured by the EU and International Labor Organization (ILO)). Unemployment varies substantially between regions. At the end of 2014, unemployment was lowest in major urban areas.

Polish workers are usually eager to work for foreign companies, in Poland and abroad. Since Poland joined the EU, over two million Poles have sought work in other EU member states.

Polish companies suffer from a shortage of qualified workers. The most sought-after specialists are engineers, IT specialists, salespersons, project managers, and technical advisors. Manufacturing companies seek welders, bricklayers, and machinery operators. Overall, employment in the public sector has shrunk as the private sector has grown. Employment has expanded in service industries such as information technology, manufacturing, administrative and support service activities. The business process outsourcing industry in Poland has experienced dynamic growth. The state-owned sector still employs about a quarter of the work force, although employment in fields such as coal mining and steel are declining.

In 2012, Poland revised its pension system and implemented legislation that will gradually increase the retirement age for men and women to 67. Previously, the retirement age had been 65 for men and 60 for women.

Most workers have the legal right to establish and join independent trade unions and to bargain collectively. The influence of trade unions in Poland is declining, though they remain powerful in coal-mining and shipyards. In January 2015, coal miners organized protests over the government's rescue program for the industry.

The 1996 Labor Code governs most aspects of employee-employer relations. This outlines employee and employer rights in all sectors, both public and private, and has been gradually revised to adapt to EU standards. The Polish government has ratified the ILO's core conventions.

The law requires equal pay for equal work and equal treatment with respect to signing labor contracts, employment conditions, promotion, and access to training. The law defines equal treatment as nondiscrimination in any way, directly or indirectly on the grounds of gender, age, disability, race, religion, nationality, political opinion, ethnic origin, denomination, sexual orientation, whether or not the person is employed temporarily or permanently, full time or part time.

17. Foreign Trade Zones/Free Ports/Trade Facilitation

Foreign-owned firms have the same opportunities as Polish firms to benefit from foreign trade zones (FTZs), free ports, and special economic zones. The 2004 Customs Law regulates operation of FTZs in Poland. The Minister of Finance and the Minister of Economy, establish duty-free zones. The Ministers designate the zone's managing authorities, usually provincial governors who issue operating permits to interested companies for a given zone.

Most activity in FTZs involves storage, packaging, and repackaging. As of January 2014, there were seven FTZs: Gliwice, near Poland's southern border; Terespol, near Poland's eastern border; Mszczonow, near Warsaw; Warsaw's Frederic Chopin International Airport; Szczecin; Swinoujscie; and Gdansk. Duty-free shops are available only for travelers to non-EU countries.

There are thirteen bonded warehouses (airports unless specified): Bydgoszcz-Biale Blota, Gdynia (seaport); Krakow-Balice; Wroclaw-Strachowice; Katowice-Pyrzowice; Gdansk-Trojmiasto; Lodz; Braniewo; Poznan-Lawica; Rzeszow-Jasionka, Warszawa Modlin, Lublin, Szczecin-Goleniow. Commercial companies can operate bonded warehouses. Customs and storage facilities are operated pursuant to custom authorities' permission. The authorization to operate a customs warehouse can be issued only to persons established in the EU.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		**USG or international statistical source**		**USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other**
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2013	517,500	2013	525,866	worldbank.org/en/country/poland

Foreign Direct Investment	**Host Country Statistical source***		**USG or international statistical source**		**USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other**
U.S. FDI in partner country ($M USD, stock positions)	2013	9,412	2013	13,464	BEA
Host country's FDI in the United States ($M USD, stock positions)	2013	554.4	2013	251	BEA
Total inbound stock of FDI as % host GDP	2013	42%	2013	42%	Own calculations; Eurostat data n/a for 2013

Host Country sources: National Bank of Poland, Central Statistical Office, Finance Ministry
Notes: Description of NBP methodology changes effective October 2014:
http://www.nbp.pl/en/aktualnosci/2014/Revision-BoP-IIP-2014.pdf
USD/PLN 3.16 is the rate of exchange used for calculations (GUS 2013 average)
The discrepancy for U.S. FDI in Poland is likely due to the National Bank of Poland (NBP) methodology of classifying origin of capital. For example, if a U.S. company invests in Poland through their German subsidiary, the FDI will be classified as German, not U.S., by National

Bank of Poland methodology. The discrepancy for Poland's FDI in the United States is likely due to differences in sample sets and size in the U.S. and Poland, according to NBP analysts.

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	220,810	100%	Total Outward	28,432	100%
Germany	37,816	17%	Luxembourg	9,469	33%
Netherlands	35,647	16%	Cyprus	6,216	22%
France	26,328	12%	Switzerland	2,710	10%
Luxembourg	21,353	10%	Netherlands	2,446	9%
Spain	14,429	7%	Lithuania	2,221	8%
"0" reflects amounts rounded to +/- USD 500,000.					

Source: IMF Coordinated Direct Investment Survey, 2013

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			**Equity Securities**			**Total Debt Securities**		
All Countries	16,334	100%	All Countries	11,204	100%	All Countries	5,130	100%
Luxembourg	5,118	31%	Luxembourg	4,337	39%	Luxembourg	781	15%
United States	1,928	12%	United States	1,690	15%	Sweden	671	13%
Austria	1,067	7%	Austria	877	8%	Germany	513	10%
Germany	942	6%	Netherlands	578	5%	Romania	338	7%
Czech Republic	879	5%	Turkey	502	4%	Netherlands	297	6%

Source: IMF Coordinated Portfolio Investment Survey, 2013

19. Contact for More Information

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