

BUSINESS SERVICES SECTOR IN POLAND 2018





**Report prepared by
the Association of Business Service Leaders (ABS L)**

in cooperation with:

JLL, Randstad Polska & Randstad Sourceright, EY, Everest Group



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Graphic layout and typesetting:

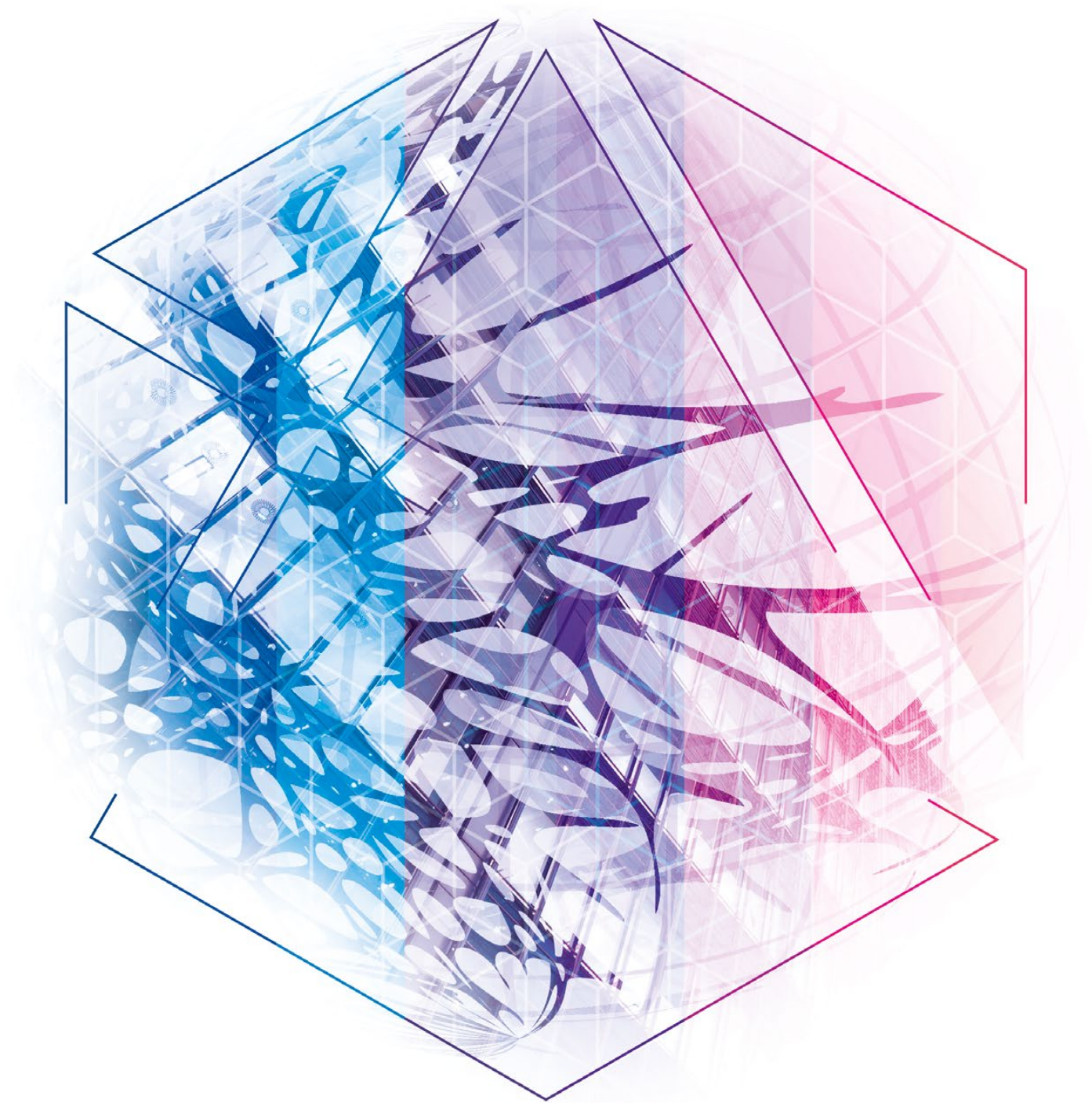
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FOREWORD

Ladies and Gentlemen,

It is a pleasure to present you with the ninth edition of the ABSL annual report, in which we attempt to describe comprehensively the business services sector in Poland.

What condition is it in today? Is it still growing at a fast pace? Is it perhaps already showing signs of having come of age? What are its most important specializations in the sector? What is the percentage of business services centers operating globally? How does the sector's environment – the labor market and the office market – impact its development? What does technology change in business services? What challenges does the sector face? In this year's report, we seek answers to these and other important questions for our sector.

Daniel Keys Moran, the outstanding American programmer and author of science fiction novels, once said: "You can have data without information, but you cannot have information without data." In the report, you will therefore find a number of statistics along with a clarification of issues crucial to our industry.

I hope this view of the sector will be a source of valuable knowledge for you. Wishing you an interesting read.

Respectfully,

WOJCIECH POPŁAWSKI

VICE PRESIDENT, ABSL
MANAGING DIRECTOR,
ACCENTURE OPERATIONS



1 OVERVIEW OF THE BUSINESS SERVICES SECTOR

The number of jobs in the business services sector in Poland has been growing consistently and companies have been broadening the scope of their business with BPO, SSC, IT and R&D centers. It is worth highlighting the continued rapid growth in the nation's largest business services locations as well as other regional cities.

This part of the report includes the most important information on the business services sector in Poland. This chapter looks at the scale and the different operations of business services centers.

In Q1 2018, a total of 1,236 (Polish and foreign) BPO, SSC, IT and R&D services centers were operating in Poland, employing a total of 279,000 people. Of the 831 companies with their own services centers, 10% (83 investors) were Fortune Global 500 companies (2017).

In the period from the beginning of Q1 2017 to the end of Q1 2018, 91 new services centers began their operations, of which 20 were launched in 2018.

As every year, foreign centers dominated the new investment category (86%). The share of the three largest business services locations: Kraków, Warsaw and Wrocław (Tier 1 cities in terms of employment in the sector and its maturity) in the number of new centers was 40%, much like the share of Tier 2 locations (Tri-City, Katowice Agglomeration, Łódź, Poznań). Other new investments (20%) were placed in Tier 3 cities (Bydgoszcz, Lublin, Rzeszów, Szczecin) and others (Tier 4).

FIGURE 1

BUSINESS SERVICES SECTOR IN POLAND IN NUMBERS

**279,000**

Total number of jobs at business services centers, of which 225,000 are at foreign centers (81%) and 54,000 are at Polish centers (19%).

**831**

Number of investor companies with business services centers in Poland (including 601 foreign investors).

**1,236**

Total number of BPO, SSC, IT and R&D business services centers in Poland, of which 840 are foreign centers (68%). In the period from the beginning of Q1 2017 to the end of Q1 2018, 91 new services centers began their operations.

**83**

Number of Fortune Global 500 investors with business services centers in Poland.

**7**

Number of business services locations with BPO, SSC, IT and R&D business services centers hiring more than 10,000 employees.

**54**

Number of business services centers with at least 1,000 employees.

**10%**

Share of foreigners in the employment structure of the business services centers in question in Poland. It is estimated that the number of foreigners employed at the services centers nationwide may be as high as 25,000.

**13%**

Growth in the number of jobs at business services centers in Poland in the last year (Q1 2017 – Q1 2018). Since Q1 2016, the total number of jobs increased by 30%.

**340,000**

Number of jobs in the sector in Q1 2020 as forecast by ABSL (according to the optimum scenario).

REPORT CONCEPT AND METHODOLOGY

The primary objective of the report titled “Business services sector in Poland in 2018” is to provide readers with as much comprehensive information as possible about the activities of the BPO, SSC, IT, R&D service centers in Poland as well as the trends, challenges and directions of growth for the sector. To that end, it offers an overview of selected aspects of the labor market, the office market and the industry’s investment incentive system. The report also discusses the outlook for Poland’s role in the global business services industry.

We adopted a broad definition of the sector to include the activities of business processes outsourcing centers (BPO), shared services centers (SSC), IT centers, and research and development centers (R&D). The primary source of information about the way in which these entities operate was the results of a nationwide survey that we conducted in Q1 of 2018 (for which the tool used was an online survey questionnaire). This year, we surveyed 214 companies with a total of 155,000 employees in their business services centers in Poland, which represents 56% of all people employed in the sector.



214

Companies that took part in this year’s ABSL survey.



155,000

People employed by ABSL survey respondents at BPO, SSC, IT and R&D business services centers in Poland.

The results of the studies concern the activities of business services centers whose parent companies have headquarters in Poland (Polish centers) and abroad (foreign centers). Each entity was assigned to one of the primary types

(BPO, SSC, IT, R&D), taking into account the dominant profile of its operations. Contact centers providing services to external customers were classified as BPOs. IT centers are entities that outsource IT solution services (e.g. system, application or infrastructure maintenance, technical support) and/or develop and sell (implement) software for external customers. It is worth noting that the studies do not include companies that only provide services in Polish for customers in Poland. This restriction does not apply to IT and R&D centers that offer software development, which, as a rule, requires the “product” to be developed in English. Each business services center is treated as a separate unit for analysis if it is located in a different town/agglomeration (geographical criterion). The report takes into account BPO and SSC centers with a headcount of over 25. This does not include companies in the process of creating jobs with an anticipated target headcount of over 25. The minimum headcount criterion also did not apply to IT and R&D centers.

Please note that the report may be downloaded free of charge as an ePUB file at absl.pl/pl/publikacje. Limited hard copies of the report are also available. Please contact us if you would like to receive this version of the publication. In Q4 2018, some contents of the report will be updated to ensure that it continues to meet the information requirements of its audience.

I would like to emphasize that this report could not have been prepared without the information obtained from respondents of the nationwide ABSL survey. I would like to thank all of the company representatives who took time out of their busy schedules to complete our survey. I am also grateful for the invaluable assistance the project received from representatives of local governments and institutions that support investors. I would also like to thank all the co-authors of the study for generously sharing their knowledge in this publication.

I would greatly appreciate any and all feedback on the contents of the report, which could help ensure that next year’s report is an even better reflection of our readers’ expectations.

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EMPLOYMENT CHANGES IN THE SECTOR

The number of employees at BPO, SSC, IT and R&D centers in Poland in Q1 2018 was 30% higher than in Q1 2016, which means that 65,000 new jobs had been added. The Compound Annual Growth Rate in the period under analysis was 14%. Employment increased by 15% in the period from Q1 2016 to Q1 2017. In the period from Q1 2017 to Q1 2018, job growth in the sector was two percentage points lower (13%), which means 33,000 new jobs (1,000 more than in the corresponding previous period). The vast majority (87%) were generated by foreign centers.

The number of people employed in the business services sector in Poland is expected to exceed 300,000 as early as Q1 2019, i.e. a year sooner than previously forecast. According to the most likely scenario, total employment at BPO, SSC,

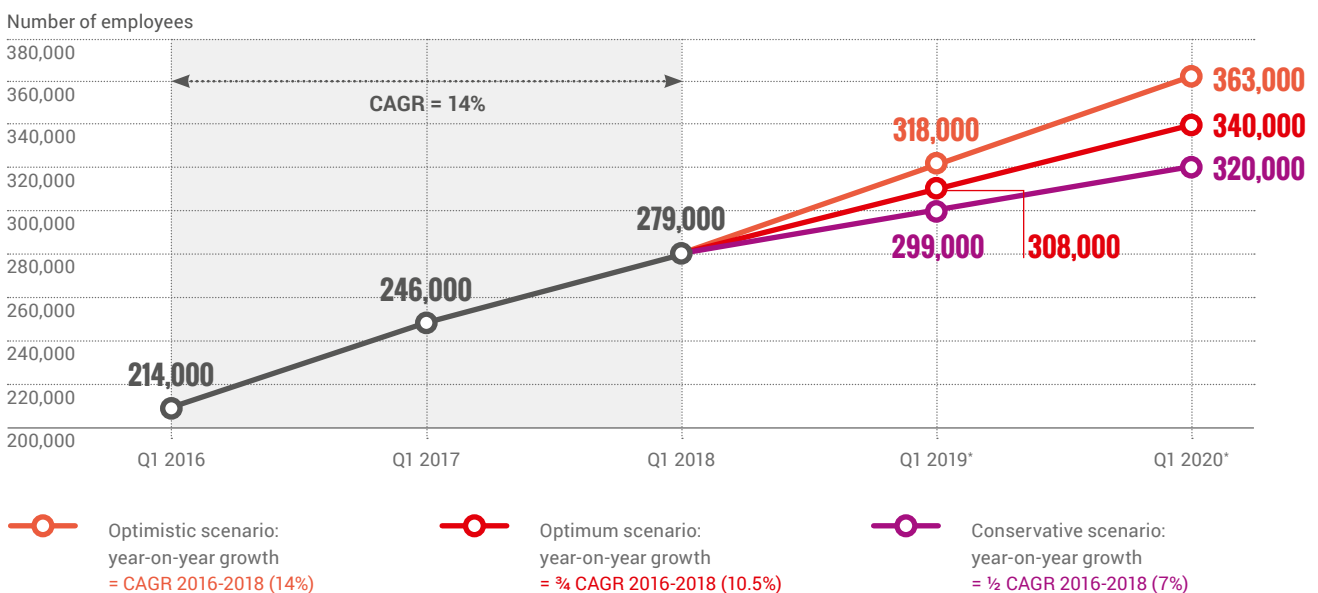
IT and R&D centers in Poland in Q1 2019 will be higher than the Q1 2018 figure by 10.5% and amount to 308,000 people. Assuming a further 10.5% growth in the next reference period (Q1 2019 – Q1 2020), the number of employees in the sector will reach 340,000 people in 2020.

90 new jobs per day

Average number of new jobs created daily at BPO, SSC, IT and R&D centers in Poland from the end of Q1 2016 to the end of Q1 2018.

FIGURE 2

CHANGES IN EMPLOYMENT LEVELS AT SERVICE CENTERS IN POLAND SINCE Q1 2016



* ABSL forecast

Source: ABSL own study

EMPLOYMENT STRUCTURE IN THE SECTOR BY TYPE, ORGANIZATIONAL MODEL AND CENTER SIZE

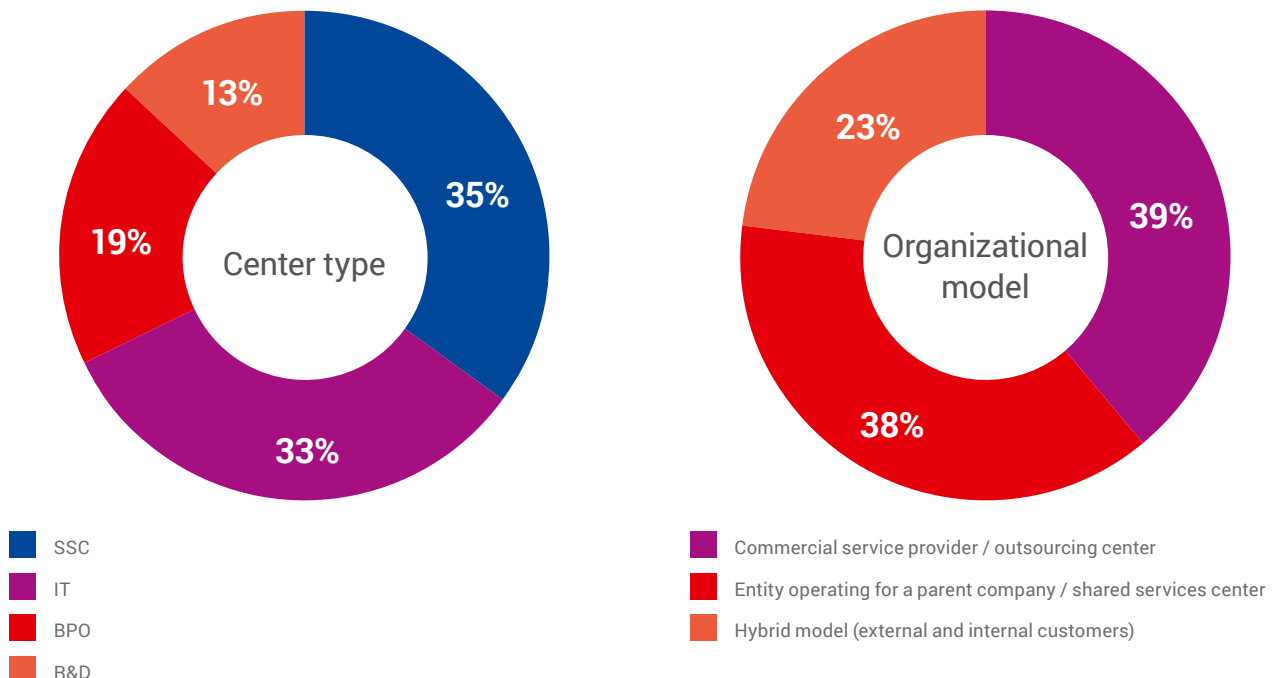
The largest share of jobs in the sector (35%) was generated by shared services centers (SSC)¹, followed by IT centers (33%), outsourcing centers (19%) and R&D centers (13%). The order has remained the same as it was in previous years.

In the case of employment structure by organizational model, we also do not identify a single type of entity as being dominant. The largest number of jobs (39%) was created by commercial service providers/outsourcing centers². Entities operating on behalf of parent companies/shared services centers generated a 38% share in employment structure, while hybrid model companies had a 23% share.

There are no major differences between foreign and Polish companies when it comes to the structure of employment according to the organizational model. However, it is worth pointing out the much higher share of employment at foreign entities operating for the benefit of parent companies (43%) than is the case for Polish entities (6%). In general, the structure of employment at foreign centers is much more even, whereas Polish companies are dominated by commercial service providers/outsourcing centers (90% share).

FIGURE 3

EMPLOYMENT STRUCTURE OF BUSINESS SERVICES CENTERS IN POLAND BY TYPE OF CENTER (ACCORDING TO THE DOMINANT PROFILE OF THEIR OPERATIONS) AND ORGANIZATIONAL MODEL



Poland has 54 centers with a headcount of at least 1,000 per center. This means that there are now 17 more entities of this size than in Q1 2016 and 7 more than in Q1 2017. Combined, they employ 100,000 people (which means they generated 36% of the jobs in the sector, 1 percentage point more than in 2017). Almost all of the largest centers are owned by foreign entities (51 out of 54)².

The ten largest investors in the business services sector in Poland employ a total of 54,000 people. Each of these companies has over 4,000 employees at their business

services centers. It is worth noting that the group of 10 largest investors includes Polish companies such as Comarch and the Asseco Group. Among local companies that stand out in terms of the number of jobs at services centers are outsourcing companies such as the OEX Group, the CCIG Group, the Arteria Group or IT providers such as IT Kontrakt, EUVIC and Qumak, intive and Future Processing.

¹ Please note that ABSL studies only cover entities that offer at least some of their services in foreign languages. Thus, numerous shared services centers operating only in Polish for their parent companies in Poland have been excluded. These often include units of major Polish companies such as: Tauron, Poczta Polska, Enea, Grupa Azoty, Energa, PKO etc. It is estimated that more than ten thousand people are employed by these entities. Therefore, the share of shared services centers in the employment structure pertains mainly to headcounts at foreign SSCs (predominantly) and at Polish centers providing services for foreign branches of parent companies.

² Please note that this refers to individual business services centers rather than specific investors' overall headcounts.

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Overview of the business services sector

TABLE 1

10 LARGEST INVESTORS IN THE BUSINESS SERVICES SECTOR IN POLAND IN TERMS OF JOBS
IN BPO, SSC, IT, R&D SERVICES CENTERS

| Investor | Country where the parent company headquarters location is established | Number of employees at BPO, SSC, IT and R&D centers in Poland (employment range) |
|---------------|---|--|
| IBM |  | 8,000-9,000 |
| Capgemini |  | 7,000-8,000 |
| Nokia |  | 6,000-7,000 |
| Atos |  | 5,000-6,000 |
| Credit Suisse |  | 5,000-6,000 |
| Comarch |  | 4,000-5,000 |
| Asseco Group |  | 4,000-5,000 |
| UBS |  | 4,000-5,000 |
| State Street |  | 4,000-5,000 |
| Citigroup |  | 4,000-5,000 |

Source: ABSL own study

The average headcount at business services centers in Poland is 226 (the median is 91 people³). The highest average headcount is found at shared services centers (332 people), with the lowest at IT centers (163 people). On average, BPO centers have 278 employees, while R&D centers have 200 employees. The latter figure is largely due to the high headcounts at entities such as: Nokia, Intel, GE, Samsung

and Motorola, which, combined, accounted for 30% of the jobs at research and development service centers in Poland. When we look at average headcounts at Polish and foreign centers, we note that they are much higher in the latter (269). The noticeably lower average headcounts at domestic centers (136) are due to, among other things, the large number of small IT centers in the pool of entities in question.

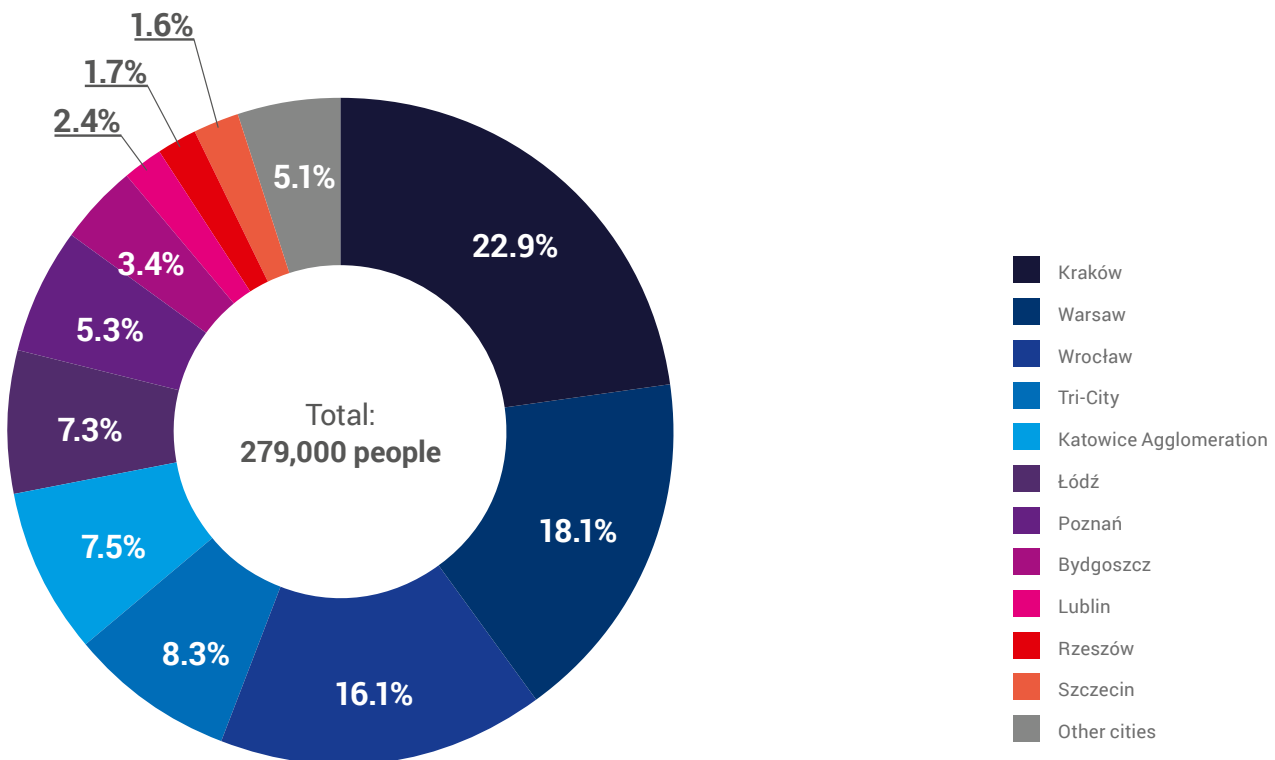
³ The median value indicates that half of the business services centers in Poland have more than 91 employees, while the other half have fewer than 91 employees.

BUSINESS SERVICES LOCATIONS IN POLAND

The business services sector created jobs in 40 locations. In 17 of them, business services centers employ over 1,000 people each. Eleven of the largest business services locations in Poland (Kraków, Warsaw, Wrocław, Tri-City, Katowice Agglomeration, Łódź, Poznań, Bydgoszcz, Lublin, Rzeszów and Szczecin) account for 95% of the industry’s total headcount. In seven locations, the headcount at BPO, SSC, IT and R&D business services centers exceeds 10,000. Business services centers in the next ten locations have between 1,000 and 10,000 employees.

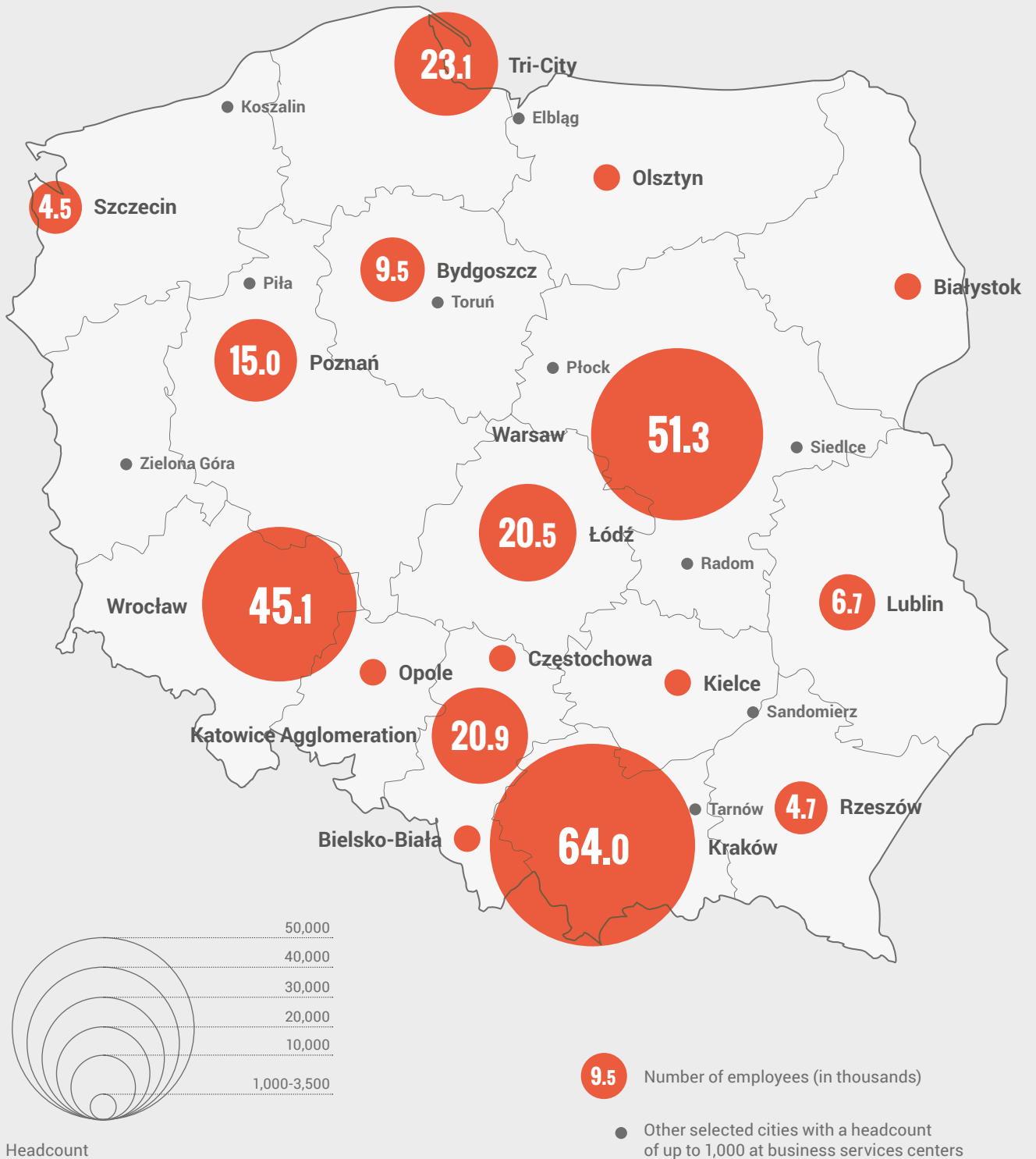
Kraków once again remains the clear leader in the number of jobs in the sector. Kraków’s business services centers now have as many as 64,000 employees, which means that the city has a 23% share in the structure of employment in the industry in Poland. The sector created more than 51,000 jobs in Warsaw and 45,000 jobs in Wrocław. Compared to last year’s summary, in three additional locations (Tri-City, Katowice Agglomeration and Łódź), the headcount in the sector exceeded 20,000.

FIGURE 4
SHARE OF INDIVIDUAL LOCATIONS* IN THE TOTAL HEADCOUNT AT BUSINESS SERVICES CENTERS IN POLAND



* It should be noted that the unit of analysis in the report is an agglomeration. For instance: Kraków is analyzed together with the suburban area of Zabierzów, and the Tri-City is deemed to comprise Gdańsk, Gdynia and Sopot. The Katowice Agglomeration’s ranking on each list is the result of collating data from the business services centers operating in Katowice, Gliwice, Dąbrowa Górnicza, Sosnowiec, Ruda Śląska, Tychy and Bytom.

FIGURE 5
HEADCOUNT AT BPO, SSC, IT AND R&D CENTERS IN EACH BUSINESS SERVICES LOCATION



Source: ABSL own study

When we look at the changes in the share of each location category in the employment structure of the sector, we can see that in the period from Q1 2016 to Q1 2018, a group of regional Tier 2 locations (Tri-City, Katowice Agglomeration, Łódź, and Poznań)

reported considerable growth. However, a significant decrease of nearly 1 percentage point was reported by Tier 1 cities. The share of Tier 3 and Tier 4 cities did not change significantly in the period under analysis.

TABLE 2

THE SHARE OF EMPLOYMENT IN THE SECTOR BY BUSINESS SERVICES LOCATION MATURITY IN POLAND AND THE CHANGE IN THE SHARE

| Tier | Locations | Share (%) in Q1 2018 | Change in the share of employment in the period from Q1 2016 to Q1 2018 (percentage points) |
|--------|---|----------------------|---|
| Tier 1 | Kraków, Warsaw, Wrocław | 57.4 | -0.77 |
| Tier 2 | Tri-City, Katowice Agglomeration, Łódź, Poznań | 28.5 | +0.76 |
| Tier 3 | Bydgoszcz, Lublin, Rzeszów, Szczecin | 9.0 | -0.14 |
| Tier 4 | Other (including Kielce, Bielsko-Biała, Białystok, Opole, Olsztyn, Częstochowa) | 5.1 | +0.15 |

Source: ABSL own study

Among the seven major (Tier 1 and Tier 2)⁴ business services locations under analysis, the largest percentage of job growth in the sector in the period from Q1 2017 to Q1 2018 was reported in the Tri-City, where the number of jobs increased by 21%. The other top three cities in terms of growth were Łódź (16%) and Warsaw (15%).

In terms of the absolute value of job growth in the period from Q1 2017 to Q1 2018, by far the largest number of new jobs in the sector were created in Warsaw (6,800) and Kraków (6,700). In third place is Wrocław with 4,800 jobs. Combined, the three cities account for more than half (56%) of all new jobs in Poland created by the sector in the period under analysis.

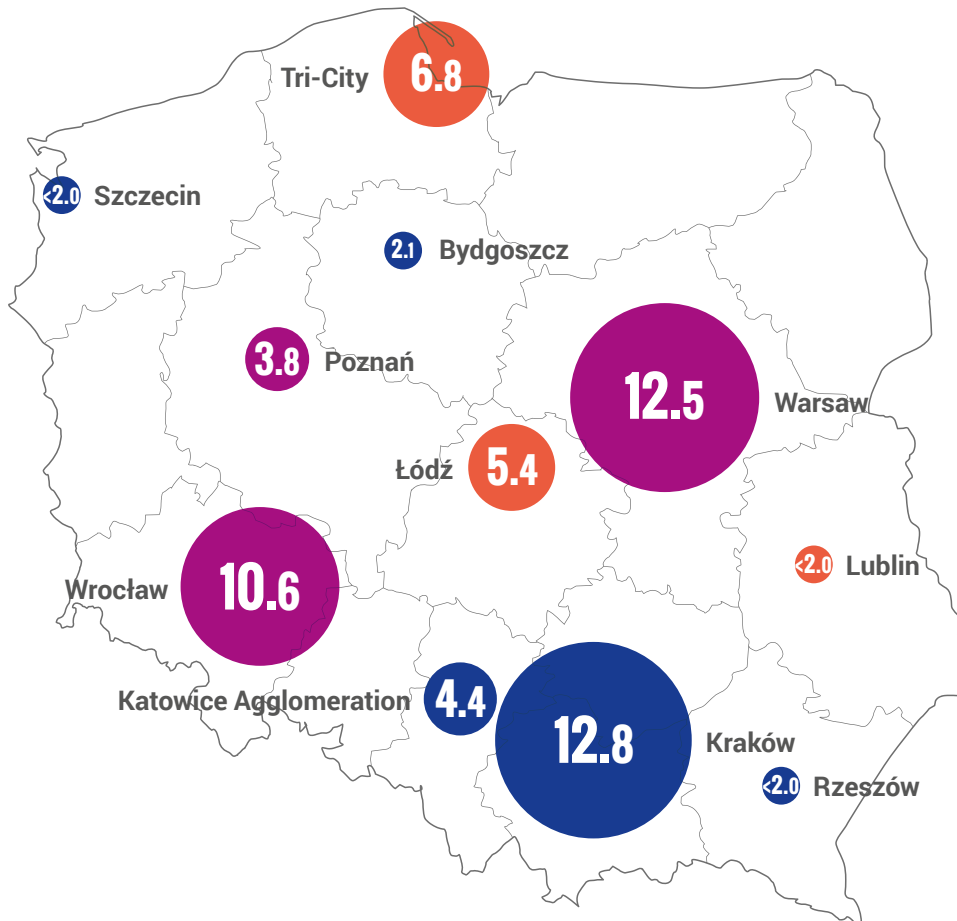
In the longer comparative period (Q1 2016-Q1 2018), the location with the highest percentage of job growth at business services centers is the Tri-City (where the number of jobs increased by a total of 41%), followed by Łódź (36%) and Poznań (35%). The highest number of new jobs in the period from Q1 2016 to Q1 2018 were created in Kraków (12,800), followed by Warsaw (12,500) and Wrocław (10,500).

It is worth noting that the vast majority of new jobs (83%) created by the sector in the period from Q1 2017 to Q1 2018 resulted from increasing headcounts in existing business services centers. The other 17% stems from new investments.

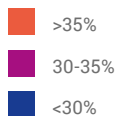
⁴ Included in the comparison are locations where the headcount in the sector is at least 15,000: Kraków, Warsaw, Wrocław, the Tri-City, the Katowice Agglomeration, Łódź and Poznań. Note: it is important to avoid direct comparisons using previously published ABSL reports, and instead rely on the information presented herein. This is due to the fact that the ABSL database is continually updated, which also includes supplementing and updating data from previous years.

FIGURE 6

THE NUMBER OF NEW JOBS AT BPO, SSC, IT AND R&D CENTERS AND JOB GROWTH IN THE LARGEST BUSINESS SERVICES LOCATIONS IN POLAND (Q1 2016 – Q1 2018)



Job growth in the sector in the period from Q1 2016 to Q1 2018



2.1 Number of new jobs in the period from Q1 2016 to Q1 2018 (in thousands)

Source: ABSL own study

When we look at the figures in Table 3, we note that both in the longer (Q1 2016-Q1 2018) and the shorter (Q1 2017-Q1 2018) period under analysis, the most prominently growing location category was the Tier 2 group. On the other hand, the lowest percentage growth in the number of jobs occurred

in Tier 1 and Tier 3 cities. We can expect that in the near future, the highest relative growth in the number of jobs will continue to be reported by the group of cities comprising the Tri-City, Katowice Agglomeration, Łódź and Poznań.

TABLE 3

JOB GROWTH IN THE SECTOR BY BUSINESS SERVICES LOCATION MATURITY IN POLAND

| | The number of new jobs in the period from Q1 2016 to Q1 2018 (in thousands) | Job growth in the period from Q1 2016 to Q1 2018 | Number of new jobs in the period from Q1 2017 to Q1 2018 (in thousands) | Job growth in the period from Q1 2017 to Q1 2018 |
|---|---|--|---|--|
| Tier 1 Kraków, Warsaw, Wrocław | 35.9 | 29% | 18.4 | 13% |
| Tier 2 Tri-City, Katowice Agglomeration, Łódź, Poznań | 20.1 | 34% | 10.6 | 15% |
| Tier 3 Bydgoszcz, Lublin, Rzeszów, Szczecin | 5.4 | 29% | 3.1 | 14% |
| Tier 4 Other business services locations | 3.6 | 34% | 1.3 | 10% |

Source: ABSL own study



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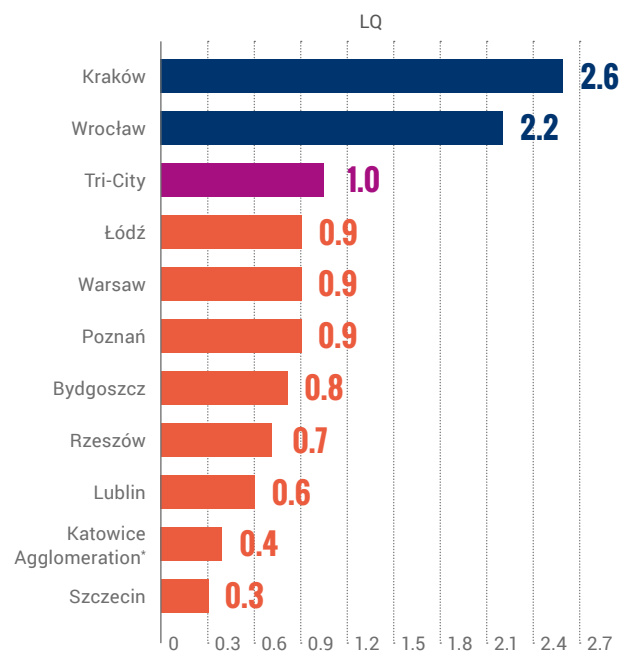
It is worthwhile trying to identify the locations where the business services sector is a regional focus. The comparison looks at the 11 largest business services locations in Poland and uses the location quotient (LQ). The LQ helps us determine the locations where business services jobs are “overrepresented” (LQ > 1) and relatively “underrepresented” (LQ < 1). In this case, “overrepresentation” should be interpreted positively as a regional focus.⁵

In the example under discussion, the location quotient is a ratio of the share of employment in the sector in the number of working age people in a given location to the value of that indicator for the group of all locations under analysis, taken as a frame of reference (Example 1).

When we analyze the value of the location quotient as an indication of a regional focus of each location, it appears to be the highest for Kraków and Wrocław. It can, therefore, be assumed that business services have the biggest effect on the local job market in those cities and can definitely be considered a “regional focus”. Among the locations under analysis, Szczecin and the Katowice Agglomeration have the lowest LQ. Thus, the share of business services in the employment structure is lower than in the other locations included in the comparison.

FIGURE 7

VALUE OF THE LOCATION QUOTIENT (LQ) AS AN INDICATOR OF THE REGIONAL FOCUS OF SELECTED LOCATIONS WITH RESPECT TO BUSINESS SERVICES



* The calculations took into account the population of 14 cities, namely: Bytom, Chorzów, Dąbrowa Górnicza, Gliwice, Jaworzno, Katowice, Mysłowice, Piekary Śląskie, and Ruda Śląska, Siemianowice Śląskie, Sosnowiec, Świętochłowice, Tychy and Zabrze. In Katowice alone, the LQ is much higher and amounts to 1.6.

Source: ABSL own study

Example 1

$$LQ = \frac{\left(\frac{\text{headcount at BPO, SSC, IT, R\&D business services centers at a location}}{\text{working age population at a location}} \right)}{\left(\frac{\text{total headcount at BPO, SSC, IT, R\&D business services centers at all locations under analysis}}{\text{total working age population at all locations under analysis}} \right)}$$

The LQ indicator makes it possible to create time-based comparisons. It turns out that compared to 2016, the highest percentage growth of LQ was reported by the Tri-City, Łódź, Lublin and Poznań. This means that the above-mentioned locations reported the highest growth in the importance of business services as a regional focus.

The LQ may also be used to identify a location’s focus in terms of employment at BPO, SSC, IT/R&D⁶ centers. The quotient compares the structure of employment in the sector at a given location (by center type) to the structure of employment in the business services centers nationwide, which is deemed a frame of reference (Example 2).

⁵ Teresa Czyż, *Metoda wskaźnikowa w geografii społeczno-ekonomicznej*, Rozwój Regionalny i Polityka Regionalna, 2016, nr 34, s. 9-19

⁶ Please note that this is a simplified breakdown. The centers were categorized under each type according to their primary activity profile.

Example 2

$$LQ = \frac{\left(\frac{\text{headcount at BPO or SSC or IT, R\&D business services centers at a location}}{\text{total headcount in the sector at a location}} \right)}{\left(\frac{\text{headcount at BPO or SSC or IT, R\&D business services centers in Poland}}{\text{total headcount in the sector in Poland}} \right)}$$

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Overview of the business services sector

LQ >1 means “overrepresentation” of BPO, SSC or IT/R&D activities, which may be treated as a regional focus. The higher the LQ, the higher the focus on a specific type of activity.

The results of the analysis indicate that BPO is overrepresented, in particular in Łódź and Poznań. Shared services are primarily the focus

in Kraków and Warsaw, but also in Poznań and Szczecin. As for IT/R&D services, they are significantly overrepresented in Bydgoszcz and Rzeszów. Among the largest business services locations (Tier 1 and Tier 2), IT/R&D activities play the largest role in the Katowice Agglomeration, Tri-City and Wrocław.

TABLE 4

VALUE OF THE LOCATION QUOTIENT (LQ) FOR SELECTED LOCATIONS AS AN INDICATOR OF A REGIONAL FOCUS IN TERMS OF THE OPERATIONS OF EACH TYPE OF BUSINESS SERVICES CENTER

| Location | BPO | SSC | IT/R&D |
|------------------------|-----|-----|--------|
| Kraków | 1.0 | 1.3 | 0.8 |
| Warsaw | 1.1 | 1.3 | 0.7 |
| Wrocław | 0.6 | 0.9 | 1.2 |
| Tri-City | 0.7 | 0.8 | 1.3 |
| Katowice Agglomeration | 0.7 | 0.8 | 1.3 |
| Łódź | 1.7 | 0.6 | 1.0 |
| Poznań | 1.4 | 1.1 | 0.8 |
| Bydgoszcz | 0.2 | 0.3 | 1.9 |
| Lublin | 0.9 | 0.8 | 1.2 |
| Rzeszów | 0.8 | 0.2 | 1.7 |
| Szczecin | 1.0 | 1.1 | 0.9 |

Source: ABSL own study

The list below includes three locations each where a given type of activity is most prominent:

BPO

1. Łódź
2. Poznań
3. Warsaw

SSC

1. Kraków
2. Warsaw
3. Poznań

IT/R&D

1. Bydgoszcz
2. Rzeszów
3. Katowice Agglomeration

NUMBER OF CENTERS AND STRUCTURE OF NEW INVESTMENTS

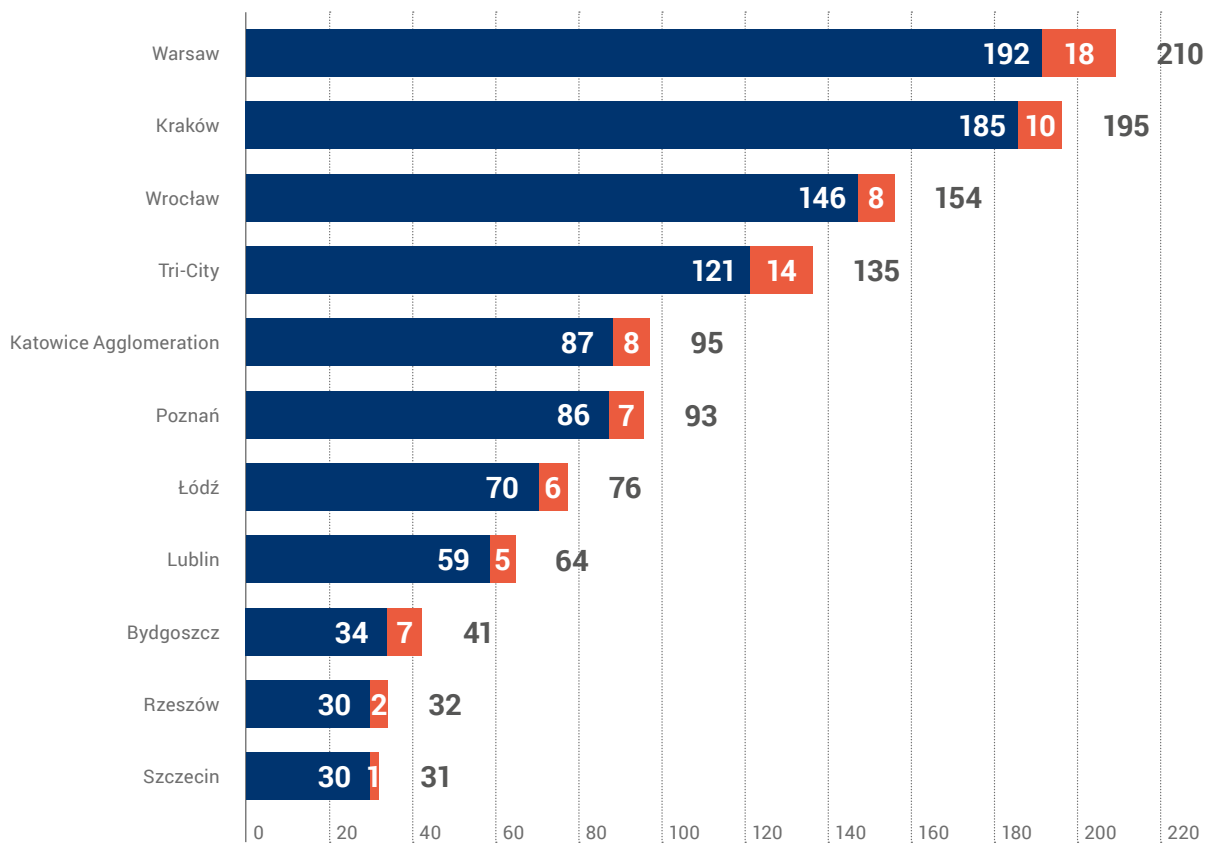
Warsaw has the largest number of business services centers in Poland (210). Locations with at least 100 centers also include Kraków (195), Wrocław (154) and the Tri-City (135). In the period from the beginning of Q1 2017 to the end of Q1 2018, the largest number of new entities were established in Warsaw (18), the Tri-City (14) and Kraków (10). The above-mentioned locations represent nearly half of all investments in Poland in services centers that have begun their operations since the beginning of 2017.

It is worth noting that among smaller (Tier 3) locations, Bydgoszcz (with 7 new centers) and Lublin (with 5 new centers) have delivered a strong performance in terms of the number of new investments.

The average headcount claimed by the new centers is 157 (median = 60). However, new investments include centers that expect to have several hundred or even a thousand employees in the next 2-3 years.

FIGURE 8

NUMBER OF BPO, SSC, IT AND R&D CENTERS IN SELECTED BUSINESS SERVICES LOCATIONS IN POLAND

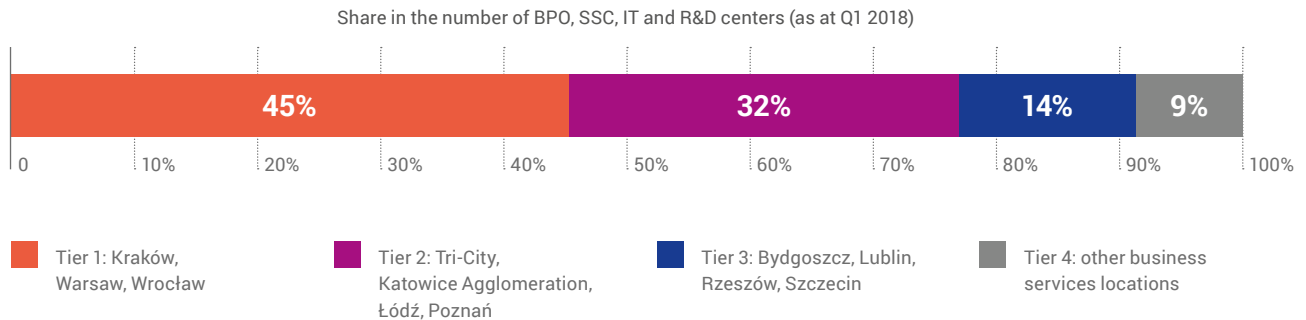


■ Number of centers as at the end of 2016 ■ Number of new centers (2017, 2018) **210** Total number of centers in Q1 2018

Source: ABSL own study

FIGURE 9

SHARE OF EACH SIZE (MATURITY) CATEGORY OF BUSINESS SERVICES LOCATIONS IN THE NUMBER OF BPO, SSC, IT AND R&D CENTERS IN POLAND



Source: ABSL own study

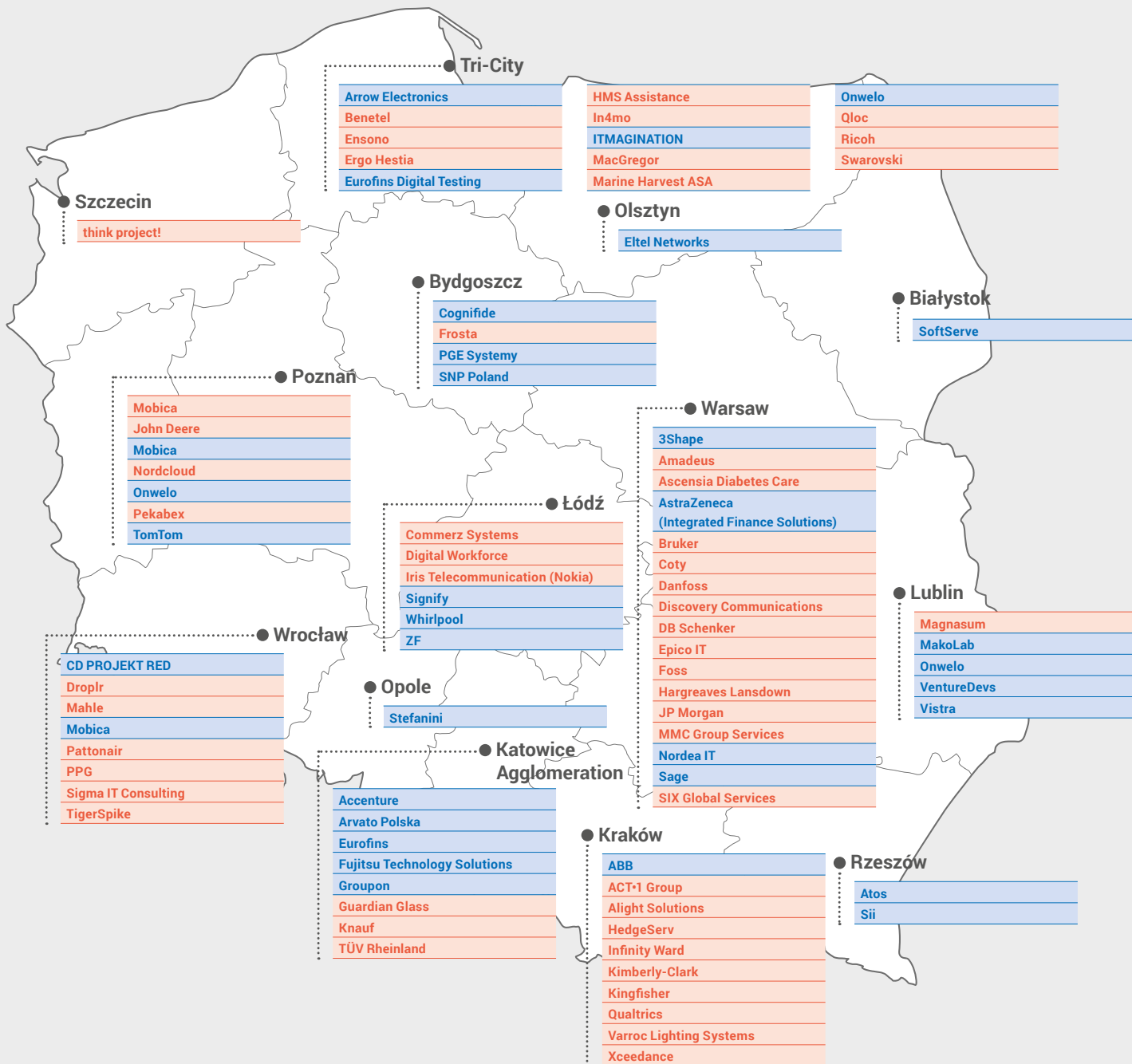
US investments (with 21) represent the highest share in the new center category. In the period in question, Polish companies established 13 entities, while German companies established 11 and UK companies established 9. Also very prominent was an influx of investments from Scandinavia (a total of 14 new centers). Other countries account for 22 new centers, which also includes a handful of investments from Asia.

In the period from the beginning of Q1 2017 to the end of Q1 2018, the majority of new investments were IT centers (42% of all investments). The second-largest category of new entities were shared services centers (39%), followed by R&D centers (13%) and BPO centers (6%). In the previous period under analysis (Q1 2016-Q1 2017), the order of the categories in the investment structure was the same as in this period. Since their inception, the new centers have already generated 5,500 jobs, accounting for 17% of new jobs in the sector. These figures are lower than they were in last year's study.

It is worth noting that over 30 new entities (more than a third of the total) that began their operations in the period from the beginning of Q1 2017 to the end of Q1 2018 represented reinvestments by companies whose business services centers were already successfully operating in Poland. The large number of reinvestments highlights a trend that clearly enriches the business service landscape in Poland. It should be noted that reinvestments are dominant in the structure of new market entries in regional Tier 3 and Tier 4 cities. They also play an important role in the structure of new investments in Tier 2 locations. On the other hand, reinvestments are a substantial minority in the largest business services locations.

FIGURE 10

EXAMPLES OF NEW INVESTMENTS AT BUSINESS SERVICES LOCATIONS IN POLAND (IN THE PERIOD FROM THE BEGINNING OF Q1 2017 TO THE END OF Q1 2018)



■ New investors
= first business services center in Poland

■ New investments by existing investors
= another business services center in Poland

Source: ABSL own study

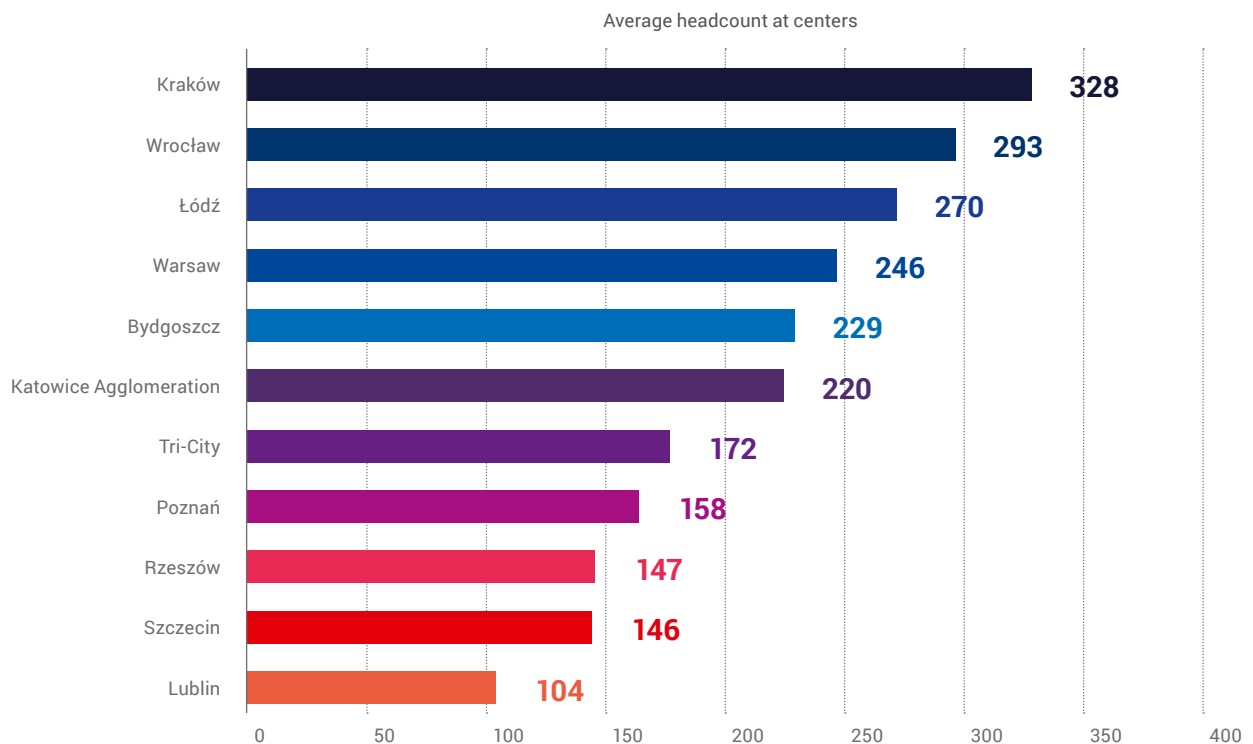
AVERAGE HEADCOUNT AT BUSINESS SERVICES LOCATIONS

Kraków has the highest average headcount at services centers among the seven major business services locations (328). This is due to the fact that Kraków is home to the largest number of centers with a headcount of over 1,000 – there are 20 of them there, which represents 37% of all such centers in Poland. Large-scale operations are also

a characteristic of the largest entities in Wrocław (with nine centers employing over 1,000 people), which helps explain the city's number-two ranking on the above list (293 employees). Bydgoszcz's high ranking (5th place) is, among other things, due to the presence of large IT centers, Atos (over 3,500 employees), Nokia and iQor, in the city.

FIGURE 11

AVERAGE HEADCOUNT AT BUSINESS SERVICES CENTERS IN MAJOR BUSINESS SERVICES LOCATIONS IN POLAND



Source: ABSL own study

TABLE 5

AVERAGE HEADCOUNT AT EACH TYPE OF BUSINESS SERVICES CENTERS BY BUSINESS SERVICES LOCATION MATURITY (SIZE) IN POLAND

| Type of center | Arithmetic mean | Median |
|---|-----------------|--------|
| Tier 1: Kraków, Warsaw, Wrocław | | |
| SSC | 414 | 171 |
| BPO | 309 | 103 |
| IT/R&D | 214 | 85 |
| Tier 2: Tri-City, Katowice Agglomeration, Łódź, Poznań | | |
| SSC | 220 | 100 |
| BPO | 308 | 178 |
| IT/R&D | 167 | 57 |
| Tier 3 i 4: Bydgoszcz, Lublin, Szczecin, Rzeszów and other business services locations | | |
| SSC | 272 | 250 |
| BPO | 175 | 112 |
| IT/R&D | 121 | 50 |

Source: ABSL own study

Highest number of new set-ups (2017, 2018):

TOP 3

1. Warsaw
2. Tri-City
3. Kraków

Highest relative increase (%) in the number of jobs at business services centers in the period from Q1 2017 to Q1 2018 (Tier 1 and Tier 2 locations):

TOP 3

1. Tri-City
2. Łódź
3. Warsaw

Highest relative increase (%) in the number of jobs at business services centers in the period from Q1 2017 to Q1 2018 (Tier 3 and Tier 4 locations with a headcount of at least 1,000):

TOP 3

1. Opole
2. Szczecin
3. Białystok

Highest absolute increase in the number of jobs at business services centers in the period from Q1 2017 to Q1 2018 (Tier 1 and Tier 2 locations):

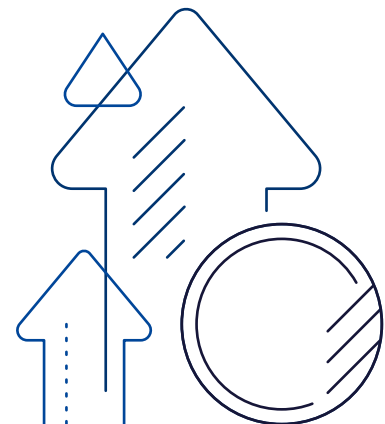
TOP 3

1. Warsaw
2. Kraków
3. Wrocław

Highest absolute increase in the number of jobs at business services centers in the period from Q1 2017 to Q1 2018 (Tier 3 and Tier 4 locations with a headcount of at least 1,000):

TOP 3

1. Bydgoszcz
2. Lublin
3. Szczecin



Source: ABSL own study

Overview of the business services sector

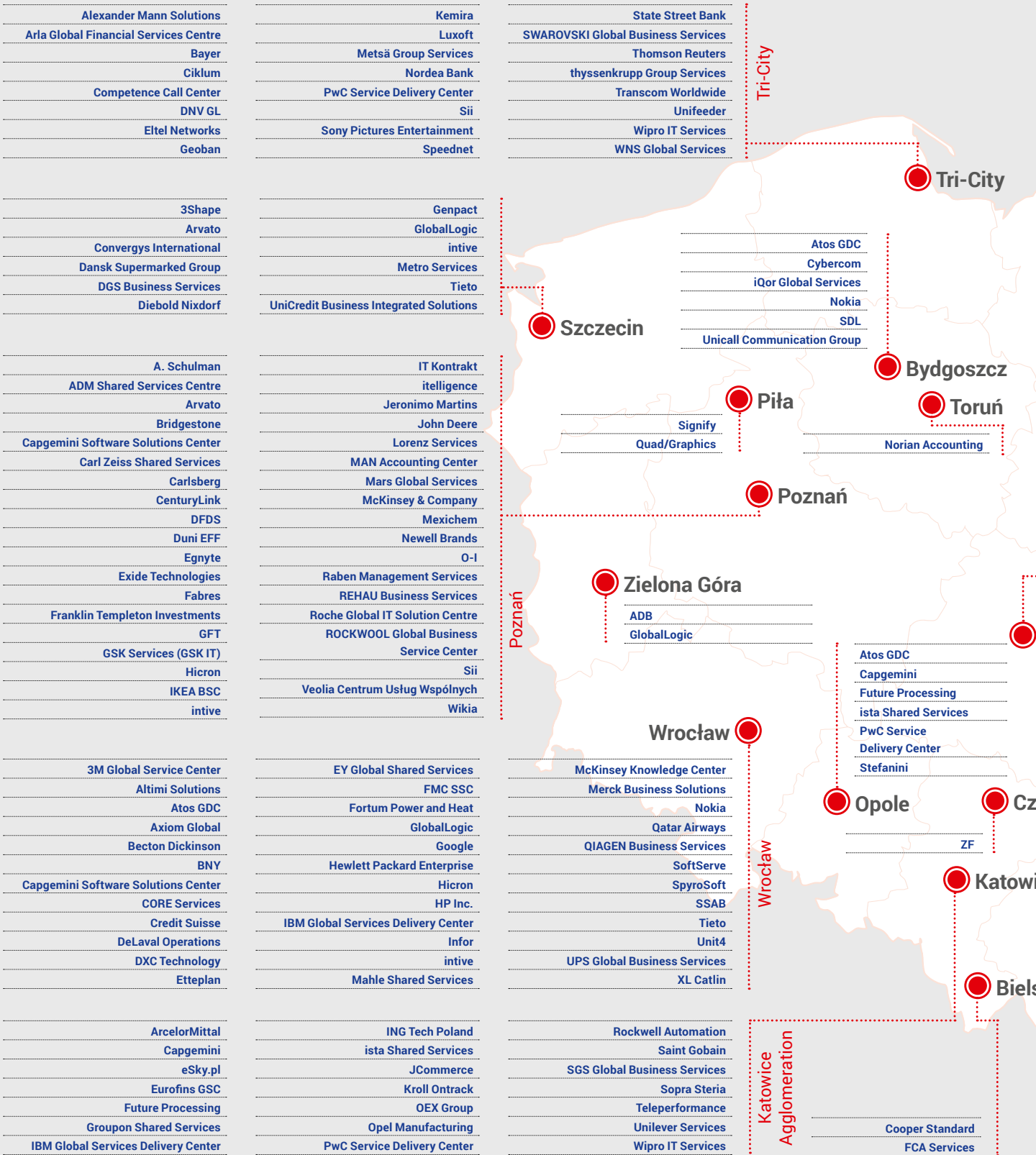
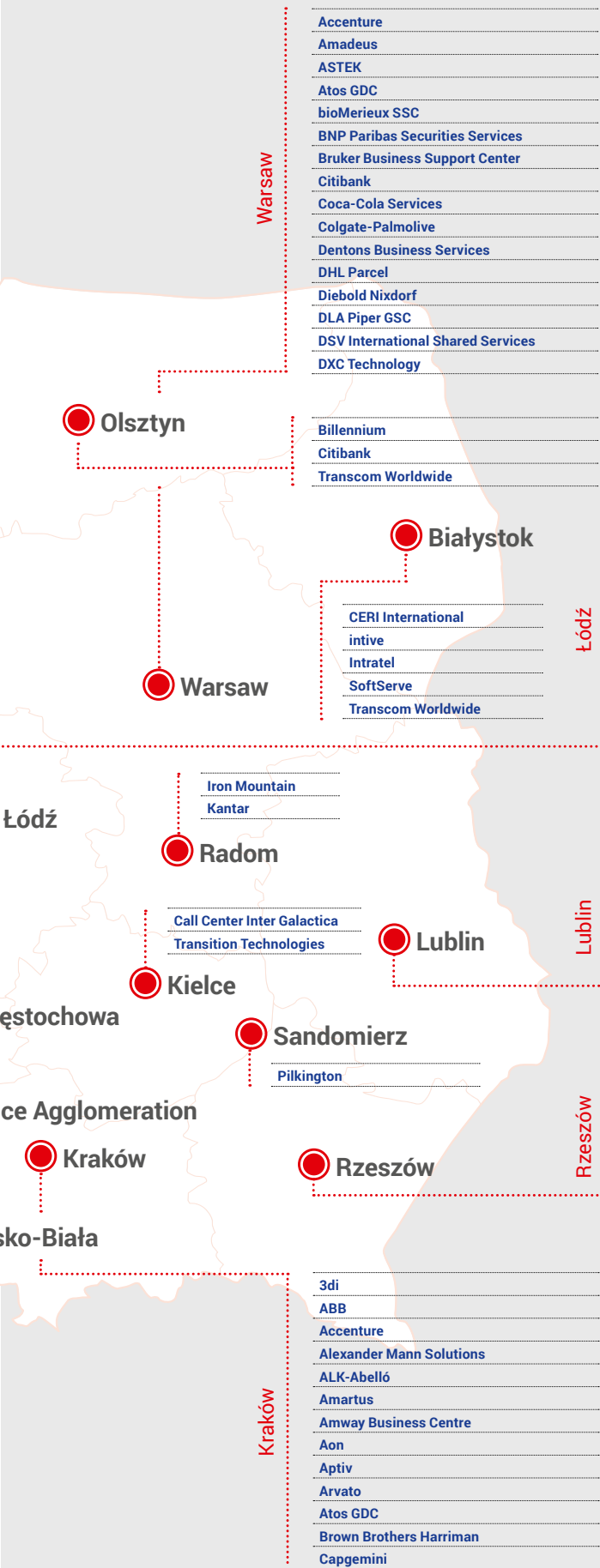


FIGURE 12
LIST OF SELECTED BUSINESS SERVICES CENTERS IN POLAND

Source: ABSL own study



Warsaw

- Accenture
- Amadeus
- ASTEK
- Atos GDC
- bioMerieux SSC
- BNP Paribas Securities Services
- Braker Business Support Center
- Citibank
- Coca-Cola Services
- Colgate-Palmolive
- Dentons Business Services
- DHL Parcel
- Diebold Nixdorf
- DLA Piper GSC
- DSV International Shared Services
- DXC Technology

Olsztyn

- Billennium
- Citibank
- Transcom Worldwide

Białystok

- CERI International
- intive
- Intratel
- SoftServe
- Transcom Worldwide

Warsaw

- Iron Mountain
- Kantar

Radom

- Call Center Inter Galactica
- Transition Technologies

Kielce

Sandomierz

- Pilkington

Kraków

Rzeszów

Kraków

- 3di
- ABB
- Accenture
- Alexander Mann Solutions
- ALK-Abelló
- Amartus
- Amway Business Centre
- Aon
- Aptiv
- Arvato
- Atos GDC
- Brown Brothers Harriman
- Cappgemini

- Elopak SSC
- F5 Networks
- Franke
- Goldman Sachs
- Google
- Groupon Shared Services
- IT Kontrakt
- Jones Lang LaSalle
- KMD
- Linklaters
- Lionbridge
- Luxoft
- Mercer Services
- MMC Group Services
- MoneyGram
- National Westminster Bank (RBS)

- Arvato
- Barry Callebaut
- Capita
- CERI International
- Clariant Services
- Conduent
- Cybercom
- Deloitte Digital BPO
- DXC Technology
- Fujitsu Technology Solutions
- GFT

- Billennium
- Convergys International
- EMBIQ
- Genpact
- intive

- Asseco
- BorgWarner
- Deloitte CE Business Services
- G2A
- JCommerce

- Capita
- Euroclear Bank
- Genpact
- Hays Centre of Excellence
- HEINEKEN Global Shared Services
- Hitachi Vantara
- HSBC Service Delivery
- IBM BTO
- IBM Software Lab
- innogy Business Services
- International Paper
- JACOBS
- Lufthansa Global Business Services

- Nokia
- OEX Group
- Procter & Gamble
- ProService Finteco
- Randstad Payroll Solutions
- Roche Global IT Solution Centre
- RR Donnelley
- Sage
- Schneider Electric
- Siemens
- Sii
- Stanley Black & Decker
- Teleperformance
- UniCredit Business Integrated Solutions
- Wipro IT Services
- Zoetis

- Infosys
- MakoLab
- McCormick
- Nordea Bank
- OEX Group
- Signify
- Sii
- Tate & Lyle Global Shared Services
- UniCredit Business Integrated Solutions
- UPS Global Business Services
- Veolia Centrum Usług Wspólnych

- MIKROBIT
- OEX Group
- Orange
- Randstad Payroll Solutions
- Sii

- MTU Aero Engines
- Nestlé
- Pratt & Whitney
- Unicall Communication Group
- UTC Aerospace Systems

- Lumesse
- Lundbeck
- Luxoft
- Motorola Solutions Systems
- Nokia
- PMI Service Center
- Relativity
- Shell
- State Street Bank
- Stefanini
- TTEC
- UBS
- WilsonHCG

ASSESSMENT OF LOCATIONS FOR CONDUCTING ACTIVITIES

Every year, ABSL's nationwide study asks company representatives for their opinion on those individual factors that affect the activities of business services centers in Polish cities. It is worth clarifying that, for companies with centers in more than one city, the assessment concerns the market where the company has the highest headcount.

Generally, the joint evaluations of each of the characteristics considered are positive. The highest scores were given to: availability of modern office

space (an average of 3.8 on a scale of 1 to 5, where 5 is the highest possible score), availability of transportation (3.7), and quality of public transportation (3.6). These assessments are virtually identical to those from the previous survey (2017). It is worth pointing out that respondents from Tiers 2, 3 and 4 gave lower scores to their locations' availability of modern office space and availability of transportation than did the respondents from the three largest business services locations (Tier 1).

FIGURE 13

ASSESSMENT OF THE LOCATION AS A PLACE TO DO BUSINESS (AVERAGE SCORE FOR ALL LOCATIONS ASSESSED BY RESPONDENTS)

Scale of 1 to 5, where 5 is the highest possible score



Source: ABSL own study based on the results of a survey addressed to business services centers (N=211)

The respondents rated their overall satisfaction with the location as a place to do business at 7.2 on a scale of 1 to 10, 10 being the highest possible score. Interestingly, companies whose centers in Poland employ more than 1,000 people had a slightly higher level of satisfaction (7.4) than smaller companies (7.1). Among the seven main business services locations,

those rated the highest in terms of business services centers' overall satisfaction with the location as a place to do business were: Kraków (an average of 7.7 on a scale of 1 to 10), Warsaw (7.6) and Wrocław (7.4). In terms of assessments of individual factors, the top scores went to the locations shown in Table 6.

TABLE 6

RANKING OF BUSINESS SERVICES LOCATIONS IN TERMS OF FACTORS AFFECTING A LOCATION AS A PLACE TO DO BUSINESS BY BPO, SSC, IT AND R&D CENTERS*

| Factor |  1 |  2 |  3 |
|---|---|---|---|
| Availability of modern office space | Tri-City | Warsaw | Wrocław |
| Availability of transportation (airports, trains) | Warsaw | Kraków | Katowice |
| Quality of public transportation | Poznań | Warsaw | Tri-City |
| Cooperation with local universities | Łódź | Wrocław | Kraków |
| Cooperation with local authorities | Wrocław | Łódź | Poznań |
| Availability of talent/highly-skilled workers | Kraków | Warsaw | Wrocław |

* Because the study had to be based on a sufficiently large number of respondents, it only analyzes the scores for: Kraków, Warsaw, Wrocław, Tri-City, Katowice, Łódź and Poznań. It is worth remembering that the information presented reflects the subjective opinions of services center representatives.

Source: ABSL own study based on the results of a survey addressed to services centers (N=212 companies)

The highest scores for each location were awarded for: availability of modern office space (Tri-City and Wrocław), availability of transportation (Warsaw, Kraków and Katowice), quality of public transportation (Poznań), and cooperation with local authorities (Łódź). The highest-rated factor for most of the

cities in question was the availability of talent / highly-skilled workers. For Kraków and Warsaw, the factor with the lowest score from respondents was cooperation with local authorities.

The summary of results shows that the availability of a pool of talent is rated highest in the most mature business services locations (Kraków, Warsaw and Wrocław). This did not change from the previous survey in 2017. It is also worth recalling that Wrocław and Łódź remained in the top three among those centers rated highest in terms of cooperation with local authorities. As to availability of modern office space, the first three centers (Tri-City, Warsaw, Wrocław) are the same as in 2017 – only their order changed. Warsaw and Katowice remain among the best-rated cities in terms of availability of transportation, and the Tri-City and Warsaw in terms of quality of public transportation, similar to Łódź in the context of cooperation between services centers and universities. The continued high positions particular centers enjoy in the ranking is an important indicator of their image in the opinion of industry representatives.

BPO, SSC, IT, R&D business services centers assess the level of competition on local labor markets as 3.5/10 on average (where 1.0 means very strong competition between centers). This means that while competition among the centers is clearly noticeable, there can be no talk of a “drain” of available talent at most locations. The cities identified by respondents as having by far the highest pressure on the labor market were Kraków and Wrocław (2.9/10 points). Among major business services locations in Poland, the lowest pressure on entities currently operating in the sector is found in Poznań (3.7/10 points) and Warsaw (3.5/10 points). It is worth noting that locations where the pressure on the labor market is much less noticeable for services centers include Rzeszów, Bydgoszcz, Lublin, Szczecin and Opole – cities outside the group of the seven largest business services locations in Poland. Respondents noted that these locations’ potential allows them to continue to invest in business services centers without noticeably affecting the existing entities in the sector.

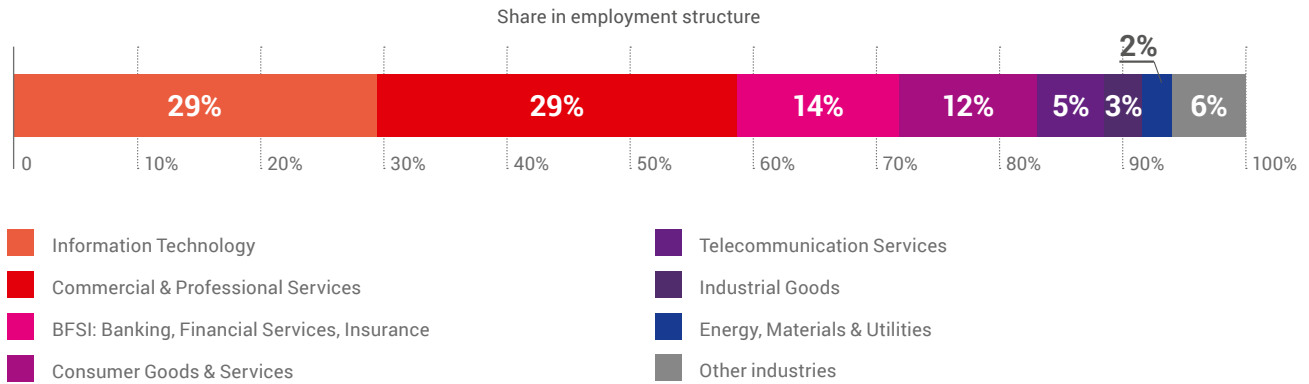
EMPLOYMENT STRUCTURE IN THE SECTOR BY PARENT COMPANY INDUSTRY

An analysis of the employment structure in the sector in terms of the industry of the parent company of each business services center demonstrates that the majority of jobs were created by the IT industry and the commercial and professional services sector (in total 58%). In third place in terms of its

share in the employment structure is BFSI (Banking, Financial Services & Insurance). Banks, financial institutions and insurance companies created 14% of the jobs in the sector. All other sectors combined represent a 28% share of the employment structure.

FIGURE 14

EMPLOYMENT STRUCTURE OF BUSINESS SERVICES CENTERS BY PARENT COMPANY INDUSTRY



Source: ABSL own study



Szczecin



INVEST
in Szczecin

- Availability of office space meeting the highest standards
- 14 Number of higher education institutions
- 9 700 Number of graduates
- 36 000 Number of Students

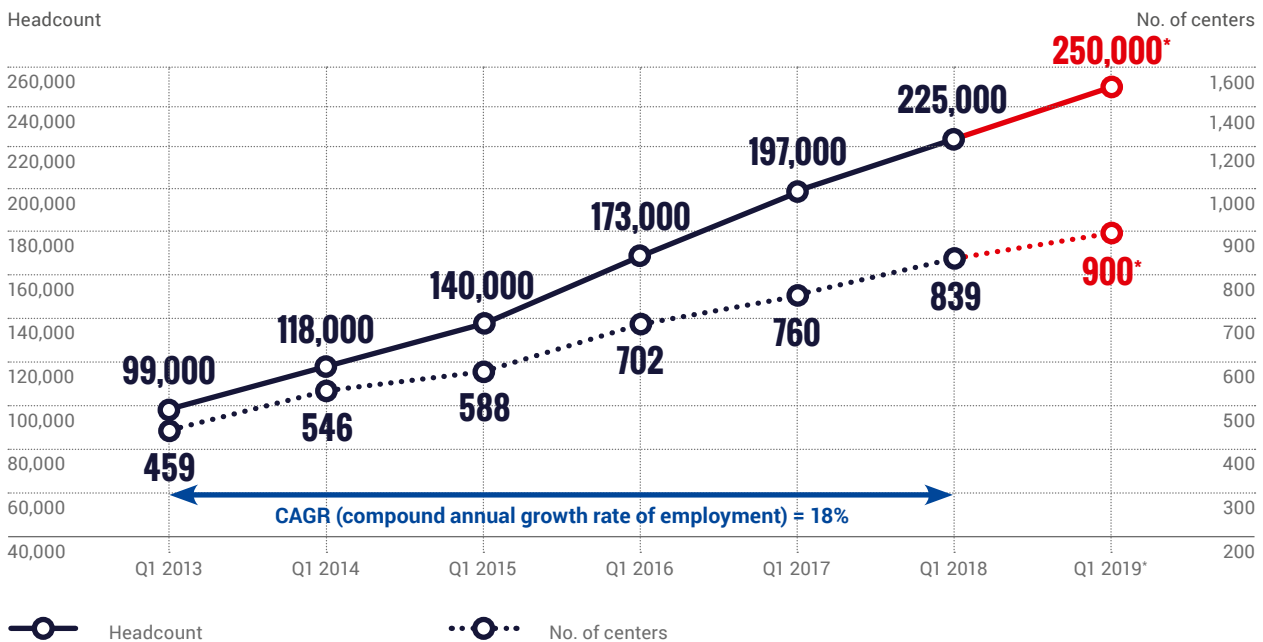
FOREIGN INVESTMENTS

The 839 foreign centers in Poland employ 225,000 people (Q1 2018). Foreign investors account for 81% of the jobs in the sector, managing the vast majority (68%) of business services centers. In the period from Q1 2017 to Q1 2018, foreign companies created 29,000 new jobs in the sector. This represents employment growth of 15%, higher than the level for the sector as a whole (13%). Since the beginning of 2013, yearly average employment growth at foreign centers has been 18%. Based on job growth to date, we can estimate that in 2019, foreign services centers in Poland will be employing 250,000 people.

Foreign services centers located in Poland employ an average of 270 people (significantly more than Polish companies, where the average is 136). The figure continues to grow every year (up by a total of 60 since 2013). The average stated target headcount of newly-established centers (Q1 2017-Q1 2018) is lower, and amounts to 174 people. It must be clarified, however, that in a large majority of cases, investors' initial assumptions are more cautious than the actual employment growth those centers see at a later stage.

FIGURE 15

EMPLOYMENT LEVELS AT FOREIGN SERVICE CENTERS IN POLAND



Please note: previous years' figures concerning headcounts and the number of centers were verified in accordance with ABSL's current best knowledge. As part of updating the data, we also took into account differences resulting from changes in ownership and several investors terminating their operations in Poland.

* Forecast

Source: ABSL own study

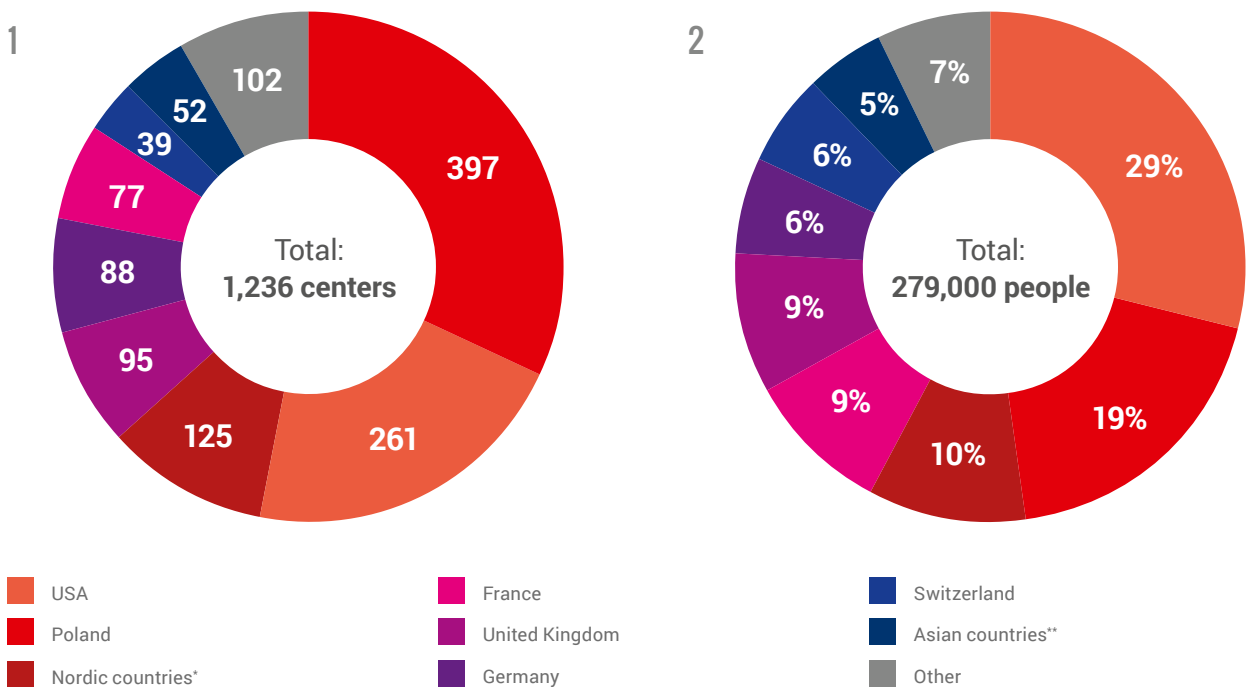
COUNTRIES OF ORIGIN OF BUSINESS SERVICES CENTERS

Polish business services centers (397) are the largest group of entities in the structure of business services centers. American centers dominate (at 261) among the 839 foreign centers. In third place in terms of center structure is a group of entities whose parent companies have their headquarters in the Nordic countries (125). It is worth clarifying that Poland is home to business

services centers of companies from 40 countries (and entities for which no parent company headquarters location can be attributed). US centers have the largest share (29%) in the centers' employment structure. Polish entities account for 19% of jobs, while centers from Nordic countries account for 10%.

FIGURE 16

NUMERICAL STRUCTURE OF BUSINESS SERVICES CENTERS (1) AND STRUCTURE OF EMPLOYMENT AT BUSINESS SERVICES CENTERS (2) BY PARENT COMPANY HEADQUARTERS LOCATION



* Nordic countries: Sweden, Finland, Denmark, Norway

** Asian countries: India, Japan, South Korea, China, Israel, Qatar, Turkey, Singapore

Source: ABSL own study based on the business services center database

The employment structure of business services centers in major business services locations categorized by parent company headquarters location features an average level of variety.

While similarities between centers predominate, there are also visible differences in the scope of different countries' share in employment in individual cities.

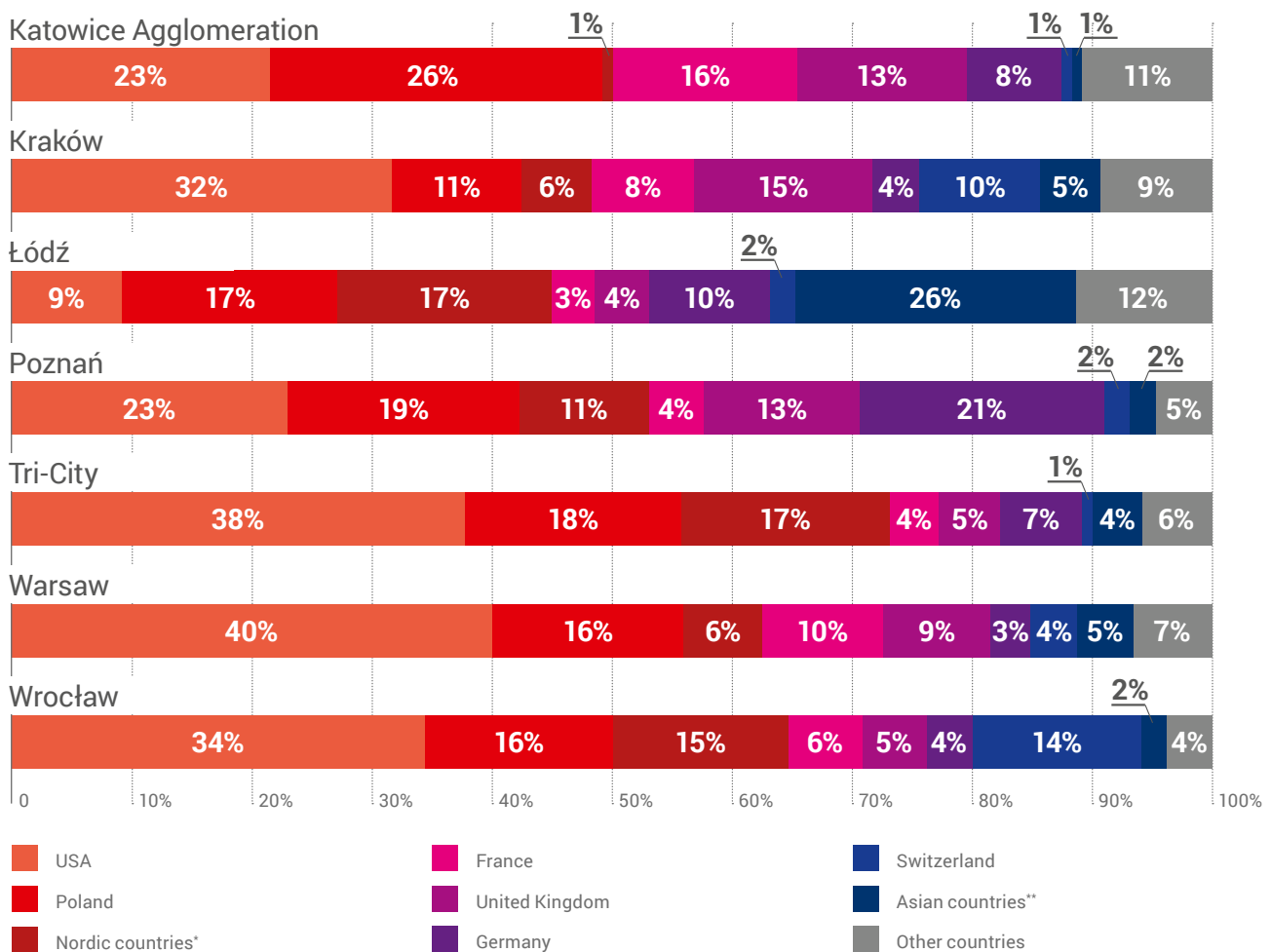
Overview of the business services sector

US centers have the largest share in the employment structure in five of the seven major business services locations (Warsaw, Tri-City, Wrocław, Kraków and Poznań). The highest share of US centers is in Warsaw, where they employ 40% of the sector's workforce (a drop of 7% in favor of other countries in comparison with 2017). Polish companies are in first place in the employment structure in the Katowice Agglomeration (26%); Asian companies are in the lead in Łódź (26%).

It is worth noting that the share of centers from the Nordic countries in the employment structure is much higher than their countrywide share in Łódź (17%), the Tri-City (17%) and Wrocław (15%), as is that of German centers in Poznań (21%), of Swiss centers in Wrocław (14%), and of British centers in Kraków (15%). The most varied distribution of the share of different countries in the employment structure is found in the Tri-City and Warsaw.

FIGURE 17

EMPLOYMENT STRUCTURE OF BUSINESS SERVICES CENTERS IN MAJOR BUSINESS SERVICES LOCATIONS BY PARENT COMPANY HEADQUARTERS LOCATION



* Nordic countries: Sweden, Finland, Denmark, Norway

** Asian countries: India, Japan, South Korea, China, Israel, Qatar, Turkey, Singapore

Source: ABSL own study na podstawie bazy danych centrów usług

TYPES OF SERVICES DELIVERED BY BUSINESS SERVICES CENTERS

The structure of business services rendered at centers in Poland is extremely varied. The wide range of processes supported is composed of several dozen categories and subcategories. It should be noted that a vast majority of entities offer services in more than one business process category.

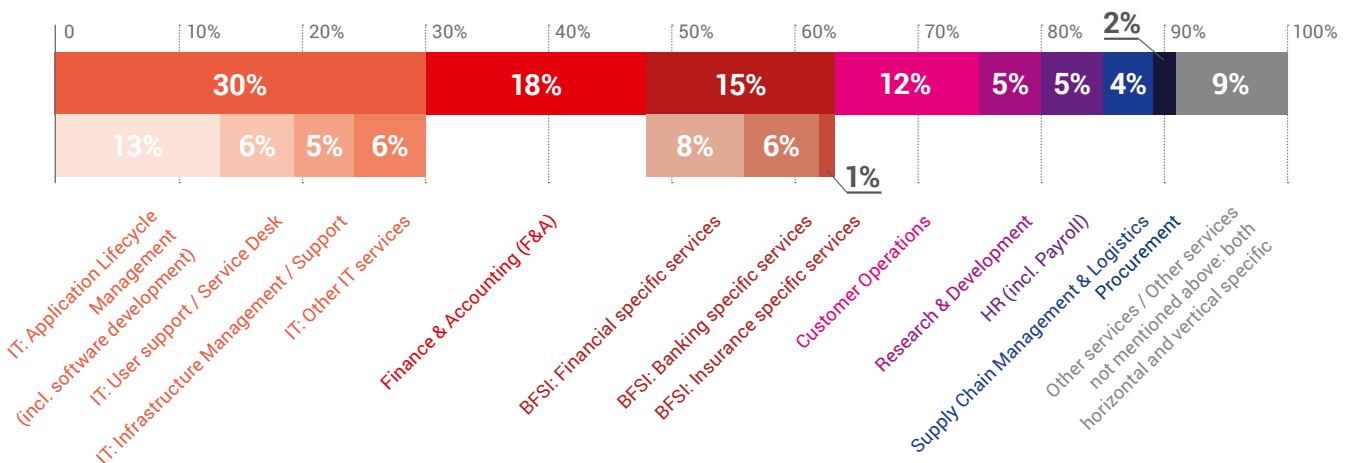
This part of the report lists the employment structure of business services centers by process category supported. The list is based on the responses from 207 companies employing a total of 144,000 people. It is worth noting that IT and finance and accounting combined generate almost half of the jobs in the industry (48%). In third place in terms of its share in the employment structure is BFSI (Banking, Financial Services & Insurance), which, combined, accounts for 15% of the jobs in the sector. An important

role in the employment structure is also played by services involving customer interaction, with a 12% share. In total, the above four process categories create ¾ of the jobs in the sector.

It is obvious that the jobs structure is very similar to that of the previous survey (2017). The order of the particular categories of services has not changed. However, it is worth noting that the jobs share is higher by 1 p.p. in the “Supply Chain Management & Logistics” category, a bigger total BFSI share (by 1 p.p.), and also a lower jobs share in financial and accounting services and research and development (by 2 p.p. compared with 2017). Nevertheless, one should be cautious when interpreting these changes.

FIGURE 18

EMPLOYMENT STRUCTURE OF BUSINESS SERVICES CENTERS BY PROCESS CATEGORIES SUPPORTED

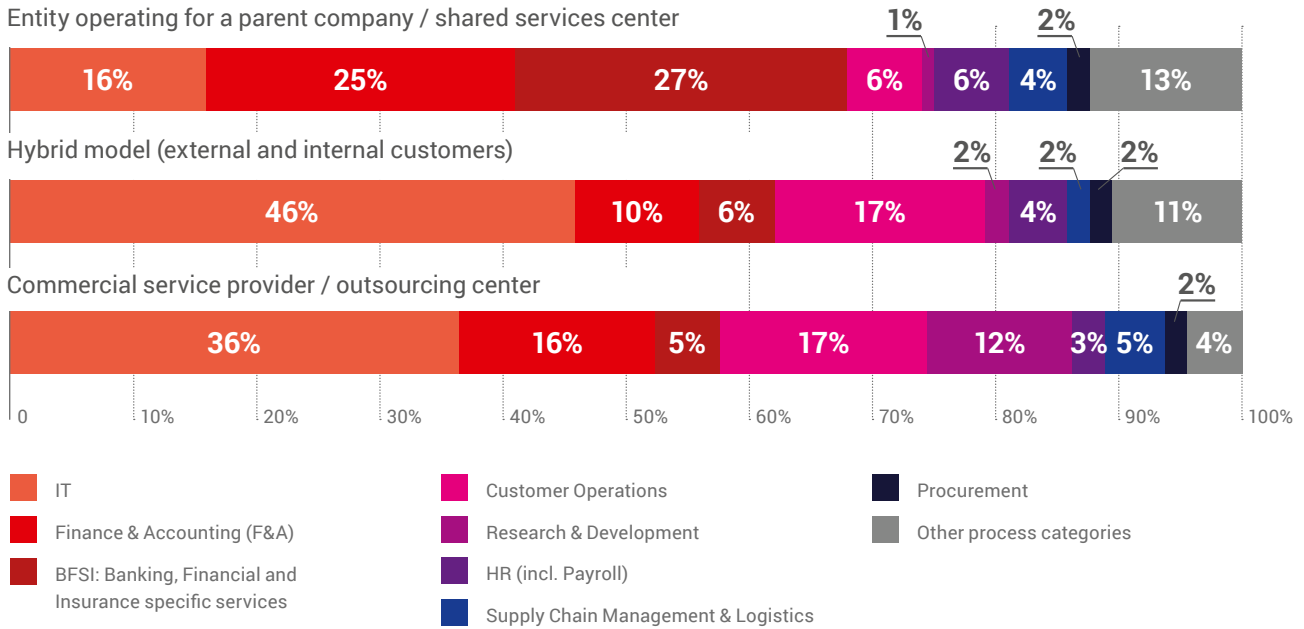


Source: ABSL own study based on the results of a survey addressed to business services centers (N=207 companies employing 144,000 people)

Overview of the business services sector

FIGURE 19

EMPLOYMENT STRUCTURE OF BUSINESS SERVICES CENTERS BY PROCESS CATEGORIES SUPPORTED AT CENTER ORGANIZATIONAL MODELS



Source: ABSL own study based on the results of a survey addressed to business services centers (N=207 companies employing 144,000 people)

FIGURE 20

RANKING OF COUNTRIES FOR WHICH SERVICES ARE PROVIDED TO (INTERNAL AND EXTERNAL) CUSTOMERS BY CENTERS IN POLAND



The most important target countries for which services carried out in Poland are provided continue to be Germany, the UK and the USA. Poland is in fourth place. France comes fifth.

1 Germany

2 UK

3 USA

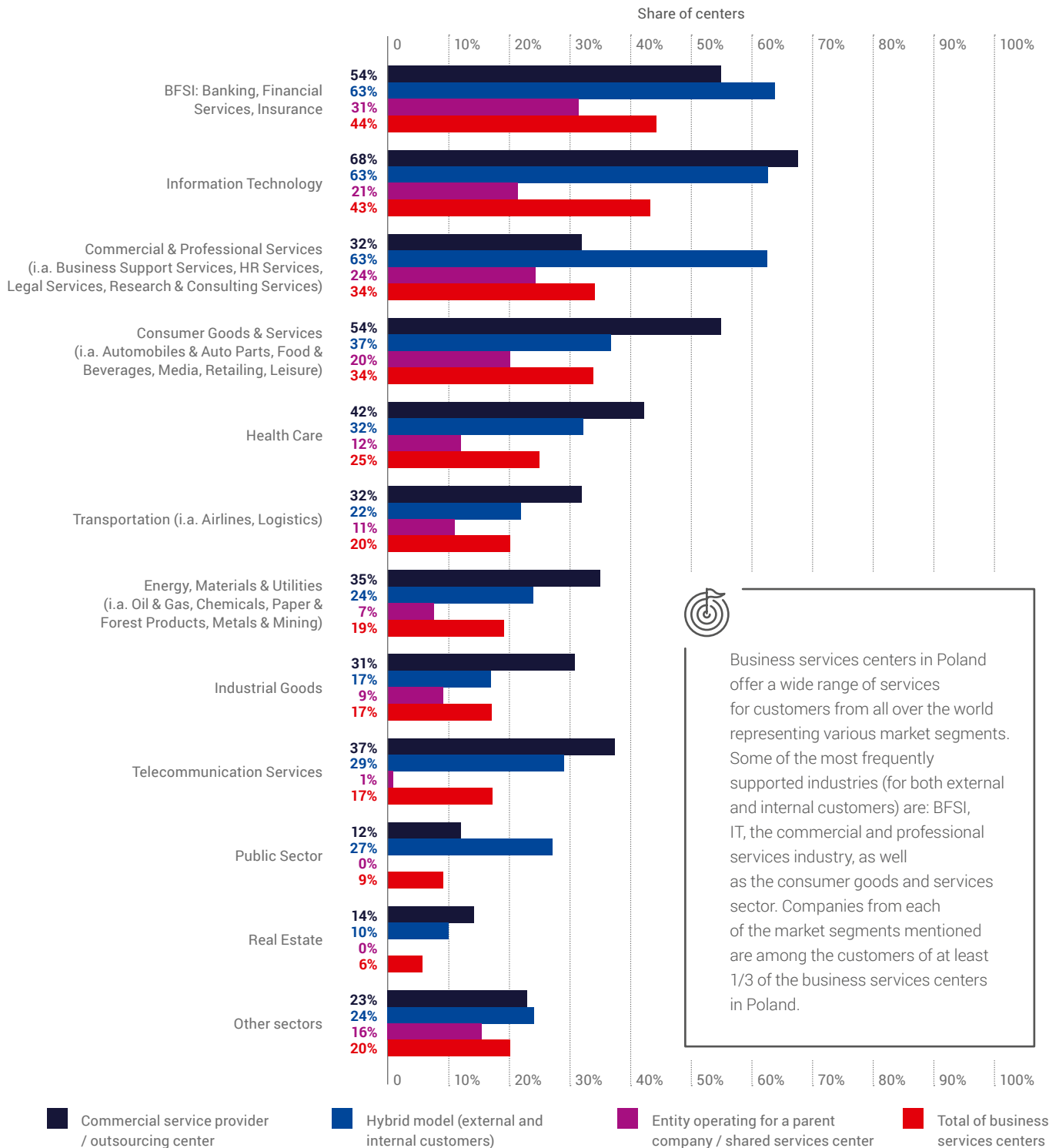
- 1 Germany
- 2 United Kingdom
- 3 United States
- 4 Poland
- 5 France
- 6 Switzerland
- 7 Denmark
- 8 Netherlands
- 9 Sweden
- 10 Belgium
- 11 Finland
- 12 Spain
- 13 Norway
- 14 Italy
- 15 Russia

NB: How the ranking is constructed – respondents were asked to indicate the three most important countries for which services of the business centers they represent are provided. Countries mentioned in item 1 were given 3 pts. each, countries in item 2 – 2 pts. each, and countries in item 3 – 1 pt. each. The graph shows the countries in the order that reflects the total number of points they received.

Source: ABSL own study based on the results of a survey addressed to business services centers (N=210 companies)

FIGURE 21

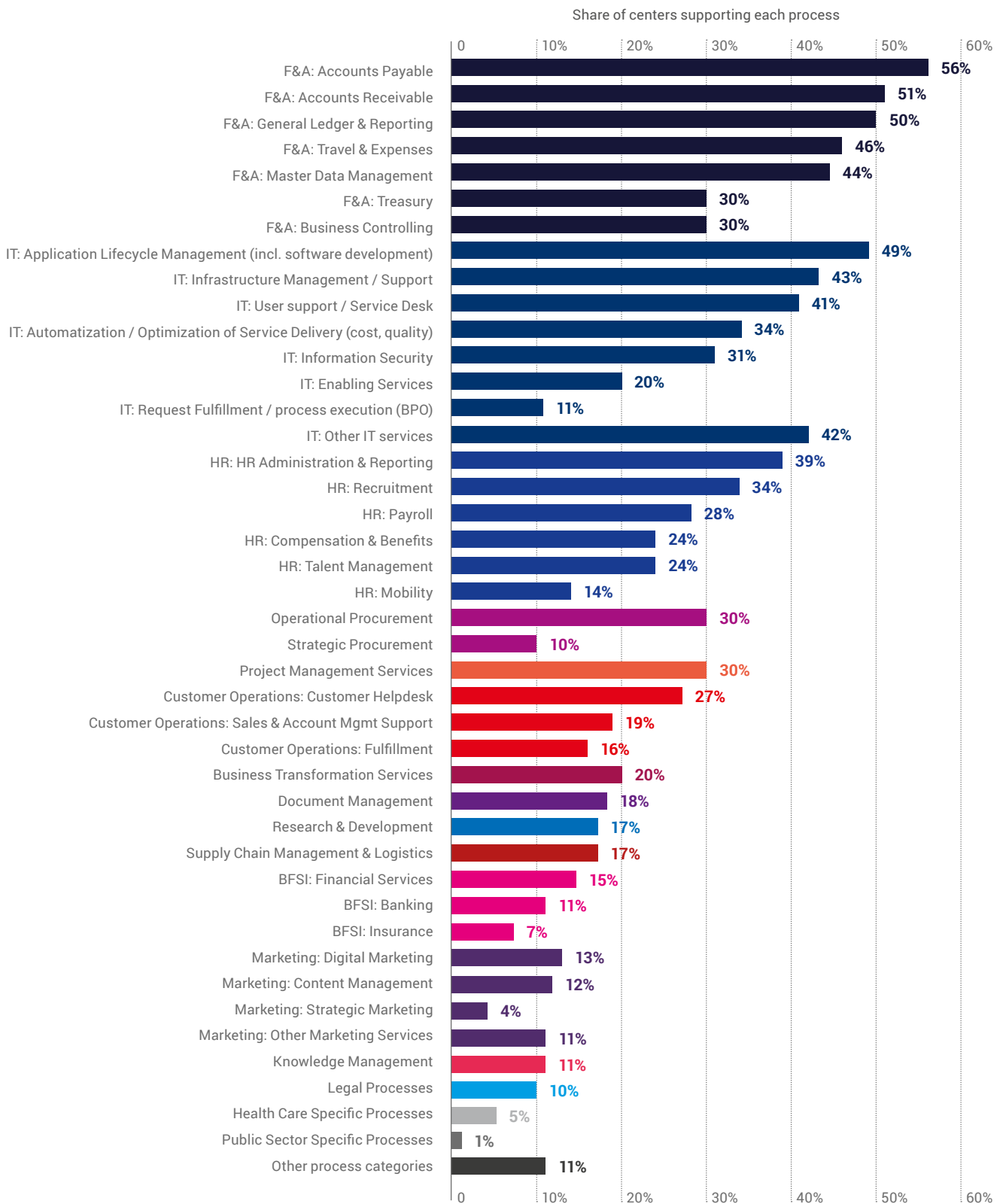
INDUSTRY STRUCTURE OF COMPANIES (EXTERNAL AND INTERNAL CUSTOMERS) SUPPORTED BY BUSINESS SERVICES CENTERS LOCATED IN POLAND



Source: ABSL own study based on the results of a survey addressed to business services centers (N=214 companies)

FIGURE 22

CATEGORIES OF PROCESSES SUPPORTED IN BUSINESS SERVICES CENTERS IN POLAND



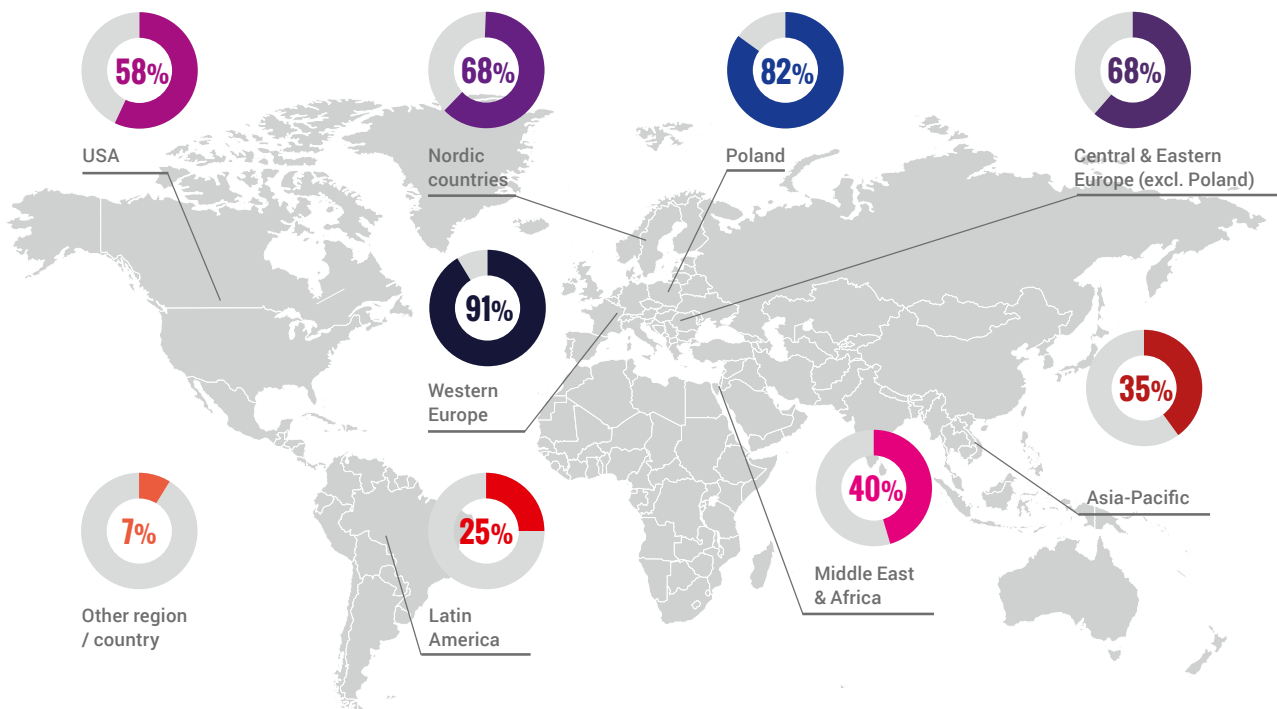
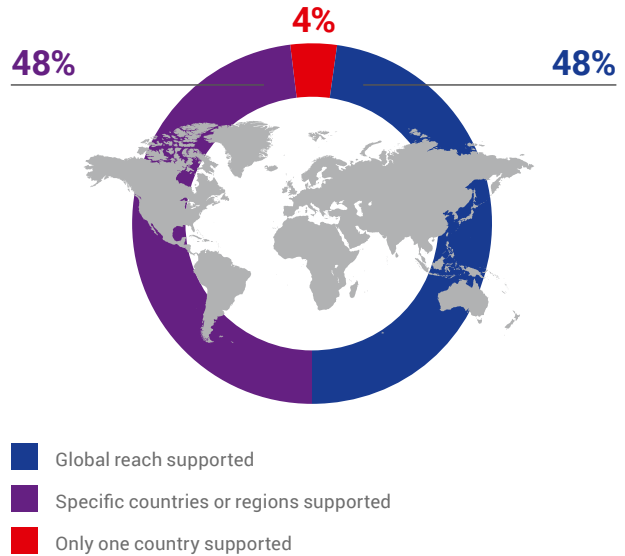
Source: ABSL own study based on the results of a survey addressed to business services centers (N=210 companies)

GEOGRAPHICAL SCOPE OF SERVICES PROVIDED

FIGURE 23

GEOGRAPHICAL SCOPE OF THE SERVICES PROVIDED BY BUSINESS SERVICES CENTERS IN POLAND

Nearly half of the companies under analysis (48%) operate globally, for customers (internal and external) in various parts of the world. The services provided for customers from specific countries or regions of the world are in equal proportion. 4% of companies whose processes are supported are recipients from a single country. The largest number of centers are invariably focused on serving customers in Western Europe, and then Poland. It is worth stressing that the proportion of Nordic countries, i.e. of direction number three in the analyzed structure of the services' geographical extent, is clearly higher (by 8 p.p.) than in 2017.



Source: ABSL own study based on the results of a survey addressed to business services centers (N=213 companies)

COMPANIES' PLANS CONCERNING THEIR OPERATIONS



82%

Proportion of companies that extended their scope of supported services in the past year (N=211 companies). Value 6 p.p. smaller than in 2017's survey.



83%

Proportion of companies that plan to increase employment in the period from Q1 2018 to Q1 2019 (N=214 companies). Value 4 p.p. smaller than in 2017's survey (for period Q1 2017 to Q1 2018). No changes in the headcount in the period analyzed are expected by 14% of companies, and a reduced headcount by 3% of companies.

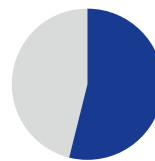


74%

Proportion of business services centers that plan to expand their activities in the next year (N=211 companies). Value 10 p.p. smaller than in 2017's survey – mainly at the expense of stabilization and optimization of current activities (proportion 8 p.p. greater compared with previous survey). The difference can be understood as one of the effects of sector maturity in Poland.

FIGURE 24

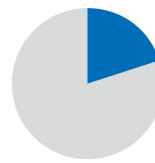
BUSINESS SERVICES CENTERS' PLANS TO EXPAND THEIR ACTIVITIES



Expansion of activities
– new activities, new customers

| 2018 (%) | Change 2018/2017 |
|----------|------------------|
| 54% | -7 p.p. ↓ |

54% **-7 p.p.** ↓



Expansion of activities
– new activities, same customers

| 2018 (%) | Change 2018/2017 |
|----------|------------------|
| 20% | -3 p.p. ↓ |

20% **-3 p.p.** ↓



Stabilization and optimization
of current activities

| 2018 (%) | Change 2018/2017 |
|----------|------------------|
| 22% | +8 p.p. ↑ |

22% **+8 p.p.** ↑



No plans to change
current activities

| 2018 (%) | Change 2018/2017 |
|----------|------------------|
| 3% | +1 p.p. ↑ |

3% **+1 p.p.** ↑



Reduction
of activities

| 2018 (%) | Change 2018/2017 |
|----------|------------------|
| 1% | +1 p.p. ↑ |

1% **+1 p.p.** ↑

Source: ABSL own study based on the results of a survey addressed to business services centers (N=211 companies)

LANGUAGES USED AT BUSINESS SERVICES CENTERS

31

Greatest number of languages used at a single business services center (N=213 companies).

8

Average number of languages used at business services centers (N=213 companies). Median = 6.

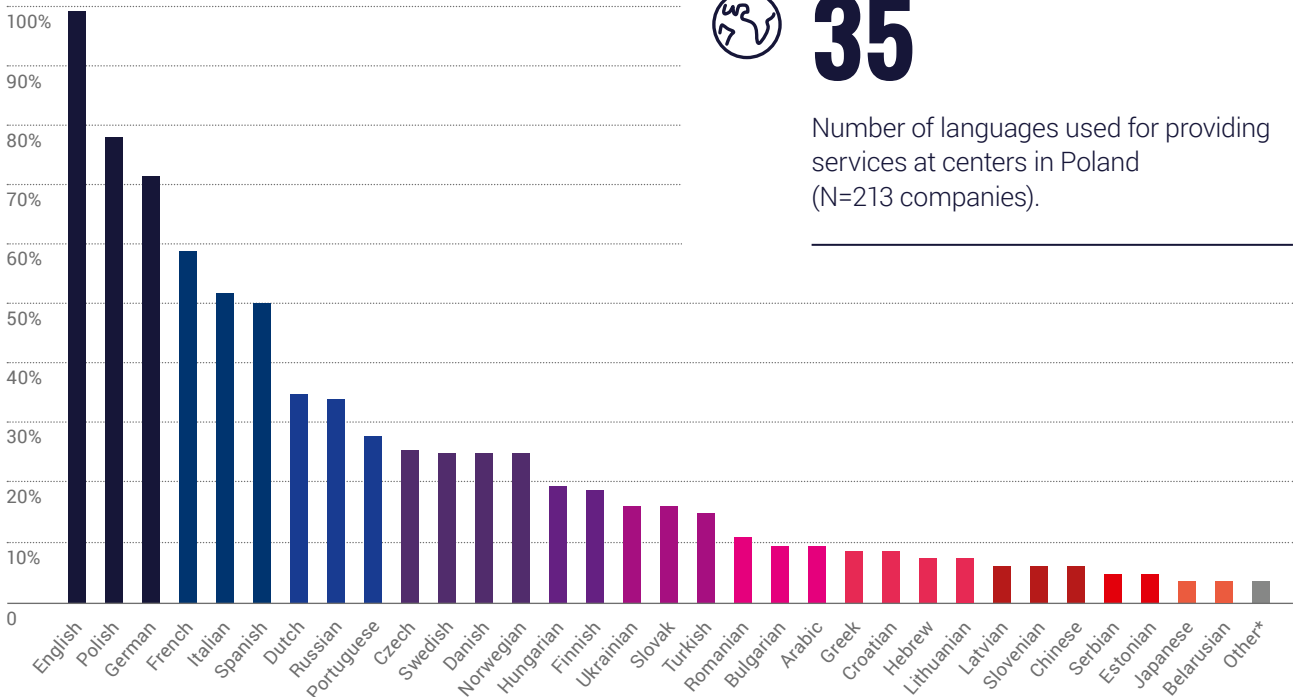
29%

Proportion of business services centers using at least 10 languages in providing their services (N=213 companies).

FIGURE 25

LANGUAGES USED AT BUSINESS SERVICES CENTERS

Share of centers



35

Number of languages used for providing services at centers in Poland (N=213 companies).

* "Other" category features Hindi, Korean and Urdu

Source: ABSL own study based on the results of a survey addressed to business services centers (N=213 companies)

FOREIGNERS EMPLOYED AT BUSINESS SERVICES CENTERS



90%

Proportion of business services centers employing foreigners (N=208 companies). Value 5 p.p. higher than in 2017's survey.



25,000 people

The number of foreigners employed at BPO, SSC, IT and R&D centers in Poland according to a cautious ABSL estimate. Alternatively, one can assume that the total number of foreigners is in the 25,000-30,000 range.



10.6%

Total proportion of foreigners employed at business services centers analyzed by ABSL (N=208 companies employing 144,000 people).



85%

Maximum proportion of foreign employees in the employment structure of a single business services center (N=208 companies). It should, however, be remembered that centers where at least 50% of the employees are foreigners are a small percentage of the entities analyzed (2.5%).



9%

Average proportion of foreigners employed at business services centers analyzed by ABSL (11% at companies with over 1,000 employees vs. 8% at smaller entities). It can be estimated that over 2/3 of the foreigners employed at business services centers in Poland work for the sector's largest companies with over 1,000 employees (N=208 companies).



38%

Proportion of business services centers where foreigners represent at least 10% of all employees (N=208 companies).



Ukraine remains the country most frequently named as the country of origin of foreigners employed at business services centers. As we look at the data, it is clear that Ukrainians are the largest group of foreigners at 46% of the companies that employ foreigners. Furthermore, 43% of all the companies surveyed list Ukrainians at the top of the three largest groups of foreigners. Italians come second in the list, and Spaniards third. Apart from Italy and Spain changing places, the three main countries of origin of foreigners employed at business services centers are the same as in 2017. All told, 24 countries were mentioned in the top three countries of origin of foreigners in business services centers. It is obvious that the number of all countries from which foreign employees of business services centers in Poland come is higher.



FIGURE 26

MAJOR COUNTRIES OF ORIGIN OF FOREIGNERS EMPLOYED AT BUSINESS SERVICES CENTERS

| | | | | | |
|--|----------------|---|--|----------------|----|
| | Ukraine | 1 | | Finland | 9 |
| | Italy | 2 | | Czech Republic | 10 |
| | Spain | 3 | | Brazil | 11 |
| | India | 4 | | Portugal | 12 |
| | Germany | 5 | | Netherlands | 13 |
| | France | 6 | | Romania | 14 |
| | United Kingdom | 7 | | Turkey | 15 |
| | Belarus | 8 | | | |

NB: How the ranking was constructed – respondents were asked to state the three countries from which the greatest number of foreigners employed at the business centers represented by them come. Countries mentioned in item 1 were given 3 pts. each, countries in item 2 – 2 pts. each, and countries in item 3 – 1 pt. each. The graph shows the countries in the order that reflects the total number of points they received.

Source: ABSL own study based on the results of a survey addressed to business services centers (N=184 companies)

OTHER CHARACTERISTICS OF THE INDUSTRY

PROPORTION OF FEMALE EMPLOYEES



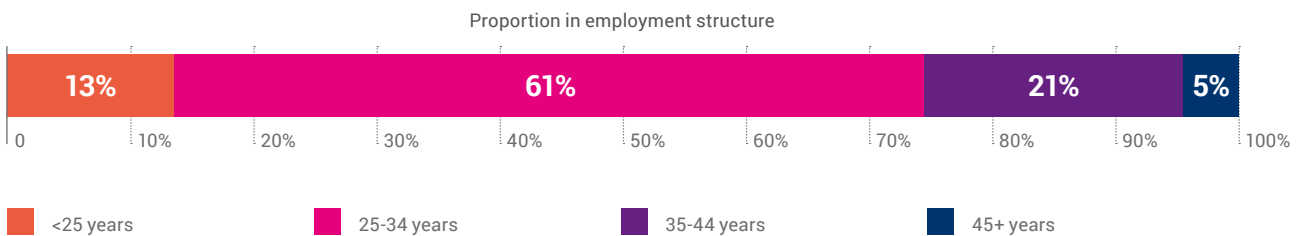
52%

Proportion of female employees in the business services centers analyzed. For management, the average proportion of women is 36%. It is worth noting that, among companies employing at least 1,000 people at their business services centers in Poland, the proportion of women in the employment structure is 2 p.p. lower (N=206 companies).

EMPLOYMENT STRUCTURE OF BUSINESS SERVICES CENTERS BY AGE OF EMPLOYEES

FIGURE 27

EMPLOYMENT STRUCTURE OF BUSINESS SERVICES CENTERS BY AGE OF EMPLOYEES

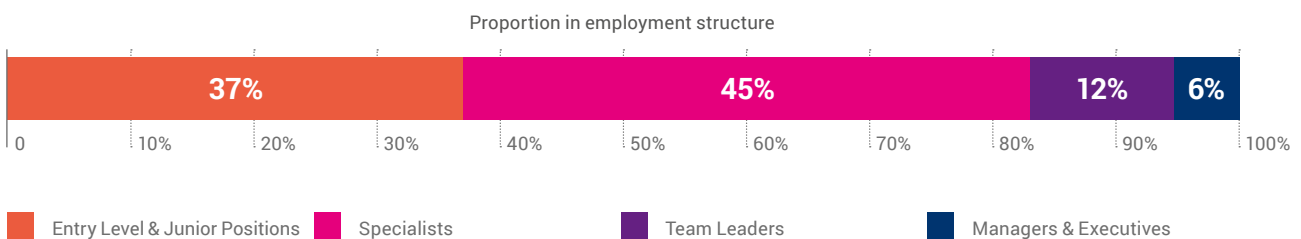


Source: ABSL own study based on the results of a survey addressed to business services centers (N=207 companies employing 137,000 people).

EMPLOYMENT STRUCTURE BY JOB CATEGORY

FIGURE 28

EMPLOYMENT STRUCTURE OF BUSINESS SERVICES CENTERS IN POLAND BY JOB CATEGORY

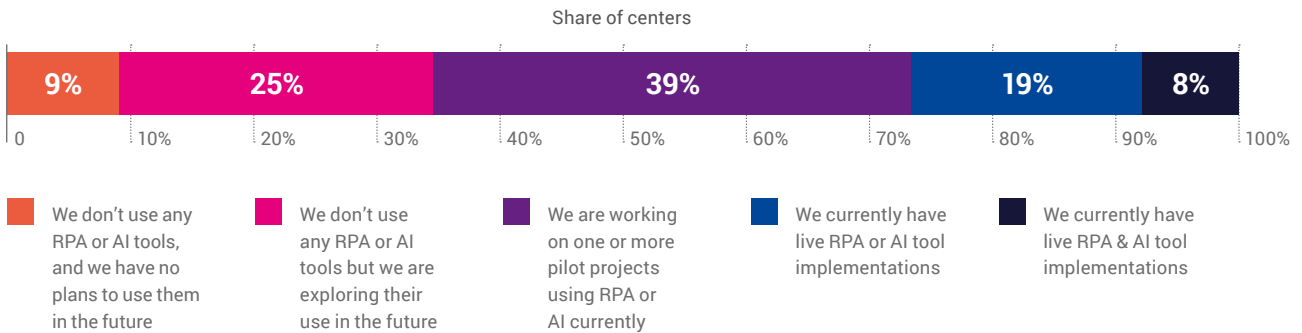


Source: ABSL own study based on the results of a survey addressed to business services centers (N=207 companies employing 137,000 employees).

BUSINESS PROCESS AUTOMATION

FIGURE 29

LEVEL OF IMPLEMENTING SOLUTIONS IN ROBOTIC PROCESS AUTOMATION (RPA) AND ARTIFICIAL INTELLIGENCE (AI) IN BUSINESS SERVICES CENTERS*



* Respondents specified the level of implementation of solutions which, in their assessment, best reflects the description of process support in the company.

Source: ABSL own study based on the results of a survey addressed to business services centers (N=204 companies).

WHERE DO YOU THINK YOU WILL FIND...

a very attractive investment offer?

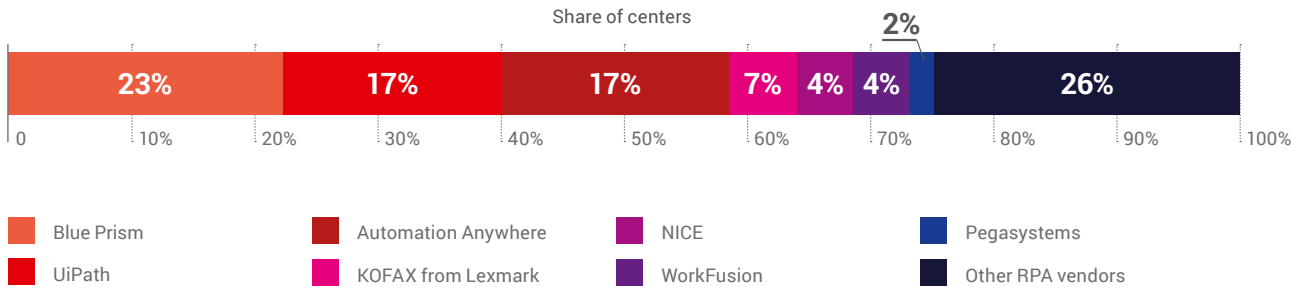
great human potential with 2 million people?

highly developed infrastructure?

The answer is clear - in KATOWICE!

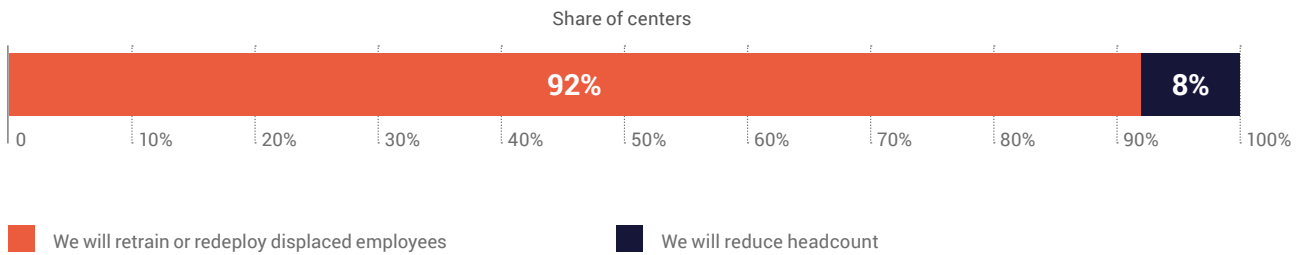
Overview of the business services sector

FIGURE 30
TOOLS IN ROBOTIC PROCESS AUTOMATION (RPA) AND ARTIFICIAL INTELLIGENCE (AI) IN BUSINESS SERVICES CENTERS



Source: ABSL own study based on the results of a survey addressed to business services centers.

FIGURE 31
IMPACT OF ROBOTIC PROCESS AUTOMATION (RPA) AND ARTIFICIAL INTELLIGENCE (AI) ON CHANGES IN EMPLOYMENT AT BUSINESS SERVICES CENTERS



Source: ABSL own study based on the results of a survey addressed to business services centers (N=106 companies).

EMPLOYEE TURNOVER

The voluntary turnover level in business services centers analyzed by ABSL for 2017 was 16.4%. The involuntary turnover level (not dependent on the employee) was 4%. The level of voluntary

turnover at companies employing at least 1,000 people at business services centers in Poland is somewhat higher than for other entities.

TABLE 7

STRUCTURE OF VOLUNTARY TURNOVER LEVELS AT BUSINESS SERVICES CENTERS IN POLAND

| Voluntary turnover level | Business services centers overall | Companies whose centers employ at least 1,000 people |
|--------------------------|-----------------------------------|--|
| Over 20% | 17% | 20% |
| 11-20% | 52% | 57% |
| 1-10% | 29% | 23% |
| Less than 1% | 2% | 0% |

Source: ABSL's own study (N=192 companies employing 125,000 people).



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2 BUSINESS SERVICES IN POLAND: TRENDS, CHALLENGES, DIRECTIONS FOR GROWTH

The business services sector is one of the most dynamically developing industries in Poland. Its growth is possible in part thanks to new technologies. Digitalization, mobile solutions, artificial intelligence, robotic process automation, augmented reality – these are concepts that are being discussed with increasing frequency nowadays. Yet, although technologies are hogging the limelight, is it wise to treat them uncritically? What will their practical impact on the industry be in the coming years? Isn't it just as important to have the right approach to working methods, fostering talent, and system security? What trends and challenges await the business services sector in the near future? The Strategy Board and Audit Committee of ABSL have been searching for answers to these questions.

AVAILABLE TECHNOLOGIES VS PRACTICAL IMPLEMENTATION

Every day, the industry press and social media report on new trends in robotic process automation (RPA), machine learning (ML) and, occasionally, artificial intelligence (AI). A healthy dose of skepticism is particularly important when approaching artificial intelligence (defined as technology that is capable of intelligent behavior and autonomous decision-making that goes beyond strictly-defined scripts), because this buzzword is overused. In some cases, attempts are made to aggregate a number of RPA tools as AI simply in order to count customers the “most advanced” product. The era of artificial intelligence is on the horizon, and no doubt approaching faster than it might seem; but, until it arrives, the industry should focus on smaller steps.

Innumerable articles and conferences are devoted to RPA, which is a term that is well understood, with such technologies having been introduced in many business services sector (BSS) companies. With machine learning, it's somewhat different – such technology is more advanced than RPA, and seeks to achieve process perfection by collecting and auto-analyzing data.

THE RIGHT ORDER FOR IMPLEMENTING TECHNOLOGY

The opinion is often expressed that the road to automation begins with the simplest technologies and ends with the most advanced. Accordingly, RPA is introduced first, followed by ML, and finally, AI.

The flaw in this reasoning is that, for simple processes, more advanced technologies are not necessarily more appropriate than RPA – or even a macro in Excel.

The key to success when introducing automation on a large scale is choosing the right technology for a given process, and finding synergies by taking advantage of the compatibility between various

technological solutions. This is why the range of solutions available to those managing automation should be as broad as possible to achieve the maximum benefit at reasonable expense.

NON-MAINSTREAM TECHNOLOGIES

Apart from the three most widely-recognized technologies described above, many other solutions, technologies, tools and platforms exist. Below is a description of some that may soon be put to use in the business services sector.

- » **Deep learning:** a type of advanced ML patterned after neural networks, which analyzes data and ascribes weights to it according to the value of information provided for the benefit of process support. Unnecessary information will be rejected or archived in order not to overtax computing power. It is particularly useful for optimizing the speed of process automation based on large data sets.
- » **Explainable AI:** Regulated industries (such as banking and healthcare) will have to quickly, comprehensibly present the logic applied in the database in which a specific AI decision is made. It has to be possible to audit and reconstruct all decisions. It will also be possible to use this feature of AI in “what-if” simulations, where a decision can be simulated using other/new variables.
- » **AI-Enabled RPA:** a technology now at the R&D stage, which will autonomously group process tasks, recommend possible automation/robotics, and strive to eliminate exceptions.

IS ARTIFICIAL INTELLIGENCE THE LAST STAGE?

The types of artificial intelligence now available are a far cry from what we might be familiar with in science fiction movies. The first AI implementations will probably focus on a single process. Only in the

final stages will it be possible to have multiprocess implementations that manage processes holistically and make decisions independently. Of course, this raises fears about control – especially in closely regulated industries.

AGILE METHODOLOGY WILL REVOLUTIONIZE THE INDUSTRY

TODAY'S CHANGEABLE WORLD AS A BUSINESS CHALLENGE

Agile methodology has been revolutionizing companies' approach to work across the globe. Technology companies are at the forefront in this area, having applied this methodology for years.

Business, political and social communities are where change has become so normal that companies consider it part of their corporate DNA, striving to be prepared for the unexpected. Fostering an organizational culture that features flexibility assists in creating a competitive advantage.

In the business services sector, whatever the operational profile, a flexible approach helps a company focus on the value that its design and operations teams provide to customers. No one releases them from the obligations imposed on them by law, but agile methodology helps a business choose those areas that contribute to success

HOW CAN WORK ORGANIZATION BE ADAPTED TO CONTEMPORARY CHALLENGES?

Centers that manage to implement such a work culture will attach less weight to organizational structure, and more to teams, where variety – in terms of both competences and culture – will play a critical role.

A variety of competences doesn't just mean technical or process skills. It also means active participation in those teams by people who, on a daily basis, are customers of the services provided by business services centers, who contribute their point of view and experience and help promote ideas further on in the organization.

One of the current challenges facing the business services sector is how to attract and retain talent. Working in a flexible environment is certainly an incentive for new employees, and also involves and inspires existing teams.

After joining a given company, about 78% of millennials state that they are not sure about what direction they want to take their career. A flexible work environment helps companies release their potential, increasing their engagement as members of heterogeneous teams, which translates into effectiveness and innovation, helping build market competitiveness.

One of the trends widely debated in the business services sector is robotic process automation. It is a perfect example of an area in which an organization should consider building agile design teams, recruiting individuals from various divisions of the organization who have a variety of skills and perspectives, constructing their goals and priorities based around corporate values.

CHALLENGES

A crucial challenge when building an agile organization is to change how people think – not only those working in services centers, but also those in other company departments.

Building agility within an organizational unit such as a business services center is possible, but is more effective when the entire organization and its customers want to embrace the change.

Another important challenge is enabling the organization and its employees to deal with setbacks with agility. Not all ideas and experiments initiated by employees meet with immediate success, but what is important in such cases is the knowledge and experience gained.

Of course, though, not every area or process lends itself to experimentation. There are certainly strictly regulated areas where the legislator requires a very specific approach or conduct.

A third challenge can be – though need not be – stereotypes. Agile methodology developed in organizations with a technological profile that long ago came to the conclusion that this style of working brings much better results. Many in an organization may feel that the agile approach is not for them. Yet, everyone agrees that an organization's culture does not depend on the department they work in, be it finance, HR or sales



TECHNOLOGY CONTINUES TO STIMULATE GROWTH IN THE BUSINESS SERVICES SECTOR

How will technology change the face of outsourcing?
Where can growth be found, and what should value be built on?
What's next for the IT services sector?

TECHNOLOGY THE CENTER OF ATTENTION

A couple of decades ago, the outsourcing model underwent tremendous growth, and among the first process categories to be separated from the internal structure of businesses, along with finance-accounting and payroll, was IT services. After a few years, however, it turned out that internal IT competences are a big advantage, because all core processes are technology-based. Yet you can't do everything yourself, especially if IT is not a core activity of your business. Similar dilemmas determined which services were carved out and which brought back into internal structures. It seems that in recent years, this process has led to a certain balance where, thanks to the rapid development of technologies, there's room for everybody. So it's no exaggeration to say that, in large measure, it is IT that sets the pace of growth in the business services sector. Alongside the regulations and legal requirements, it is IT, as broadly understood, that has the greatest impact on the significance of services centers. It therefore makes sense to pay close attention to what's taking place on the rapidly developing IT market.

POTENTIAL EXISTS!

The entire ICT market in Poland is estimated to be worth approximately PLN 40 billion (IDC, 2017). To this we have to add many processes in the banking, insurance and medical sectors that directly rely on technology-based solutions. Defined in this way, the IT market

is certainly even larger. Another figure, certainly of interest to ABSL members, is the overall pool of IT services across the entire ICT market estimated as being worth close to several billion PLN. Curiously, despite a stabilization or even a small reduction in the size of the market as a whole, the services part continues to grow, with small and medium-sized businesses leading the way; in 2017, they saw growth in turnover of tens or even hundreds of percent.

WHAT NEXT?

The knowledge and experience ABSL has gained in conversations with several leading IT companies in Poland provides an interesting picture of what is worth focusing on. It is also worth considering the growth of Polish companies offering a wide range of services for different sectors. From this analysis, the following observations emerge:

Leaders actively seek added value

- » Change at the forefront. Robotics and automation, particularly of simple, repetitive processes, have been with us now for a while. It is estimated that last year in India, about 50-60,000 IT positions disappeared. They were replaced by robots. A progressive-minded CIO will quickly conclude that he or she always needs to be in the forefront of such changes, be one step ahead of the inevitable and embrace change pro-actively.
- » Take your offer abroad. On this issue, Polish IT companies are an outstanding example for other domestic centers. Free of complexes, and with complete faith in their own abilities. For them, expanding beyond the borders of Poland seems as natural as the fact that technology knows

no borders. This should come as a pointer for those who are still wondering about whether it's worth it or how to do it. There are plenty of good examples around.

- » Think in terms of the entire ecosystem. We've spoken many times of the synergies resulting when the worlds of business, education, startups and administration combine. And so we are pleased that an increasing number of companies, including those that have emerged from the IT industry as such, are forging focused, practical alliances. These may be a think tank, a one-off business project, or a joint program with a university not aimed solely at recruiting graduates. For years, ABSL has been strongly involved in these types of projects.
- » Act globally from home. There's no doubt about it – the exodus of talent is worrying. But here, the activities of lawmakers, businesses, local authorities and ABSL itself can have a significant impact on the effectiveness of attracting investments and creating quality jobs in Poland. Another favorable circumstance is how young professionals are looking for balance. This generation values its freedom, but also relationships and a decent quality of life and services, in the conviction that money isn't everything. The best get great offers here at home.

AND WHAT ABOUT TECHNOLOGY?

- » Mobile solutions? According to some, mobile solutions no longer determine competitive advantage. They are easy to copy and constitute just one of many interfaces, when in fact no one wants to have too many. That's why there's an opportunity for "assistants" that lead us through this maze. Google Now, Siri and Alexa, to name a few. They tell us where to find what, and work in the background, solving problems by connecting to the relevant services. This means

there will be a need to integrate the systems of service providers through API.

- » The era of Assistants is looming. Today, we compare prices, services, or whole 'baskets' of them. Soon, we'll be comparing artificial intelligence Personal Assistants who will do that for us and, based on personal criteria they are fed, will look for those services that best correspond to our needs.
- » Blockchain is just around the corner. Not only within the scope of transaction security and multi-level data protection. Despite being met with suspicion initially, this technology is winning over an increasing number of adherents. It is being heavily promoted by government institutions, and even by conservative institutions that control the market. It may soon turn out that solutions built on blockchain, which meet the conditions of a permanent medium, will open up completely new opportunities and break down barriers that seemed insurmountable in the 20th century.
- » Back to your roots. The diversification and multiplication of means of contact using all available channels is coming to an end. This is seen in financial institutions, all of which offer practically every possible type of interface. Which means it's no longer a competitive advantage. Real differentiators include smart segmentation, customer understanding, and reading the market. And here, technological businesses would do well to take a hard look at their potential for growth. And so we return to advanced analytics and insight-based recommendations.
- » Connecting the dots. Consolidation and takeovers, but also tearing down artificial internal barriers, help businesses create longer process chains. Such complete solutions are, for one thing, much more interesting for customers, and for another, they create new, unique value, connecting competences

that would seem to be separate, simplifying and increasing productivity. Technology is the key to such integration.

We are, without doubt, witnessing another upheaval on the market, and existing technologies are at the very center of that change

Here, the IT services sector has much to offer. IT companies whose thinking is holistic and complete

are becoming more and more valuable as business partners. Combining services, reading trends skillfully and meeting customer and consumer needs gives them an enormous opportunity for growth. And faith in their own skills and value should allow them to export their services while retaining their most valuable specialists.

Our thanks to the companies Billon, ITKontrakt, ITMagination, Lingaro, Divante and OEX E-Business for their help in creating this text.

SERVICES CENTERS IN AN ERA OF DIGITAL TECHNOLOGY TRANSFORMATION

Looking towards the office of the future in an era of digital technology, three words come to mind:

- » mobility ,
- » flexibility ,
- » scalability.

Each can have somewhat different meanings depending on its work context. And, if we add industrial elements of mobile technologies and automation, we can imagine an office of the more distant future with no need for workers at all.

Mobile solutions can be perceived as an extension of flexibility, but also according to a completely different paradigm. The concept covers many definitions, all of which focus more on what people have to do and whether they do it, and less on when and where they do it. Mobile employees can work from anywhere. This is possible because of technological solutions and appropriate practices and processes that are strongly supported by the engagement of management and other personnel.

Flexible work is work that adapts itself to the needs of employees. It makes use of mechanisms

available under labor legislation, which has benefited greatly from the fruits of modern technology.

Combining mobility with flexibility means that human labor is infinitely scalable; depending on the type of activity, there are no limits at all on where teams are located or how they interconnect.

Making full use of the mobile model of work while maintaining employee benefits results in clear benefits for a business. Employees enjoy greater freedom to work where and when they want, but the result of this should be an organization that is more productive, responsive and effective. In terms of technology, flexible and mobile models of work rely on many of the same tools. But flexible work principles may strongly support mobility, which requires a greater number of changes in IT technology, offering options for harmonizing communications platforms, platforms that allow multiple, simultaneous access to the same data, and for ensuring that every employee has all he or she needs to get the job done.

But what if the form of work or the rules of contact with customers or users require interaction? If a customer

or end user is not forced to rely on only one traditional channel for exchanging information, then solutions such as virtual assistants, virtual agents, chatboxes or automated portals for managing our needs become basic channels of communication.

Then we can imagine a day when, combining flexible forms of work with mobile technological and organizational solutions, supported by industrialized communication channels, our office will actually be empty, available only at domain @office.com. That office will function and support our activities at least as effectively as when it was several floors of a building occupied by employees.

The question remains, then, as to how much the “digital office” (based on the latest technologies understood as a combination of mobile technologies, a mobile style of working, flexibility created by legislation and virtual channels of communication) will change the way current office premises are used.

Whether there will be many small premises or a single larger one in the digital office formula remains to be analyzed by the leaders of organizations, but one thing is certain – the scalability of the process of managing employees, and mobility supported by flexibility, afford unlimited opportunities for making creative decisions.



GUARANTEEING BUSINESS CONTINUITY AND IT SECURITY – ARE WE READY TO MAKE SUCH GUARANTEES TO BPO/SSC CUSTOMERS?

1. Guaranteeing business continuity – the critical role of customized infrastructure and its quality in securing the services provided.
2. IT security – a strategy for technical infrastructure and software.
3. Assuring the security of sensitive data to business services centers and their customers.

Black swans – events that are extremely difficult or impossible to foresee that have a major impact on reality (a theory created by Nassim Nicholas Taleb).

How can we assess future risks and prepare for them? Experience teaches us that we only have a very limited ability to predict and prepare for significant future events. The sinking of the Titanic, the US stock market crash in 1929, the collapse of Lehman Brothers in 2008 – these were not widely considered before they occurred.

In a world that is becoming increasingly complex, and in which there is an increasing number of connections that are difficult to observe and understand, preparing for future risk is an element of strategy that takes on particular importance.

For the business services sector, assessing and preparing for future risks is mainly centered on business continuity management (BCM) and IT security.

In BCM, a key element is the need to analyze foreseeable risk in depth and to try to develop risk response strategies. In the business services sector, a common way of dealing with foreseeable risk is to guarantee physical security by means of business recovery sites and IT recovery centers.

Additionally, IT security also focuses on risk assessment and planning responses to events relating to cyberspace and activities that may occur there. It seems that, in the context of the business services sector, there is a trend towards centralizing responses to threats in the electronic world, because this is justified by the scope of those threats and the financial resources required to prepare for them

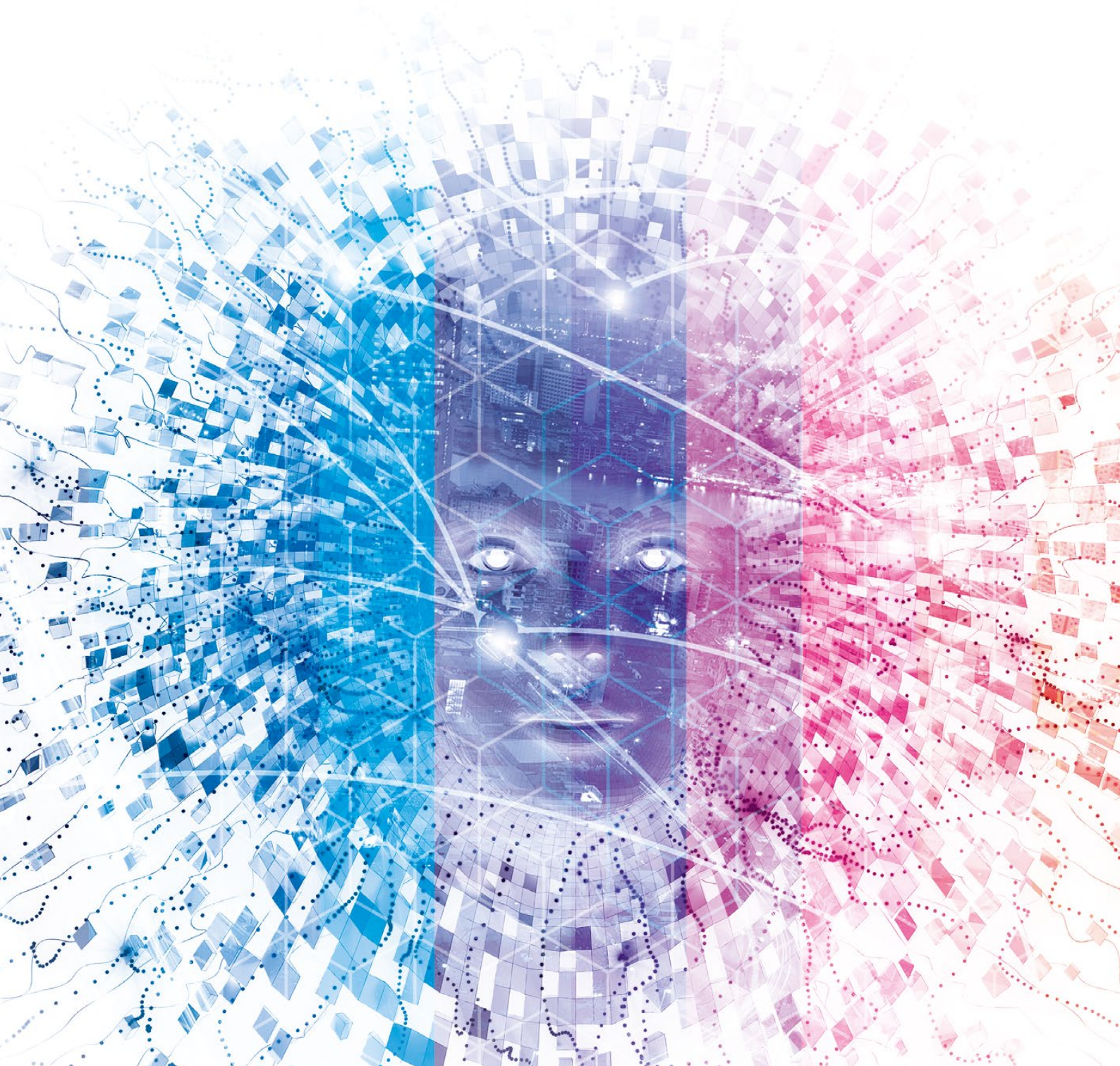
It is extremely important to guarantee the security of sensitive data (data of customers and business partners that are covered by business secrecy or intellectual property rights).

Sensitive data can be transferred both physically and in dematerialized form, which means that responses to the inappropriate use of such data must cover both the physical (e.g. paper documents) and the electronic realm.

A separate issue is the need to simulate the occurrence of such risks and practice responding to them. This trend indicates the need for more frequent crisis management response exercises and for simulations or games that involve crisis situations.

To sum up, running BPO/SSC operations in a world of VUCA (Volatility, Uncertainty, Complexity and Ambiguity) poses many challenges in terms of planning and implementing a risk response strategy, as well as increasing the importance of a BCM structure as part of the BPO/SSC structure.

Considering the scale and dynamics of the business services sector in Poland, there is still plenty to do in terms of both physical and cyber security. Analyzes, effort and investments are all needed, both within the sector and among suppliers specializing in BCM and IT security solutions.



AN ACCELERATED SSC (R)EVOLUTION

In Poland, more than 1,200 SSC, IT, R&D and BPO centers have been created. The years of tranquil, passive growth in the industry are gone, and the tempo now set by technological progress is forcing an evolution in SSC organizational models. Such organizations must adapt in order to remain centers of high competence and to raise their status in setting the agenda for transforming the operational effectiveness of global corporations. In ABSL's view, the following models will be the driving force for structural change in the sector over the next 5 years.

HYBRID MODEL – INCREASING INTERNAL INTEGRATION OF BPO SERVICES CENTERS AND PROGRAMS

SSC organizational models are evolving quickly towards hybrid solutions. BPO is no longer just a fast way to reduce operating costs combined with a risk of loss of knowledge and control over business processes. It is a conscious, carefully calculated decision made by the majority of businesses that only several years ago were not planning to move their processes to BPO suppliers. The key now is proportion and a coherent strategy as to what we want to do ourselves, as well as developing an effective model of hybrid management combined with introducing integrated solutions for automation, communication and analysis using machine learning – provided by increasingly technically specialized BPO suppliers.

Most global organizations creating their own SSCs decide for the short term not to make big investments in expensive technological and process solutions in areas that do not directly support their core activities. Only BPO companies do so on such a scale, since this is their core activity. What's more, the rate at which organizational models are being applied to improve cooperation between people and technology is considerably higher in BPO,

where databases are created from the knowledge and experience gained with many different customers in the same period of time. Today, it's a race against time that SSCs acting in isolation will not win.

SSCs should build up competences in hybrid management, which means raising the bar for managerial staff – who, in addition to managing company operations, must lead effectively on relations with external BPO suppliers based on long-term contracts.

In Poland, there are an increasing number of cases of services centers being absorbed by BPO companies as part of global hybrid solutions. In the past year alone, there were a number of large transactions of the kind, and at least as many are currently being negotiated.

Yet SSC directors should have no fears about such takeovers. Their active involvement at the early stages of creating a new model will go a long way towards strengthening their position in the new structure, which should gradually encompass a broader scope of competences from the mainstream of the CTO, COO, CFO and CDO agendas.

EVOLUTIONAL MODEL (BUILD, OPERATE AND TRANSFER)

The largest investment outlays, risks and organizational efforts are made in creating a strategy for transformation and in the first stage of building an SSC. The large number of services centers strengthen the labor market, but also increase the risk of new projects failing. New investors must resort to an army of consultants on the office real estate market, locations strategy and recruitment, and this makes projects more complicated and time-consuming.

A increasingly popular solution to these challenges is the BOT model. It is meant for investors who are not ready for outsourcing in the first phase of creating an SSC concept but want to significantly reduce the risk of failure posed by creating their own center from the ground up.

Within BOT, a BPO services supplier commits to assigning its own employees and office and to organizing a full migration of processes, including a period of stabilizing and optimizing the entire organization. That way, the whole process can be reduced by between six to nine months. What sets this model apart from traditional outsourcing is its full cost transparency, a combined team of managers from the investor and the BPO supplier, and an option in the contract for the investor to take over all the employees, the building and the entire infrastructure, even one or two years after the project has begun. The evolutionary model relieves

the investor of the risk and effort entailed in creating a new center, including recruitment, and guarantees a speedy process of handing over and integrating the organization of the BPO supplier into the internal structure of the business services center.

This chapter was prepared by members of the ABSL Strategy Board and Audit Committee:

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3 OFFICE MARKET

In 2017 Poland's office market went from strength to strength and proved once again that it is one of the most dynamically developing markets in the whole of Europe and a firm leader in Central and Eastern Europe (CEE). 10 million sq m of the modern office stock available in a number of locations, such as Warsaw, Kraków, Wrocław, the Tri-City, Katowice, Poznań, Łódź, Szczecin and Lublin provide many potential options to corporates which are seeking high quality and efficient office space for their operations. The emerging alternative office regions, such as Białystok, Bydgoszcz, Kielce, Olsztyn, Opole, Radom, Rzeszów and Toruń further enhance the country's attractiveness for business.

The whole of Poland is currently experiencing continuous growth in business activity, which has caused the office market to strengthen significantly. Kraków has crossed the one million square meter office stock threshold and Wrocław may reach it this year, the Tri-City boasts new high-profile entrants, Katowice's vacancy rate has been steadily decreasing, and Poznań saw record-breaking levels of demand last year. Łódź is home to one of the most spectacular redevelopment projects across the whole country, while Lublin and Szczecin are gaining momentum.

Fuelled by an ever more positive economic outlook, both occupier demand and developer activity continues to escalate across all the major office markets. Gross demand reached 1.5 million sq m in 2017, developers have completed approximately 740,000 sq m and further 1.8 million sq m of office space is under construction. The business services sector continued to dominate the occupier activity and contributed to around 60% of all take-up volume registered in the major regional markets outside of Warsaw and 30% in the whole of Poland. This translates into an astonishing 500,000 sq m of leased space. Such balance between supply and demand results in a healthy vacancy rate in Poland. Moreover, Poland remains a competitive market in terms of rental levels.



Chapter content preparation: JLL

JLL is a leading professional services firm that specializes in real estate and investment management. A Fortune 500 company, JLL helps real estate owners, occupiers and investors achieve their business ambitions. At the end of 2017, JLL had nearly 300 corporate offices, operations in over 80 countries and a global workforce of 82,000. More at: www.jll.pl

FIGURE 32

POLAND OFFICE MARKET IN NUMBERS

**10,000,000** sq m

Total amount of modern office space in Poland. The largest office market in the CEE

**60%**

Demand generated by companies from business services sector outside of Warsaw, 30% including Warsaw.

**10.50-14.50** €

Monthly rental rates per sq m in the largest regional office markets, in Warsaw, which may even exceed € 20.

**1,300**

Number of lease transactions in 2017.

**1,500,000** sq m

Office space leased in 2017.

**20**

Lease agreements of more than 10,000 sq m in 2017.

**9**

Developed office markets.

**1,800,000** sq m

Office space under construction.

**800,000** sq m

Office space scheduled for completion in 2018.

**500,000** sq m

Leased by companies representing the business services sector in 2017.

**800,000** sq m

Record-breaking net-absorption.

**10.8%**

Vacancy rate in Poland.

WARSAW

Warsaw is now the undisputed regional leader and the outlook here remains as favorable as ever. The city is, without doubt, continuously building on its vast potential. It proves, quarter after quarter, that the current market sentiment is more than just a fad and that it's here to stay. This is reflected by J.P. Morgan's recent decision to enter the Warsaw market. That firm has noted the diverse opportunities that the capital offers and its decision is likely to have a ripple effect. Another trend that's becoming increasingly noticeable in Warsaw is demand for flexible offices. Business centres and co-working spaces are developing rapidly and starting to play an important role in the market. Such good market sentiment has resulted in extraordinary demand, which totalled 820,100 sq m in Warsaw in 2017. The most notable deals were a 18,600 sq m pre-let by City Service Poland in Generation Park X, a renewal

for 18,300 sq m by Millennium Bank in Harmony Office Centre and a new deal by J.P. Morgan for 15,600 sq m in Atrium Garden. The amount of new supply coming to the market in 2017 was lower than that in 2016, totalling 275,400 sq m, of which 77% was completed outside of the central areas of Warsaw. The under-construction volume currently amounts to 750,000 sq m, most of which is due for completion in 2019 and 2020. It is interesting that 78% of total volume is located in the central areas of Warsaw. This may result in a possible shortage of new space in non-central locations in the mid-term perspective. The lower completions volume in 2017 and the robust demand last year resulted in a steady decrease in the vacancy rate throughout Warsaw, with that rate now at its lowest since 2013. This situation is expected to continue in the mid-term perspective.



 **20.5-23.0 / 21.0 €** 

Headline rent (sq m / month)
(Prime / Average Rent) / Central

11.0-15 / 12.0-14.0 €

Cost (sq m / month)
(Prime / Average Rent) / Non-Central

 **750,000 sq m** 

Pipeline Under Construction

 **820,100 sq m** 

2017 Gross Take-up

 **5,283,500 sq m** 

Office Stock

 **275,400 sq m** 

2017 Completions

 **11.7%** 

Vacancy

KRAKÓW

Kraków has always been a star among the office markets outside of Warsaw. It is the best outsourcing destination in Europe and shows no signs of slowing down: the total stock crossed the one million square meter threshold in 2017. The growth in the city is sustained by strong demand year after year, which has led to the development of numerous office destinations within the city. Kraków is the largest office market in Poland outside of Warsaw and construction activity and pipeline for the coming years is quite extensive. Currently, approximately 338,000 sq m of office space is under construction within the city. In 2017, approximately 190,400 sq m of new office space entered the market in Kraków, which represents approx. 41% of space delivered across all regional markets. However, such developer activity is underpinned by continuously strong demand. In 2017, Kraków again proved to be the most sought-after

regional market with 200,800 sq m transacted on, out of which more than 100,000 sq m came from companies representing the business services sector. Some of the major firms that leased space in Kraków last year included ABB, Brown Brothers Harriman, Cisco, Deutsche Bank, Grand Parade, HSBC, Motorola Solutions, UBS and many, many others. In 2017, the vacancy rate was gradually edging up, along with the new office developments entering the market. As of Q4 2017 it stood at 9.8%, but the increase in vacancy affects mostly older assets, which have to revise their strategies in order to attract new tenants. Prime rents have been relatively stable in Kraków for the last five years; however, some upward rental pressure has been seen, especially in the city centre. Prime headline rents in the city currently range between €13.5 and 14.6 / sq m / month.



13.5-14.6 €

13.0-13.6 €

Headline rent (sq m / month)
(Prime / Average Rent)

338,000 sq m

Pipeline Under Construction

200,800 sq m

2017 Gross Take-up

1,099,600 sq m

Office Stock

190,400 sq m

2017 Completions

9.8%

Vacancy

WROCLAW

Wrocław is the third largest office market in Poland and a vibrant agglomeration. The recent robust developer activity here has resulted in substantial growth of the total supply in the city, which is supported by continuous confidence in Wrocław from occupiers. 2017 was particularly spectacular for Wrocław in terms of demand, achieving a record-breaking result. One of the city's key features is its ability to attract new investors. This has resulted in increased leasing activity year on year. Wrocław is one of the key locations for the business services sector in Poland and the employment in the sector is constantly growing. In 2017, the new supply in Wrocław reached 53,600 sq m. Furthermore, what stands out in Wrocław is the construction activity. It currently amounts to almost 286,000 sq m and 35% of that volume

is already pre-leased. In 2015, the market saw exceptional take-up figures reaching over 127,000 sq m. The robust leasing activity continued in Wrocław in 2016.

As already mentioned, 2017 saw an all-time-high result of 169,500 sq m. Such a result was possible due to the number of large leases signed in the city. Wrocław also boasts a high share of pre-lets in the total demand (29%). The largest transactions included a pre-let for 15,500 sq m by Credit Agricole in Business Garden, a renewal for 14,200 sq m by Credit Suisse in Grunwaldzki Center and a new contract for 13,100 sq m in Business Garden I by Capgemini. Remarkable absorption volumes in the city contributed to the fall of the rate in 2017 and, currently, it stands at 9.4% and is forecast to decrease further, while prime headline rents range between €13.7 and €14.5 sq m / month.



 **13.7-14.5** € 

12.0-13.0 €

Headline rent (sq m / month)
(Prime / Average Rent)

 **286,000** sq m 

Pipeline Under Construction

 **169,500** sq m 

2017 Gross Take-up

 **905,800** sq m 

Office Stock

 **53,600** sq m 

2017 Completions

 **9.4%** 







Vacancy







TRI-CITY

The strong developer confidence in the Tri-City is constantly proved by the construction activity in the region. Currently, there is approx. 172,000 sq m of modern office space under development in the entire agglomeration. We estimate that modern office space in the Tri-City may cross a 1,000,000 sq m threshold by the end of 2020. The market is continuously and rapidly growing, which is underpinned by global brands entering the agglomeration on a regular basis (i.e. State Street, Swarovski, Thyssenkrupp) or expanding the range of services they currently offer. Moreover, the constantly increasing scale of the market enlarges the tenant-pool that may be seeking relocation possibilities within the Tri-City agglomeration. Such momentum is expected to remain, as the Tri-City is perceived as an excellent business location with a high quality of living. Demand for offices in the city

continues to be on a sound upward trend. In 2017, the figure reached 113,200 sq m, which is the best result in the history of the market. The largest deals of that period comprised: a renewal for 15,100 sq m by Energa in Olivia Business Centre, a renewal and expansion by Amazon for 7,100 sq m in Olivia Business Centre and a 6,100 sq m pre-let by Swarovski in Yoko (newcomer to the Tri-City market). Sound take-up and net absorption figures registered in recent years caused a vacancy decrease to 11.1% at the end of 2016. There was a further fall in vacancy rate in 2017, as a result of exceptional demand and robust expansion of firms present in the region and it currently amounts to 8.2% (the lowest in Poland). At the moment, prime headline rents in the region range from €12.75 to €14.0 / sq m / month.



| | | |
|---|--|---|
|  | 12.75-14.0 € |  |
| | 13.2 € | |
| | Headline rent (sq m / month) (Prime / Average Rent) | |
|  | 172,000 sq m |  |
| | Pipeline Under Construction | |
|  | 113,200 sq m |  |
| | 2017 Gross Take-up | |

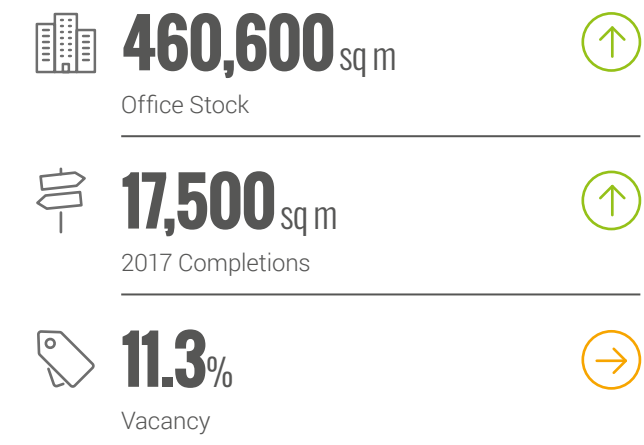
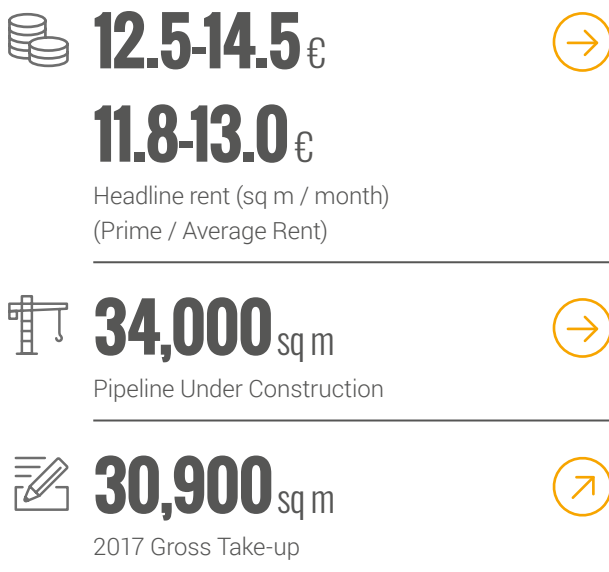
| | | |
|---|---------------------|---|
|  | 697,800 sq m |  |
| | Office Stock | |
|  | 65,800 sq m |  |
| | 2017 Completions | |
|  | 8.2% |  |
| | Vacancy | |

Source: JLL, PORF, January 2018

KATOWICE

Katowice is the largest city in the Slaskie voivodeship and the capital. The city benefits from an excellent infrastructure, availability of talent from an agglomeration exceeding 2 million inhabitants, a vast amount of students and great efforts from the city authorities to promote the region. Total office stock in the city now stands at approximately 460,600 sq m, which makes Katowice the fifth largest market in Poland. A further 34,000 sq m is under construction. The vast majority of new and pipeline projects are located in the centre of Katowice. Between 2010 and today, the market activity has mostly been driven by business services centres, which now lease about half of the occupied existing stock. Demand in 2015 surged to 63,000 sq m, a 31% increase compared with 2014, while in 2016 the volume reached 40,900 sq m. Occupier activity (30,900 sq m) in Katowice in 2017

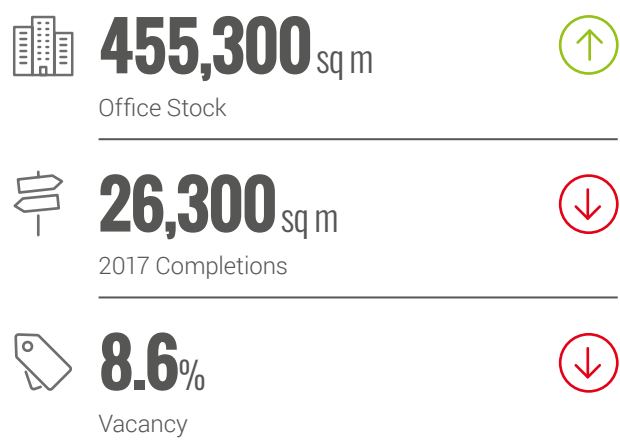
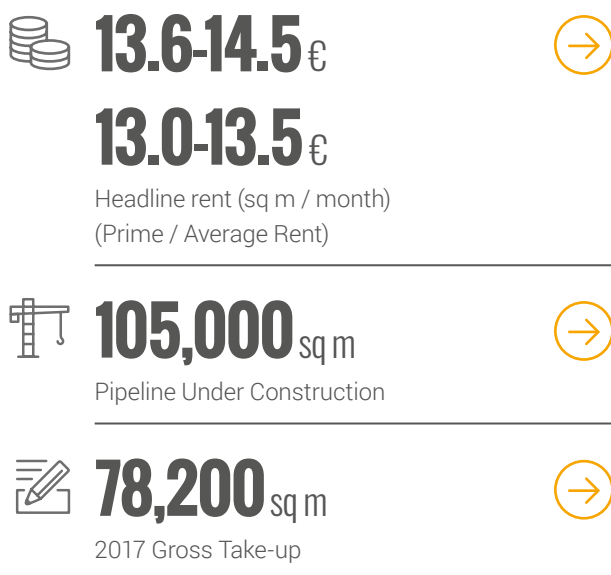
was a result of a lack of available modern product and 2018 is expected to perform substantially better due to a number of deals to be closed in pipeline developments. The vacancy rate in Katowice has recently been on a declining curve. In Q4 2017, existing buildings provided around 52,000 sq m of immediate available space for rent, which corresponds to a 11.3% vacancy rate for the city (2.7 p.p. decrease y-o-y). Moreover, it is important to note that a significant part of the vacant space is in B-class buildings, which are not a prime target for large corporations. Also, the space is scattered across almost 50 buildings and the number of decent-sized options is scarce. Prime headline rents in Katowice were historically stable but recently, due to the limited availability of options on the market, there has been pressure on rental levels. Currently the prime rents range €12.0-€14.5 / sq m / month.



POZNAŃ

Poznań is on the smaller side in terms of office stock; however, it's a constantly evolving market. There is an established base of landmark office developments that have attracted some well-known and prestigious tenants. There are also several new projects that have increased the choice for tenants, which has resulted in the steady development of the market. Currently, Poznań is the sixth largest office market in Poland with approximately 455,300 sq m of modern office stock. The market is growing at a steady pace, with 105,000 sq m under construction, the two largest developments being Business Garden Poznań II and Nowy Rynek A&B. 2016 saw some 64,100 sq m of office space leased, which confirms the steady confidence of occupiers in the city. 2017 was exceptional for Poznań, when demand reached 78,200 sq m, of which 25,500 sq m was contributed by a confidential

tenant in Nowy Rynek. Poznań is also home to a number of international companies from the modern business services sector, such as Franklin Templeton Investments, GSK Services, MAN Accounting Center, the Roche Global IT Solutions Center and Sii, among others. The gradual absorption of the new office space has pushed the vacancy rate to a level comparable to other major office markets in Poland: in Q4 2017, it stood at 8.6%, which translates into approximately 39,300 sq m of immediately available office space. The rate is expected to decrease further in 2018, as a result of sound demand and continuous gradual absorption of the existing office space in Poznań. The prime headline rents in Poznań currently range between €13.6 and €14.5 / sq m / month, which is a slight increase compared with previous years.



ŁÓDŹ

Łódź is the seventh largest market in Poland in terms of modern office stock but it is developing at an incredible pace. It is home to one of the most spectacular redevelopment projects across the whole country and is succeeding with that. The New Center of Łódź has completely redefined the spirit of Łódź and brought it into the forefront of modern-era cities. Commercial developers are confident that there is a great potential in the city, which is underlined by land transactions involving international giants such as Ghelamco Poland, Skanska Property Poland, HB Reavis, Echo Investment and many others. In 2017, a record breaking 74,000 sq m of modern office space entered the market, with the largest new developments being Przystanek mBank (24,700 sq m, entirely occupied by mBank) and Nowa Fabryczna (19,400 sq m, with the largest tenants being Fujitsu Technology Solutions

and Whirpool), both located within the New Center of Łódź. All the growth on the supply side of the market is a result of the great interest in Łódź from both local and international companies. There has been a visible shift in the perception of the city, from a location with industrial heritage to a vibrant business hub offering high quality staff and modern real estate. In 2016 and 2017, a variety of newcomers and robust growth by companies already present in the city resulted in the spectacular performance of Łódź. Sound developer activity and robust demand for offices resulted in a steady fall in the vacancy rate in Łódź, which amounted to 9.5% at the end of 2017. In terms of rental conditions, Łódź remains one of the most competitive markets. Currently, the prime headline rents vary between €11.5 and 13.2 / sq m / month.



 **11.5-13.2** € 

12.2 €

Headline rent (sq m / month)
(Prime / Average Rent)

 **109,000** sq m 

Pipeline Under Construction

 **58,500** sq m 


2017 Gross Take-up

 **437,800** sq m 

Office Stock

 **74,000** sq m 

2017 Completions

 **9.5%** 







Vacancy







SZCZECIN

In the last couple of years, the Szczecin office market has undergone a substantial change. Since 2010, (the completion of the Oxygen office building among others) the total supply of office space in the city has increased by almost 100,000 sq m, which is 64% of current overall modern office stock (157,100 sq m). The Szczecin's office market is constantly developing as new office projects are under construction or planned. As of Q4 2017, approx. 30,000 sq m was under construction in the city in three developments, the largest being the famous Posejdon building. The occupier activity in 2017 was strong when compared with previous years, as tenants have decided to lease 14,700 sq m. Moreover, we believe that occupier activity in Szczecin will only gain

momentum along with the development of the city. The main tenant groups in Szczecin are companies representing sectors such as: finance, insurance and IT. In recent years, companies from the BPO/SSC sector have also started to view Szczecin as a viable business location. BPO/SSC may become the main demand driver in upcoming years. Szczecin recorded a substantial decrease of the vacancy rate throughout 2017, which amounted to 10.0% at the end of the year. Prime office headline rents for modern office space in Szczecin currently range from €11.5 to 14 / sq m / month. Rents in new office developments are mainly quoted in EUR. Rents in PLN are typical for space in refurbished tenements and older office buildings.



| | | |
|---|--|---|
|  | 11.5-14.0 € |  |
| | 12.0 € | |
| | Headline rent (sq m / month) (Prime / Average Rent) | |
|  | 30,000 sq m |  |
| | Pipeline Under Construction | |
|  | 14,700 sq m |  |
| | 2017 Gross Take-up | |

| | | |
|---|---------------------|---|
|  | 157,100 sq m |  |
| | Office Stock | |
|  | 2,900 sq m |  |
| | 2017 Completions | |
|  | 10.0% |  |
| | Vacancy | |

Source: JLL, PORF, January 2018

LUBLIN

Lublin, with modern office stock estimated at approximately 170,900 sq m, ranks 8th among the largest office markets in Poland. At the end of the year, around 34,000 sq m was under construction, the largest new development being a building at 2, Spokojna Street. Furthermore, 100,000 sq m of office space is planned and may further increase the supply of modern office stock in Lublin in the coming years. The strong concentration along Zana Street, which has become the largest commercial hub in the city, is typical for Lublin's office market. Demand recorded in Lublin remains moderate; however, corporates are looking into the Lublin market more closely as it is becoming a great destination for their subsequent offices. In the whole of 2015,

the gross take up amounted to 11,500 sq m which is a 38% increase from 2014. In 2016 and 2017, tenant activity on Lublin's office market was rather subdued. Important occupiers on the Lublin market constitute representatives of banking, finance and insurance sectors. There is also a growing potential in terms of the business services sector (both newcomers and companies already operating in the city). At the moment, the vacancy rate stands at 19.7%, which positions Lublin as a tenant favourable office market. Prime office headline rents for modern office space in Lublin currently range from €10.5 to 11.5 / sq m / month. Rents are still often quoted in PLN as are service charges.

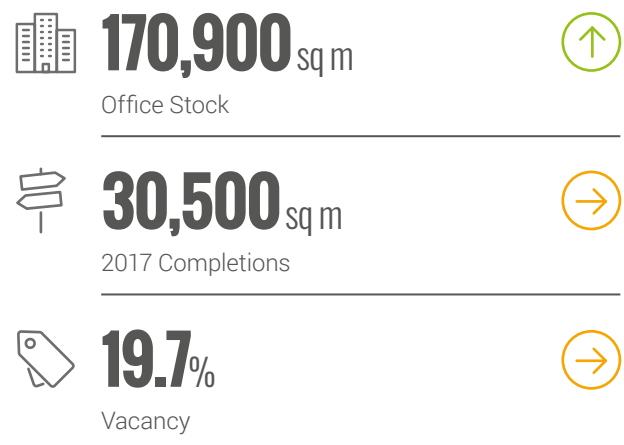
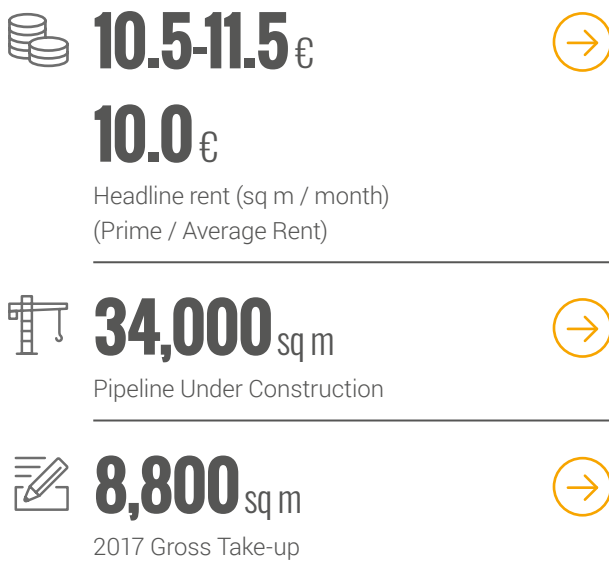


TABLE 8
DEVELOPING OFFICE LOCATIONS IN POLAND

| | Rzeszów | Kielce | Bydgoszcz | Białystok | Toruń | Olsztyn | Opole | Radom |
|--------------------------------------|---------|----------|-----------|-----------|--------|---------|--------|--------|
| Total Stock (sq m) | 105,800 | 77,000 | 64,600 | 62,300 | 57,400 | 42,200 | 39,300 | 25,600 |
| Vacancy Rate (%) | 11.90% | 9.90% | 6.00% | 9.90% | 9.50% | 15.50% | 12.10% | 9.20% |
| Completions 2017 (sq m) | 0 | 3,500 | 0 | 2,300 | 5,100 | 0 | 9,000 | 1,800 |
| Under Construction (sq m) | 13,000 | 28,000 | 0 | 0 | 5,000 | 11,000 | 6,000 | 0 |
| Prime Rental Band (€ / sq m / month) | 9-12 | 8.5-10.5 | 9.5-10.5 | 8-10 | 9-10 | 8.5-10 | 8-11 | 8.5-10 |
| Prime Rental Outlook | → | → | → | → | → | → | → | → |

Source: JLL, data as in March 2018

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4 LABOR MARKET AND SALARIES

This section sets out the most important information about the labor market and educational potential in Poland. An estimate was also made of Polish employees' command of foreign languages.

An important part of the chapter is an analysis of remuneration in services centers in the areas of F&A, GL, F&A, AP/AR, Banking Customer Service, Procurement, HR, IT and R&D. The selection and order of cities are dictated by the amount of employment in the sector.

The most frequently offered non-wage benefits are listed, together with an indication of those benefits particularly valued by employees of the business services sector.

The chapter has been supplemented with a discussion of trends and challenges on the labor market. It contains tips for employers on how to create a coherent employment strategy in services centers.



Chapter content preparation: **Randstad Polska & Randstad Sourceright**

Randstad Polska is the largest personnel consulting and temporary staffing agency on the Polish market. By combining our passion for people with the power of today's technologies, we support people and organizations in realizing their true potential.






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DEMOGRAPHIC DATA AND EDUCATIONAL POTENTIAL OF POLAND

TABLE 9

POPULATION, POPULATION OF PRODUCTIVE AGE AND RATE OF UNEMPLOYMENT AT THE LARGEST BUSINESS SERVICES LOCATIONS IN POLAND

| |  Population (total) |  Working age population |  Rate of unemployment (%) |
|--------------------------------|---|---|---|
| KATOWICE AGGLOMERATION* | 1,810,390 | 1,108,420 | 2.3** |
| WARSAW | 1,758,140 | 1,033,260 | 2.0 |
| KRAKÓW | 766,740 | 466,350 | 2.7 |
| TRI-CITY | 747,640 | 443,980 | 3.0*** |
| ŁÓDŹ | 693,800 | 405,800 | 6.5 |
| WROCŁAW | 638,360 | 386,140 | 2.2 |
| POZNAŃ | 539,550 | 323,850 | 1.5 |
| SZCZECIN | 404,400 | 244,170 | 3.3 |
| BYDGOSZCZ | 353,220 | 211,850 | 4.0 |
| LUBLIN | 340,230 | 205,540 | 6.3 |
| RZESZÓW | 189,110 | 117,550 | 5.7 |

* Katowice Agglomeration: Katowice, Bytom, Chorzów, Dąbrowa Górnicza, Gliwice, Jaworzno, Mysłowice, Piekary Śląskie, Ruda Śląska, Siemianowice Śląskie, Sosnowiec, Świętochłowice, Tychy, Zabrze

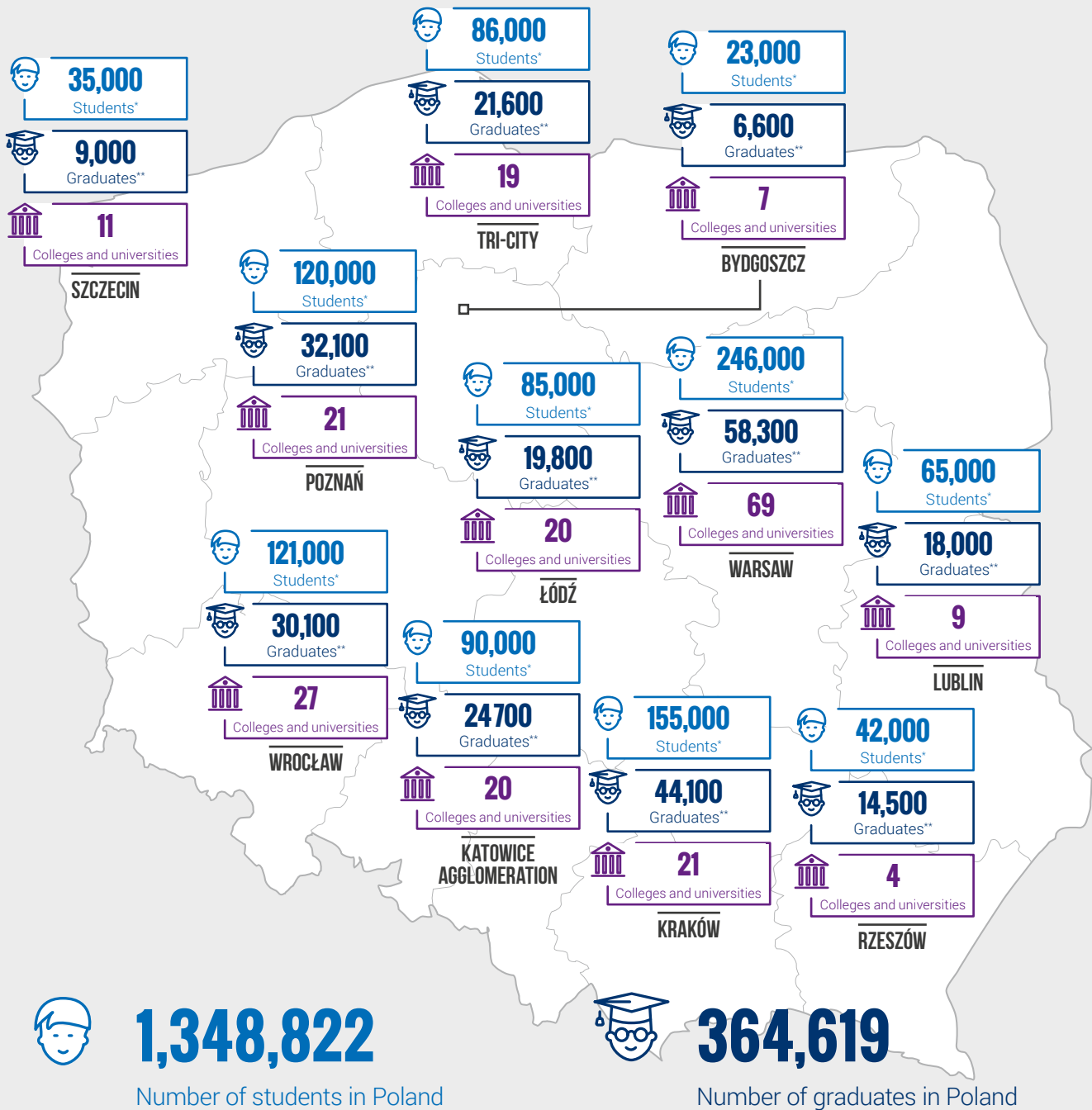
** Katowice

*** Gdańsk

Source: Central Statistical Office (06.2017), figures rounded off

FIGURE 33

NUMBER OF STUDENTS, GRADUATES AND COLLEGES AND UNIVERSITIES IN POLAND AT SELECTED LOCATIONS



Note: The figures show only the headquarters of universities. The numerical values refer to the total number of students at the universities mentioned (including affiliates).

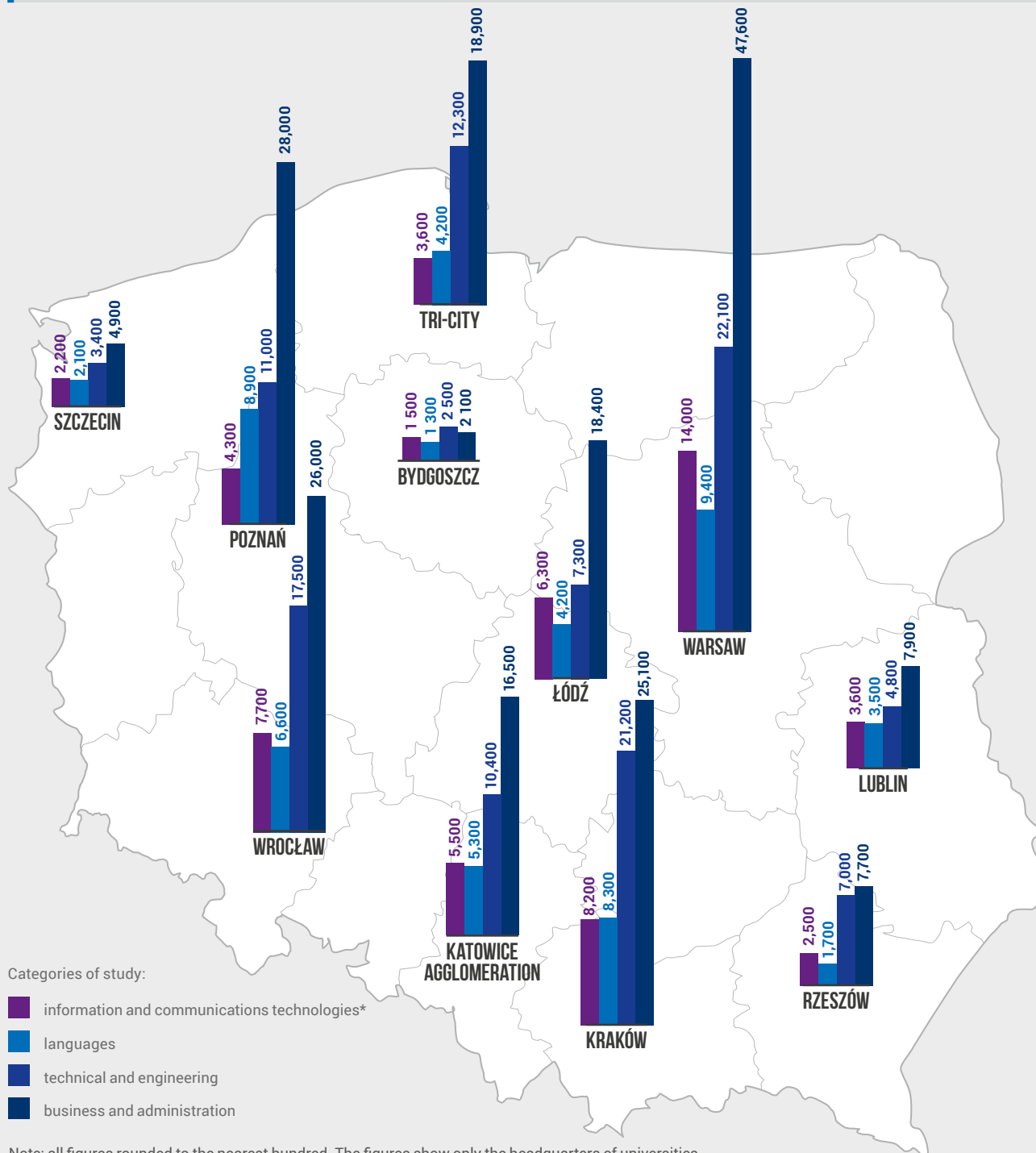
* Rounded to the nearest thousand

** Rounded to the nearest hundred

Source: Central Statistical Office: Colleges and universities in the 2016/2017 academic year, preliminary data (students: as of November 30, 2016, graduates: as of the 2016/2017 academic year).

FIGURE 34

STUDENTS OF LANGUAGE, BUSINESS AND ADMINISTRATION, INFORMATION AND COMMUNICATIONS TECHNOLOGIES AND TECHNICAL AND ENGINEERING FACULTIES IN SELECTED LOCATIONS IN POLAND (ACADEMIC YEAR 2016/2017)



Categories of study:

- information and communications technologies*
- languages
- technical and engineering
- business and administration

Note: all figures rounded to the nearest hundred. The figures show only the headquarters of universities.

The numerical values refer to the total number of students at the universities mentioned (including affiliates).






* Together with a subgroup of interdisciplinary programs and qualifications covering information and communications technologies

Source: Central Statistical Office: Colleges and universities in the 2016/2017 academic year, preliminary data (as at November 30, 2016).

TABLE 10

NUMBER OF POTENTIAL CANDIDATES WITH KNOWLEDGE OF SELECTED FOREIGN LANGUAGES

The table was prepared on the basis of the knowledge of foreign languages declared on the LinkedIn portal (total number of users in Poland – 2,282,000). The values presented depend on the popularity of LinkedIn in the various urban centers.

| | KRAKÓW | WARSAW | WROCŁAW | TRI-CITY | KATOWICE AGGLOMERATION | ŁÓDŹ | POZNAŃ |
|--|--------|--------|---------|----------|---------------------------|-------|--------|
|  Elementary | 1,901 | 4,041 | 1,257 | 625 | 814 | 466 | 662 |
| Limited Working | 820 | 1,571 | 424 | 229 | 240 | 171 | 241 |
| Professional Working | 481 | 997 | 219 | 130 | 139 | 95 | 118 |
| Full Professional | 309 | 582 | 139 | 57 | 713 | 64 | 85 |
| Native or Bilingual | 448 | 633 | 261 | 93 | 44 | 72 | 64 |
|  Elementary | 11,291 | 25,607 | 11,862 | 5,474 | 4,571 | 2,718 | 7,559 |
| Limited Working | 3,630 | 10,889 | 3,861 | 1,773 | 1,434 | 963 | 2,427 |
| Professional Working | 1,577 | 4,162 | 1,748 | 669 | 568 | 384 | 1,135 |
| Full Professional | 910 | 2,440 | 954 | 313 | 298 | 205 | 706 |
| Native or Bilingual | 366 | 920 | 367 | 164 | 146 | 45 | 177 |
|  Elementary | 3,990 | 9,508 | 2,394 | 1,826 | 1,141 | 1,076 | 1,920 |
| Limited Working | 1,510 | 3 800 | 995 | 590 | 376 | 393 | 705 |
| Professional Working | 899 | 1,878 | 454 | 271 | 165 | 182 | 351 |
| Full Professional | 471 | 1,153 | 281 | 108 | 109 | 91 | 166 |
| Native or Bilingual | 581 | 872 | 274 | 111 | 70 | 107 | 125 |
|  Elementary | 4,202 | 10,311 | 2,343 | 1,422 | 1,171 | 906 | 1,660 |
| Limited Working | 1,573 | 4,590 | 903 | 538 | 426 | 337 | 685 |
| Professional Working | 953 | 2,379 | 532 | 257 | 298 | 225 | 378 |
| Full Professional | 640 | 1,685 | 352 | 139 | 176 | 166 | 205 |
| Native or Bilingual | 531 | 1,349 | 249 | 107 | 99 | 102 | 113 |
|  Elementary | 725 | 1,347 | 382 | 620 | 158 | 216 | 296 |
| Limited Working | 238 | 450 | 117 | 177 | 49 | 63 | 101 |
| Professional Working | 130 | 251 | 50 | 105 | 18 | 22 | 61 |
| Full Professional | 66 | 122 | 24 | 85 | 6 | 9 | 44 |
| Native or Bilingual | 97 | 265 | 47 | 79 | 29 | 25 | 30 |

Source: Randstad Polska based on LinkedIn data

TABLE 11

TEACHING OF FOREIGN LANGUAGES AT SCHOOLS FOR CHILDREN AND YOUNG PEOPLE, TAKING INTO ACCOUNT THE NUMBER OF LANGUAGES (SCHOOL YEAR 2016/2017)

| Pupils learning a foreign language: | one | two | three and more |
|-------------------------------------|---------|---------|----------------|
| KRAKÓW | 40,670 | 46,960 | 1,030 |
| WARSAW | 96,620 | 104,830 | 2,510 |
| WROCŁAW | 30,400 | 34,020 | 450 |
| TRI-CITY | 39,280 | 42,900 | 1,020 |
| KATOWICE AGGLOMERATION | 186,160 | 88,120 | 1,480 |
| ŁÓDŹ | 35,150 | 33,640 | 1,120 |
| POZNAŃ | 32,770 | 34,660 | 350 |
| BYDGOSZCZ | 19,880 | 21,020 | 380 |
| LUBLIN | 21,950 | 24,130 | 670 |
| SZCZECIN | 21,610 | 23,460 | 260 |
| RZESZÓW | 7,210 | 22,270 | 350 |

Source: Central Statistical Office – Human capital in Poland in the years 2012-2016, figures rounded off

talent transformation begins with talent expertise.



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SALARIES AT BUSINESS SERVICES CENTERS

TABLE 12

GROSS MONTHLY SALARY (IN EUR) AT BPO/SSC/IT/R&D CENTERS FOR EMPLOYEES WHO SPEAK ENGLISH. COMPARISON OF TIER 1 CITIES (CLASSIFIED BY SCALE OF EMPLOYMENT IN SERVICES CENTERS)

The pay tables are based on an analysis of the remuneration offered in the recruitment processes in the business services sector in Poland carried out by Randstad. Data from Q1 2018.

| | KRAKÓW | WARSAW | WROCŁAW |
|--|----------------|----------------|----------------|
| F&A: GL | min-max | min-max | min-max |
| Junior Accountant (1-2 years' experience) | 1020-1380 | 1190-1480 | 1140-1310 |
| Accountant (2-3 years' experience) | 1310-1670 | 1550-2020 | 1260-1670 |
| Senior Accountant (over 3 years' experience) | 1670-2140 | 1900-2260 | 1670-2140 |
| Team Leader (team of 5-15 people) | 2190-3330 | 2380-3570 | 2380-3450 |
| Manager (team of up to 50 people) | 3330-4760 | 3570-5480 | 3930-5710 |
| F&A: AP / AR | min-max | min-max | min-max |
| Junior Accountant (1-2 years' experience) | 1020-1380 | 1070-1380 | 1020-1310 |
| Accountant (2-3 years' experience) | 1310-1670 | 1380-1670 | 1260-1550 |
| Senior Accountant (over 3 years' experience) | 1670-2140 | 1570-2020 | 1450-1790 |
| Team Leader (team of 5-15 people) | 2190-3330 | 2020-2860 | 2260-2980 |
| Manager (team of up to 50 people) | 3330-4760 | 3330-4760 | 3330-4760 |
| Banking | min-max | min-max | min-max |
| Junior Fund Accountant (up to 1 year's experience) | 900-1190 | 1070-1430 | 1020-1310 |
| Fund Accountant (1-3 years' experience) | 1140-1550 | 1310-1900 | 1190-1670 |
| Senior Fund Accountant (over 3 years' experience) | 1480-2020 | 1670-2260 | 1550-2140 |
| AML/KYC Junior Analyst (up to 1 year's experience) | 950-1190 | 980-1210 | 1000-1240 |
| AML/KYC Analyst (1-3 years' experience) | 1310-1670 | 1290-1790 | 1190-1550 |
| AML/KYC Senior Analyst (3-5 years' experience) | 1550-2020 | 1670-2260 | 1480-1900 |
| Junior Analyst (Product Control, Reporting, Business Analysis / up to 1 year's experience) | 950-1310 | 1260-1550 | 1190-1430 |
| Analyst (Product Control, Reporting, Business Analysis / 1-3 years' experience) | 1310-1900 | 1430-2020 | 1360-1900 |
| Senior Analyst (Product Control, Reporting, Business Analysis / over 3 years' experience) | 1790-2860 | 1900-2620 | 1830-2500 |
| Team Leader (team of 5-15 people) | 2260-2980 | 2380-3690 | 2620-3330 |
| Manager (team of up to 50 people) | 3330-4760 | 3570-5950 | 3330-5480 |
| Customer Service | min-max | min-max | min-max |
| Junior Specialist (no experience) | 830-1070 | 880-1190 | 950-1070 |
| Specialist (over 1 year's experience) | 900-1190 | 1020-1430 | 1070-1430 |
| Team Leader (team of 5-15 people) | 1670-2380 | 1670-2380 | 1790-2140 |
| Manager (team of up to 50 people) | 2380-4050 | 2140-3810 | 2620-4050 |

| | KRAKÓW | WARSAW | WROCLAW |
|--|-----------|-----------|-----------|
| Procurement / Order Management | | | |
| | min-max | min-max | min-max |
| Junior Specialist (up to 1 year's experience) | 950-1240 | 1140-1480 | 1070-1310 |
| Specialist (1-3 years' experience) | 1240-1670 | 1480-1900 | 1310-1740 |
| Senior Specialist (over 3 years' experience) | 1670-2260 | 2020-2620 | 1790-2020 |
| Team Leader (team of 5-15 people) | 2380-3330 | 2860-4050 | 2380-3570 |
| Manager (team of up to 50 people) | 3330-5240 | 3810-5950 | 3570-4760 |
| HR processes | | | |
| | min-max | min-max | min-max |
| Junior Specialist (up to 1 year's experience) | 830-1070 | 950-1120 | 950-1190 |
| Specialist (1-2 years' experience) | 950-1310 | 1140-1430 | 1070-1430 |
| Senior Specialist (over 2 years' experience) | 1310-1900 | 1480-1900 | 1430-1670 |
| Junior Payroll Specialist (up to 1 year's experience) | 930-1140 | 1140-1310 | 950-1190 |
| Payroll Specialist (1-3 years' experience) | 1140-1620 | 1380-2020 | 1310-1550 |
| Senior Payroll Specialist (over 3 years' experience) | 1550-2140 | 1900-2500 | 1550-2020 |
| Team Leader (team of 5-15 people) | 2140-3330 | 2380-3570 | 2260-3810 |
| Manager (team of up to 50 people) | 3330-4760 | 3330-5000 | 3570-4760 |
| IT | | | |
| | min-max | min-max | min-max |
| 1st Line Support (2 years' experience) | 1000-1480 | 1070-1670 | 950-1380 |
| 2nd Line Support (2 years' experience) | 1190-1950 | 1430-1900 | 1430-2020 |
| 3rd Line Support (2 years' experience) | 1900-3330 | 2020-3100 | 2020-3100 |
| IT Administration (3 years' experience) | 1790-3330 | 1900-3330 | 1550-2620 |
| Network / Security (3 years' experience) | 2140-3570 | 2620-3810 | 2020-3690 |
| Business / System Analyst (3 years' experience) | 1900-3330 | 2380-3810 | 2070-3100 |
| Developer (3 years' experience) | 2140-4050 | 2740-3810 | 1900-4290 |
| Tester (3 years' experience) | 1790-2980 | 1790-3330 | 1670-3100 |
| Team Leader (team of 5-15 people) | 2620-4290 | 2380-4400 | 2620-4290 |
| Project Manager (team of up to 50 people) | 2860-5240 | 3210-5240 | 2860-5240 |
| R&D | | | |
| | min-max | min-max | min-max |
| Laboratory Specialist (over 2 years' experience) | 1070-1500 | 1120-1480 | 1140-1430 |
| Technologist (over 2 years' experience) | 1070-1830 | 1310-2260 | 1310-1790 |
| Design Engineer (2-4 years' experience) | 1120-1980 | 1550-2020 | 1190-1790 |
| Senior Design Engineer (over 4 years' experience) | 1670-2260 | 1790-2740 | 1790-2380 |
| Product Development / NPI Engineer (2-4 years' experience) | 1190-2020 | 1790-2260 | 1430-1900 |
| Senior Product Development / NPI Engineer (over 4 years' experience) | 1790-2620 | 2260-3450 | 1900-2380 |
| Quality Engineer (2-4 years' experience) | 1070-2020 | 1360-1950 | 1310-1790 |
| Senior Quality Engineer (over 4 years' experience) | 1790-2260 | 1790-2260 | 1790-2380 |
| R&D Manager (team of up to 50 people) | 3570-4760 | 3330-5000 | 3570-4760 |

Source: Randstad Polska & Randstad Sourceright

TABLE 13

GROSS MONTHLY SALARY (IN EUR) AT BPO/SSC/IT/R&D CENTERS FOR EMPLOYEES WHO SPEAK ENGLISH. COMPARISON OF TIER 2 CITIES (CLASSIFIED BY SCALE OF EMPLOYMENT IN SERVICES CENTERS)

The pay tables are based on an analysis of the remuneration offered in the recruitment processes in the business services sector in Poland carried out by Randstad. Data from Q1 2018.

| | TRI-CITY | KATOWICE AGGLOMERATION | ŁÓDŹ | POZNAŃ |
|--|-----------|---------------------------|-----------|-----------|
| F&A: GL | min-max | min-max | min-max | min-max |
| Junior Accountant (1-2 years' experience) | 1020-1290 | 1000-1240 | 980-1310 | 1000-1240 |
| Accountant (2-3 years' experience) | 1240-1620 | 1190-1620 | 1190-1430 | 1190-1500 |
| Senior Accountant (over 3 years' experience) | 1550-2020 | 1550-2020 | 1430-1900 | 1550-1900 |
| Team Leader (team of 5-15 people) | 2380-3330 | 2020-3100 | 1900-3100 | 2140-3100 |
| Manager (team of up to 50 people) | 3570-5480 | 2860-4520 | 3100-4290 | 3570-5240 |
| F&A: AP / AR | min-max | min-max | min-max | min-max |
| Junior Accountant (1-2 years' experience) | 980-1240 | 880-1070 | 950-1190 | 980-1240 |
| Accountant (2-3 years' experience) | 1140-1500 | 1140-1380 | 1070-1380 | 1100-1430 |
| Senior Accountant (over 3 years' experience) | 1450-1740 | 1310-1900 | 1330-1670 | 1430-1740 |
| Team Leader (team of 5-15 people) | 2020-2860 | 1900-3100 | 1790-2500 | 1830-2860 |
| Manager (team of up to 50 people) | 2860-4290 | 2620-4290 | 2620-3810 | 3100-4290 |
| Banking | min-max | min-max | min-max | min-max |
| Junior Fund Accountant (up to 1 year's experience) | 900-1190 | b/d | 830-1100 | 900-1170 |
| Fund Accountant (1-3 years' experience) | 1120-1430 | b/d | 1100-1380 | 1120-1380 |
| Senior Fund Accountant (over 3 years' experience) | 1430-1790 | b/d | 1430-1900 | 1430-1790 |
| AML/KYC Junior Analyst (up to 1 year's experience) | 950-1190 | b/d | 760-1020 | 950-1190 |
| AML/KYC Analyst (1-3 years' experience) | 1190-1670 | b/d | 950-1310 | 1190-1670 |
| AML/KYC Senior Analyst (3-5 years' experience) | 1670-2140 | b/d | 1310-1670 | 1550-1950 |
| Junior Analyst (Product Control, Reporting, Business Analysis / up to 1 year's experience) | 1020-1310 | b/d | 950-1190 | 950-1190 |
| Analyst (Product Control, Reporting, Business Analysis / 1-3 years' experience) | 1260-1900 | b/d | 1120-1500 | 1190-1790 |
| Senior Analyst (Product Control, Reporting, Business Analysis / over 3 years' experience) | 1790-2260 | b/d | 1430-2000 | 1670-2260 |
| Team Leader (team of 5-15 people) | 2140-3330 | b/d | 1830-2620 | 2140-3100 |
| Manager (team of up to 50 people) | 3570-5240 | b/d | 2740-4520 | 3330-4760 |
| Customer Service | min-max | min-max | min-max | min-max |
| Junior Specialist (no experience) | 830-950 | 830-1190 | 760-1000 | 830-950 |
| Specialist (over 1 year's experience) | 950-1310 | 950-1900 | 950-1140 | 1000-1190 |
| Team Leader (team of 5-15 people) | 1550-2620 | 1670-2380 | 1380-1900 | 1480-2140 |
| Manager (team of up to 50 people) | 2020-3330 | 2380-3570 | 1900-2500 | 1950-2620 |

| | TRI-CITY | KATOWICE AGGLOMERATION | ŁÓDŹ | POZNAŃ |
|---|-----------|---------------------------|-----------|-----------|
| Procurement / Order Management | | | | |
| | min-max | min-max | min-max | min-max |
| Junior Specialist (up to 1 year's experience) | 900-1070 | 950-1190 | 950-1120 | 900-1170 |
| Specialist (1-3 years' experience) | 1120-1550 | 1190-1670 | 1190-1550 | 1190-1600 |
| Senior Specialist (over 3 years' experience) | 1500-1900 | 1430-1900 | 1550-1980 | 1520-2020 |
| Team Leader (team of 5-15 people) | 2020-3100 | 2020-2860 | 2020-2860 | 1900-3100 |
| Manager (team of up to 50 people) | 3100-4760 | 2380-4290 | 2860-4520 | 3210-4760 |
| HR processes | | | | |
| | min-max | min-max | min-max | min-max |
| Junior Specialist (up to 1 year's experience) | 900-1070 | 830-1190 | 710-830 | 900-1070 |
| Specialist (1-2 years' experience) | 1070-1310 | 1070-1310 | 830-1100 | 1070-1360 |
| Senior Specialist (over 2 years' experience) | 1310-1550 | 1310-1670 | 1020-1330 | 1310-1570 |
| Junior Payroll Specialist (up to 1 year's experience) | 950-1190 | 950-1190 | 930-1070 | 1000-1070 |
| Payroll Specialist (1-3 years' experience) | 1190-1550 | 1070-1550 | 1140-1600 | 1100-1500 |
| Senior Payroll Specialist (over 3 years' experience) | 1550-2020 | 1310-1900 | 1550-2140 | 1550-1900 |
| Team Leader (team of 5-15 people) | 2260-3330 | 1790-2860 | 2020-2860 | 2140-2860 |
| Manager (team of up to 50 people) | 3100-4290 | 2140-4050 | 2860-4050 | 3100-4050 |
| IT | | | | |
| | min-max | min-max | min-max | min-max |
| 1st Line Support (2 years' experience) | 950-1310 | 950-1310 | 830-1430 | 1070-1430 |
| 2nd Line Support (2 years' experience) | 1310-1790 | 1070-1790 | 1140-1670 | 1190-1670 |
| 3rd Line Support (2 years' experience) | 1790-2620 | 1670-2620 | 1620-2500 | 1670-2140 |
| IT Administration (3 years' experience) | 1430-2260 | 1480-2500 | 1550-2570 | 1430-2380 |
| Network / Security (3 years' experience) | 1710-2620 | 1900-3450 | 2000-3330 | 1740-2860 |
| Business / System Analyst (3 years' experience) | 1670-2860 | 1670-2980 | 1900-2980 | 1790-2740 |
| Developer (3 years' experience) | 1790-3210 | 1900-3570 | 2380-3570 | 1900-3570 |
| Tester (3 years' experience) | 1550-2380 | 1670-2740 | 1430-2670 | 1670-3570 |
| Team Leader (team of 5-15 people) | 2140-4050 | 2190-3570 | 2020-3930 | 2380-3810 |
| Project Manager (team of up to 50 people) | 2860-4290 | 2620-4760 | 2620-4760 | 3210-5240 |
| R&D | | | | |
| | min-max | min-max | min-max | min-max |
| Laboratory Specialist (over 2 years' experience) | 1070-1430 | 950-1310 | 1070-1430 | 1070-1430 |
| Technologist (over 2 years' experience) | 1190-2020 | 1070-1670 | 1310-2140 | 1190-2140 |
| Design Engineer (2-4 years' experience) | 1190-1900 | 1310-2020 | 1550-1900 | 1430-2140 |
| Senior Design Engineer (over 4 years' experience) | 1900-2380 | 1550-2380 | 1670-2380 | 1900-2620 |
| Product Development / NPI Engineer (2-4 years' experience) | 1310-2020 | 1190-1900 | 1790-2020 | 1670-2140 |
| Senior Product Development / NPI Engineer (over 4 years' experience) | 1900-2380 | 1430-2140 | 1900-2860 | 2020-2860 |
| Quality Engineer (2-4 years' experience) | 1190-1900 | 1140-1670 | 1310-1790 | 1310-2140 |
| Senior Quality Engineer (over 4 years' experience) | 1900-2380 | 1550-2020 | 1670-2140 | 1900-2620 |
| R&D Manager (team of up to 50 people) | 3100-4290 | 3570-5000 | 2860-4290 | 3330-4760 |

Source: Randstad Polska & Randstad Sourceright

TABLE 14

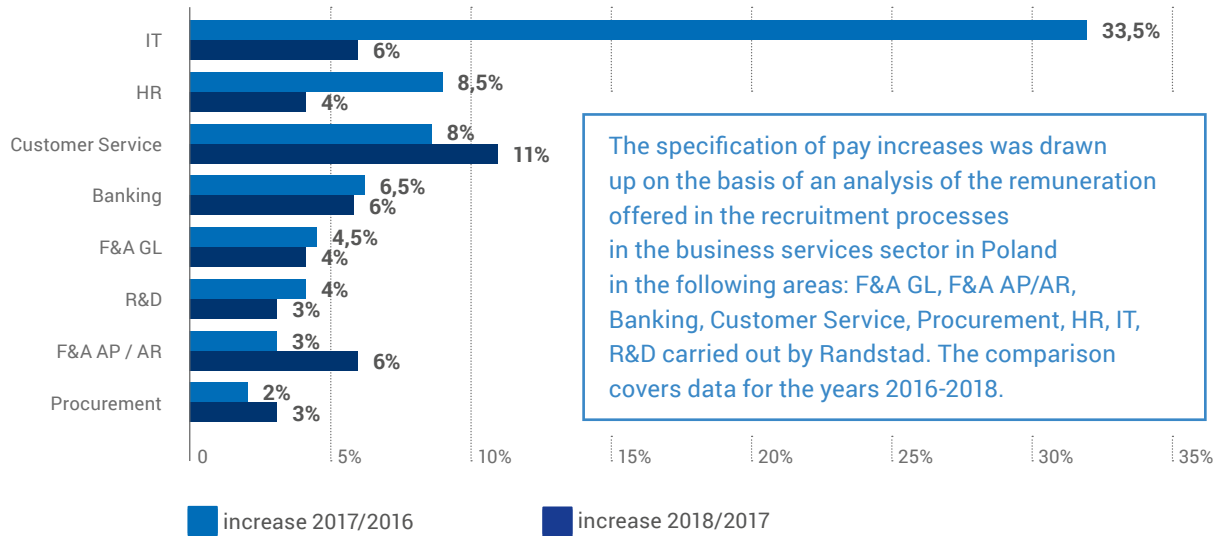
GROSS MONTHLY SALARY (IN EUR) AT BPO/SSC/IT/R&D CENTERS FOR EMPLOYEES WHO SPEAK ENGLISH. COMPARISON OF TIER 3 CITIES (CLASSIFIED BY SCALE OF EMPLOYMENT IN SERVICES CENTERS)

The pay tables are based on an analysis of the remuneration offered in the recruitment processes in the business services sector in Poland carried out by Randstad. Data from Q1 2018.

| | BYDGOSZCZ | LUBLIN | SZCZECIN | RZESZÓW |
|---|-----------|-----------|-----------|-----------|
| F&A: GL | min-max | min-max | min-max | min-max |
| Junior Accountant (1-2 years' experience) | 830-1000 | 830-1140 | 760-860 | 790-980 |
| Accountant (2-3 years' experience) | 950-1240 | 1070-1550 | 950-1190 | 980-1260 |
| Senior Accountant (over 3 years' experience) | 1190-1550 | 1310-2020 | 1190-1550 | 1190-1790 |
| Team Leader (team of 5-15 people) | 1790-2140 | 2020-2860 | 1790-2620 | 1670-2380 |
| Manager (team of up to 50 people) | 2380-3810 | 2380-3810 | 2620-4290 | 2140-2860 |
| F&A: AP / AR | min-max | min-max | min-max | min-max |
| Junior Accountant (1-2 years' experience) | 760-950 | 760-950 | 710-900 | 760-900 |
| Accountant (2-3 years' experience) | 900-1190 | 950-1310 | 900-1070 | 930-1190 |
| Senior Accountant (over 3 years' experience) | 1120-1480 | 1310-1550 | 1070-1360 | 1070-1430 |
| Team Leader (team of 5-15 people) | 1550-2020 | 1790-2380 | 1670-2140 | 1550-2380 |
| Manager (team of up to 50 people) | 2140-3330 | 2380-3570 | 2380-3570 | 2020-2740 |
| Customer Service | min-max | min-max | min-max | min-max |
| Junior Specialist (no experience) | 670-830 | 760-950 | 710-1190 | 620-860 |
| Specialist (up to 1 year's experience) | 830-1070 | 880-1120 | 830-1310 | 860-1100 |
| Team Leader (team of 5-15 people) | 1310-1790 | 1190-1790 | 1430-1900 | 1100-1790 |
| Manager (team of up to 50 people) | 1790-2860 | 1790-2860 | 1790-2380 | 1790-2620 |
| IT | min-max | min-max | min-max | min-max |
| 1st Line Support (2 years' experience) | 950-1190 | 950-1310 | 950-1190 | 980-1310 |
| 2nd Line Support (2 years' experience) | 1190-1550 | 1100-1670 | 1020-1670 | 1100-1620 |
| 3rd Line Support (2 years' experience) | 1550-2140 | 1550-2140 | 1670-2260 | 1310-2330 |
| IT Administration (3 years' experience) | 1190-1900 | 1550-2380 | 1900-2380 | 1670-2500 |
| Network / Security (3 years' experience) | 1310-2140 | 1670-3100 | 1670-2860 | 1810-3210 |
| Business / System Analyst (3 years' experience) | 1310-2020 | 1670-2860 | 1900-2620 | 1740-2980 |
| Developer (3 years' experience) | 1670-2620 | 1790-3100 | 1900-3210 | 1810-3170 |
| Tester (3 years' experience) | 1190-2140 | 1310-2380 | 1670-2380 | 1270-2440 |
| Team Leader (team of 5-15 people) | 1900-3100 | 2020-3690 | 2140-3570 | 1900-3690 |
| Project Manager (team of up to 50 people) | 2380-3570 | 2620-4520 | 2380-4050 | 2620-4760 |

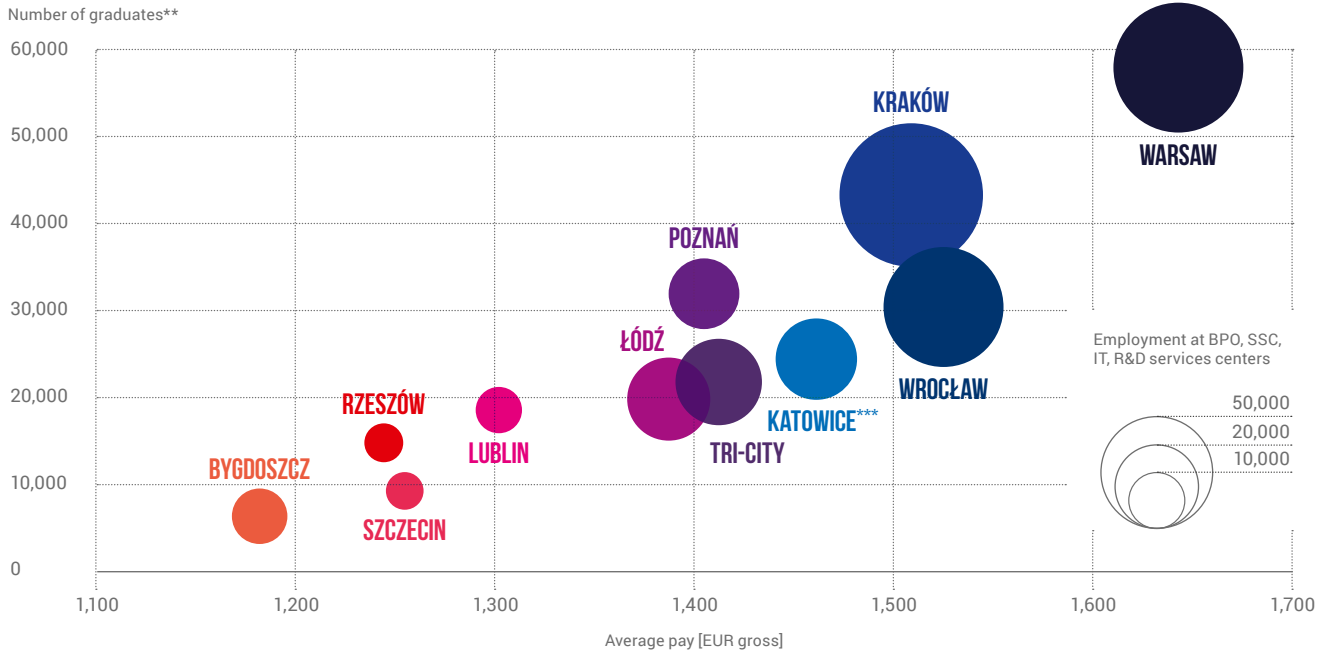
Source: Randstad Polska & Randstad Sourceright

FIGURE 35
PAY INCREASE IN SELECTED CATEGORIES OF SERVICES IN POLAND



Source: Randstad Polska & Randstad Sourceright

FIGURE 36
COMPARISON OF THE AVERAGE PAY IN: F&A AP/AR, F&A GL, IT, CUSTOMER SERVICE PROCESSES FOR SPECIALIST POSITIONS* AT THE LARGEST BUSINESS SERVICES LOCATIONS IN POLAND



* Comparisons concern the average pay in the F&A AP/AR, F&A GL, IT, Customer Service processes for specialist (junior specialist, specialist, senior specialist) and expert positions

** Academic year 2015/2016

*** With the agglomeration

Source: own study based on data from ABSL, GUS, Randstad Polska & Randstad Sourceright

TABLE 15

LANGUAGE BONUSES PER MONTH [EUR GROSS]

| Spread of rates for specialist position:* | | |
|---|-----|-----|
| | min | max |
| Spanish / Russian / Italian | 70 | 190 |
| French / Portuguese/ Czech / Hungarian | 120 | 240 |
| German | 170 | 290 |
| Nordic languages | 190 | 480 |

* Specialist positions = all positions considered in the salary charts except for managers and team leaders

Source: Randstad Polska

BENEFITS AT THE SERVICES CENTERS

THE ASPECTS OF WORK MOST VALUED BY EMPLOYEES OF BUSINESS SERVICES SECTOR INCLUDE:

relaxation zones in the workplace (including making various group games available to employees, such as "table football" and "darts"),

social funds (these are benefits addressed to people receiving the lowest earnings),

material support for families of employees in exceptional situations (fire, flood, etc.),

reimbursement of the costs of commuting,

subsidized meals,

the possibility of co-financing holidays for children of the company's employees (including organizing various trips, such as trips to the zoo),

attractive discounts on the company's products or services.

Source: Study of the perception of the business services sector as a workplace carried out by Randstad Polska & Randstad Sourceright in cooperation with the research agency ARC Rynek i Opinia between September and November 2016. (N=100, study carried out among employees of the business services sector)

The most frequently offered non-financial benefits include: medical and health care, subsidies for training, courses, organizing the so-called relaxation zones in the workplace and offering attractive discounts on the company's product or services.

is a possibility of working remotely, flexible working time, cafeteria systems (depending on their needs, employees choose the benefits that they would like to take advantage of from a certain benefits pool). These solutions are increasingly used by employers in the business services sector.

While the boundaries between private and professional life are blurred, the well-being programs are becoming more important. There

TRENDS & CHALLENGES ON THE LABOR MARKET

TALENT BECOMES INSEPARABLE FROM BUSINESS STRATEGY

With talent scarcity being a top concern for C-suite leaders, they understand that more than ever, executing business strategies requires acquiring the right skills. Because competition has become so fierce, any missteps in their talent strategies could lead to giving competitors a business advantage. Therefore, they are relying on human capital leaders to navigate to a better way of utilizing labor, including a growing class of contingent workers such as the human cloud and other independents. The challenge for these leaders is to ensure the right kind of resources are delivered to the organization when it needs them. Furthermore, the solutions must be agile, sustainable and cost-effective so the business can easily access them when needed.

WORKER QUALITY KEY TO DRIVING PERFORMANCE

Employers not only have to worry about access to talent but also access to the right kind of talent. Because job mobility has risen due to stronger demand and retention has become a fight for many employers, finding the right talent means finding workers aligned with the company's culture, values and mission. Employers increasingly see the right kind of talent as those with the attitude and foundational skills that enable them to progress in the business and take on leadership roles. Workers with specialist or project management skills are in high demand today, as are adaptive sales professionals who can support new technologies and a broad portfolio. Business services professionals with deep knowledge of supply chain, HR, talent acquisition and other back-office

management will continue to be heavily recruited for their in-demand expertise. Emerging skills in the area of analytics, blockchain, AI, machine learning and other technologies are the most in demand as the technology marketplace continues to expand rapidly.

TALENT EXPERIENCE ACCELERATES RECRUITMENT EFFORTS

For organizations to acquire the talent they seek, they will need to invest in creating a holistic talent experience that inspires and attracts talent to their workplace. Today's market is more transparent than ever, and workers have greater insights into the workplace of prospective employers than ever before. They expect employers to be forthright about the roles they offer, the benefits provided and the career potential that lies ahead. The companies that can provide all of these and more as part of their employee value proposition are best positioned to win over the workers they need. But acquiring talent is just part of the equation. Once they have entered the organization, prized workers will need a consistent and engaging workplace experience to keep them there. This is why the world's leading employers are offering a bounty of perks throughout their organization, from tuition reimbursement to on-site childcare to flexible working schedule – all part of the effort to retain their talent.

COMPLEXITY RISES WITH INDEPENDENT TALENT

As companies are increasingly turning to contingent talent – including human cloud, independent contractors, freelancers and SOW labor – they are encountering greater complexity than ever before. It's a mixed blessing because the various

work arrangements offer agility flexibility and cost savings. However, managing such a disparate workforce can require a small army to hire, track and pay everyone involved. Traditional workforce practices force companies to operate in talent silos, but those that have adopted an integrated talent solution – where contingent and permanent workers are considered holistically for the business – are better prepared to tackle inherent complexity. At a time of converging labor market forces, workforce complexity is unlikely to go away, but how a company manages it will determine how well it can adapt to the changes ahead.

HUMAN FORWARD PROVIDES A COMPETITIVE EDGE

What does it mean to be human forward? In a time of technology-driven processes, the value of human emotional intelligence is more important than ever. This is a quality that no machine to date can replicate, and its importance to business services can't be overstated. Technology is the great equalizer, ensuring that anyone with access to capital can benefit from its proliferation, but companies can truly differentiate the way they recruit talent, engage the workforce or develop leadership by leveraging a human forward approach that combines innovation with emotional intelligence. This marriage of man and machine will deliver the best outcome in any back-office function.

BUSINESSES BECOME UNIVERSITIES

As employers contend with talent scarcity and the skills gap, it's unlikely and probably foolish for them to acquire all of the skills they need as an organization. To meet their business needs, most will need to develop their own skill sets through a variety of initiatives such as internships, graduate programs, retraining and leadership development. Not only is this a more expedient approach to acquiring workers but in some circumstances, such as with emerging technical skills, it may be the only way for companies to acquire the resources they need. Furthermore, retraining will help avoid layoffs and keep their workers relevant in a rapidly changing digital landscape. Expect companies to step up their investments in upskilling and reskilling their workforce.

To learn more about the 10 most impactful developments in the world of work, request Randstad Sourceright's 2018 Talent Trends Report.



5 INVESTOR INCENTIVES. PREFERENCES FOR THE BUSINESS SERVICES SECTOR

The policy of investor incentives gives special preference to the business services sector as one of the priority growth areas of the Polish economy. Investors planning this type of investment can count on support in the form of non-returnable subsidies, tax exemptions, or a wide package of instruments for research and development (R&D) activities.

The year 2018 has brought more beneficial changes! Higher levels of support as part of R&D tax relief, and the possibility of obtaining CIT exemption regardless of where an investment is located, will stimulate growth in the sector. A skillful combination of support from the whole range of available sources can have a big impact on the location and profitability of projects undertaken by investors creating SSC, BPO, IT and R&D centers.

WHAT FORMS OF SUPPORT CAN BUSINESS SERVICES SECTOR INVESTORS COUNT ON?

Without doubt, the most attractive instruments of support are:

- » governmental grants under the Program for Supporting Investments of Major Importance to the Polish Economy (Multi-Annual Support Program) – direct subsidy for employment and/or investment outlays allocated to implementing



Chapter content preparation: EY

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new investments perceived as key for the Polish economy. Among the investments supported in “priority sectors” are: business services and R&D activities,

- » **income tax exemption in a Special Economic Zone (SEZ)** – investors can seek the issuance of a Permit to conduct activities within an SEZ that provides CIT exemption on income earned from their activities up to the end of 2026,
- » **income tax exemption for investments in any location in Poland as part of a Polish Investment Zone (PIZ)** – soon, in the second half of 2018, investors will be able to obtain income tax exemption for from 10 to 15 years in connection with implementing new investments, regardless of where they are created,
- » **support for R&D activities – subsidies from EU funds** (making it possible to finance both R&D implementation processes and purchases of infrastructure and equipment needed

to achieve that goal) and **Tax relief for research and development activities (R&D tax Relief)** – qualifying business processes conducted in BPO/SSC center and R&D centers as R&D activities makes an additional (two-fold) deduction of the costs of these types of work possible from the tax base.

CONDITIONS OF FINANCING, BASIC REQUIREMENTS AND LEVEL OF SUPPORT OFFERED

Direct governmental cash grant – MASP

At present, the Polish government is working on a new version of the MASP – the details have not yet been published.

No cyclical recruitment is organized as part of the MASP. Obtaining a grant is conditional upon meeting certain criteria (see Table 16), submitting an application for public aid, and that application being evaluated favorably.

TABLE 16

CONDITIONS AND AMOUNT OF WPW SUPPORT

| Sector | Conditions | | | Amount of support | |
|-------------------|------------|-----|---|-----------------------------------|--------------------------------|
| | New jobs | and | Eligible costs* (in millions of PLN) | Employment grant (in PLN) | or Investment grant |
| Business services | 250 | | 1.5 | | - |
| R&D | 35*** | | 1 (employment grant) or 10 (investment grant) | from 3,200 to 15,600** per job | up to 10% of eligible costs |

The amount of support depends on an assessment of factors such as:

- » the type of processes implemented (highest bonus to: developing advanced market analyses and forecasts for business processes, R&D work, advanced IT processes),
- » the quality of jobs created, i.e. the number of jobs for employees with higher education,
- » the investment location (depending on unemployment in the county in which the investment is located),
- » other (such as cooperation with universities, company brand, uniqueness of processes).

* Excluding the cost of leasing office premises

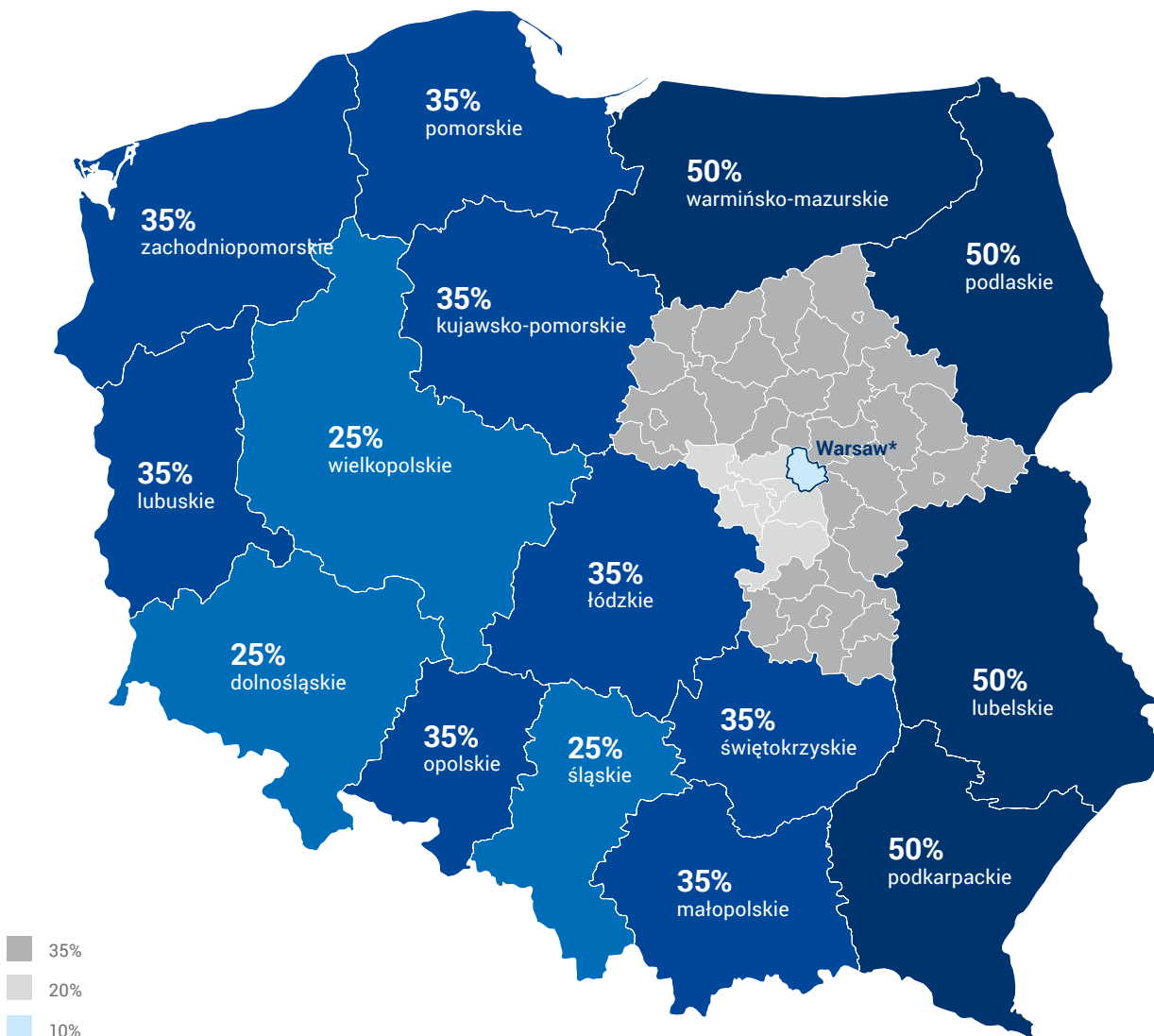
** An additional 20% for locations in eastern Poland

*** People with higher education

FIGURE 37

MAP OF REGIONAL AID IN THE YEARS 2014-2020

The value of support is calculated on the basis of investment outlays or labor costs – and constitutes **the product of outlays or 2-year costs incurred in a new job and the regional intensity of public aid**. Depending on the location of a project and the category of the applicant, businesses can count on a subsidy at a level of from 10 to 70%, as shown on the map.



+10% – medium enterprises

+20% – small enterprises

Source: European Commission [http://europa.eu/rapid/press-release_IP-14-180_pl.htm]

Tax exemption for new investments in an SEZ

Currently, investors can apply for a Permit to conduct activities within one of 14 SEZs (a Permit) and can take advantage of CIT exemption up to the end of 2026. After the entry into force of a new system of support – the Polish Investment Zone – it will be possible to seek aid in the form of CIT exemption for 10 or even 15 years on the basis of what is known as a Decision on support.

Advantages: exemption from corporate income tax (CIT) within the scope of income generated by activities conducted within SEZ and covered by a Permit (within SEZ) or by a Decision on support (within PIZ).

The core activities of the business services sector are included in the catalogue of business enterprises for which it is possible to obtain a Permit or a Decision, although the activities planned under either of these must be verified in each case.

Currently, one condition for obtaining CIT exemption is to obtain a Permit and to meet the requirements specified therein, i.e.: to incur the investment outlays declared and to create the planned number of new jobs. The same conditions apply to a PIZ and a Decision on support.

Tax exemption for new investments in a PIZ

From mid-2018,¹ a new system will function, called the Polish Investment Zone, which will ultimately replace SEZs; it will provide an opportunity for tax exemption for investments located anywhere in Poland. This instrument will open the way for the support of investors locating business services centers in any area of Poland.

¹ Legislative work is now under way – no binding date for the entry of the PIZ instrument into force is known yet..

TABLE 17

ADVANTAGE OF PIZ OVER SEZ

| | SEZ | PIZ |
|--|---|---|
| Greater freedom in choosing investment locations – abolishment of territorial restrictions | Only areas having SEZ status – 25,000 ha (0,08% of area of country) | All investment properties throughout Poland (public and private) |
| Extended period of tax exemption consumption | tax exemption up to the end of 2026 | from 10 to 15 years' CIT exemption, depending on location 15 years for investments on properties currently covered by SEZ status independent of location |
| Bonuses for investments in the business services sector | None | reduced threshold of minimum investment costs up to 80% in relation to industrial sector projects |

Investor incentives

New requirements will appear, however, and investment will have to meet not only quantitative criteria, but also extended qualitative criteria.

Quantitative criteria are the minimum investment costs (investment outlays or two-year labor costs) whose amount depends on:

- » the unemployment rate in the county where the investment is made (compared with the average national unemployment rate),
- » the size of the enterprise, and
- » the type of investment (industrial, in the business services sector or in R&D work).

Investors in the business services sector will be **obliged to incur eligible costs in the order of from PLN 2 million to 20 million** (in the case of counties where the unemployment rate is below 60% of the national average).

Advantages: CIT exemption for up to 15 years

The value of exemption, that is the amount of CIT/PIT not payable, will be calculated as the product of the intensity of regional aid and the eligible costs (investment outlays or two-year labor costs of new employees hired in connection with the implementation of the investment).

Tax relief for R&D activities (R&D Tax Relief)

R&D Tax Relief is available to every entrepreneur. It does not involve submitting a formal application or competing against other companies for funding. As from 2018, SEZ companies can also take advantage of this form of support (under certain conditions).

R&D Tax Relief allows the following eligible costs to be deducted from the tax base:

- » employee remuneration together with fees (including mandate and specific work agreements),
- » materials and raw materials,
- » expertise, opinions, consultancy services, results of surveys acquired from scientific entities,
- » paid use of scientific and research equipment, amortization of fixed and intangible assets,
- » costs of protecting intellectual property.

The added value of the deduction from 2018 is 100%, regardless of the type of costs or the size of the enterprise (150% for entities with the status of a research and development center).

Advantages: measurable financial benefits in the form of additional deductions from the tax base on costs of R&D activities incurred by the company.

Tax savings in 2018:

up to 19% of eligible costs (for entities with the status of a research and development center: 28.5% of eligible costs). Every PLN 1 invested in R&D work can be recognized as PLN 2 for tax purposes.

In order to be able to take advantage of R&D Tax Relief, processes must be properly identified in terms of their eligibility as R&D activities, and the associated costs must be assigned, documented and accounted for in a CIT-RD declaration.

HOW TO EFFECTIVELY OBTAIN SUPPORT?

There's no doubt that the climate for growth is good in the business services sector in Poland. Investors planning such investments can draw on both the above-mentioned instruments and on subsidy for R&D infrastructure or real estate tax exemption.

In order to pursue the available forms of support effectively, it is necessary to pay attention to the following issues when preparing an investment:

- » the investment location – for certain regions, different criteria apply for obtaining a Decision on support as part of the PIZ, and there are different periods of exemption and levels of support – where a business is flexible, it is worth choosing a region with a higher intensity of aid or less stringent access criteria,
- » different ways of calculating support – in the case of the business services sector, it's usually most beneficial to calculate the amount of support based on the two-year labor costs of new jobs created, and not on investment outlays,
- » the possibility of combining sources of aid within the allowable limits – it's possible to use instruments effectively by obtaining aid from different sources while observing the rules of accumulated aid,
- » the permissible investment commencement time – remember, for most instruments, the application for support must be submitted before the investment has begun. Otherwise, it may turn out that the investment as a whole does not qualify for aid.

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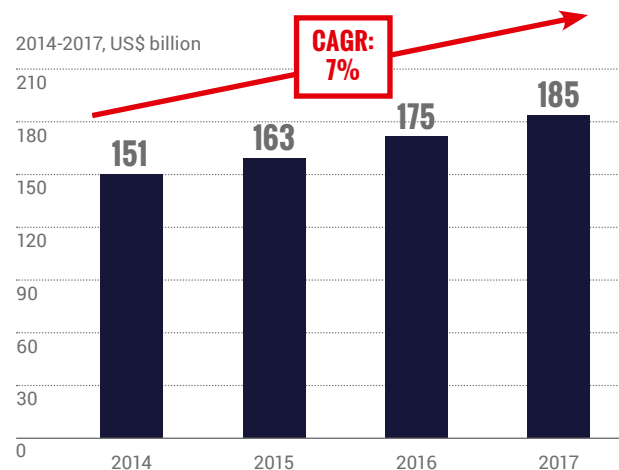
6 GLOBAL SERVICES MARKET DEVELOPMENT AND IMPACT ON POLAND

The global services market has evolved significantly over the past few years. It witnessed steady growth (in revenue) at a CAGR of 7% from 2014 to 2017 and reached US\$185 billion at the end of 2017, as shown in Figure 38.

GLOBAL SERVICES MARKET OVERVIEW

One of the most prominent shifts underway in the industry currently is the changing mix of locations being leveraged for services delivery. For a variety of reasons (some of which are covered on the next page), we are witnessing rapid growth in new center setups onshore and nearshore geographies, as can be seen in Figure 39. At the same time, there is also evidence of companies bringing work back from offshore centers to onshore/nearshore centers – this is primarily in processes that benefit from same-time delivery / co-location with business, or require cultural affinity with source markets for better customer experience, or deal with a premium customer base, or require a significant degree of control from a legal/regulatory standpoint.

FIGURE 38
GLOBAL SERVICES MARKET



Source: Everest Group (2018)

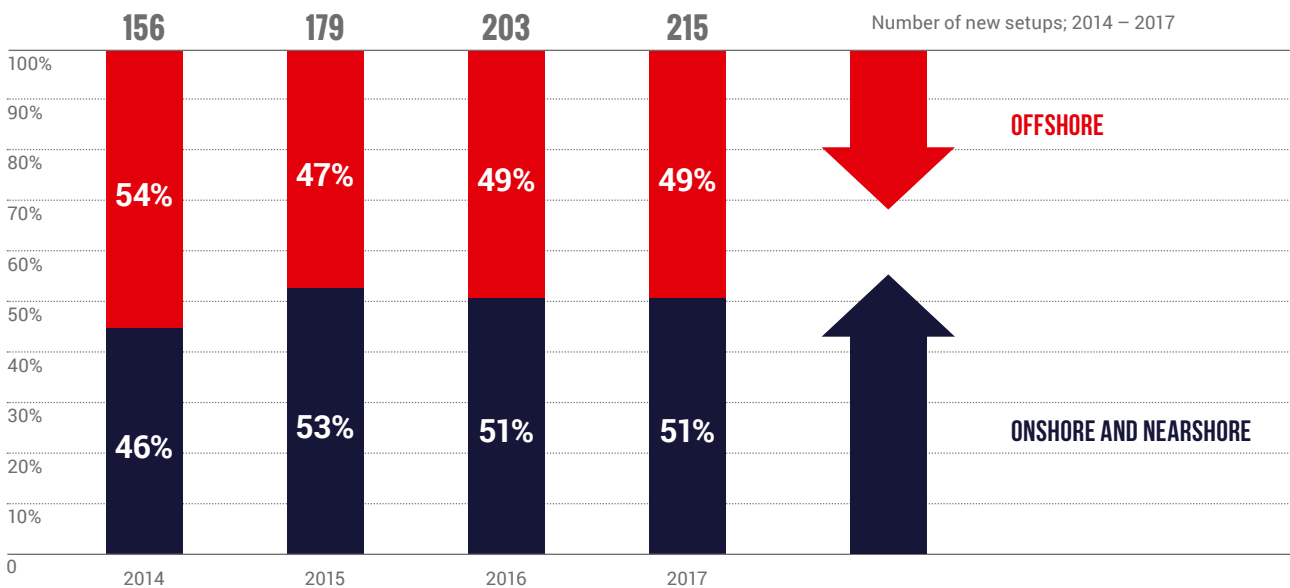
Amongst onshore and nearshore regions, Nearshore Europe has emerged as a prominent services delivery destination due to reasons listed previously. Within the Nearshore Europe region, Poland dominates new center set-up and expansion activity, accounting for 25-30% of all new center set-ups.

Poland already accounts for more than one-third of the overall Nearshore Europe services market,

employing ~200,000 people with more than 500 foreign companies operating in the country. It is currently positioned as the biggest service delivery location in Nearshore Europe, and continues to experience rapid growth. In the next section, we take a look at the key trends and shifts that are afoot in the global services industry and evaluate the impact of these changes on Poland as a service delivery location.

FIGURE 39

BREAK-UP OF NEW SHARED SERVICES CENTERS SET-UPS – BY DELIVERY LOCATION



Nearshore includes Nearshore Europe (Central and Eastern Europe, Scotland, N. Ireland and Ireland), Middle East & Africa, and Latin America & Caribbean
 Onshore includes U.S., Canada, Western Europe (excluding Scotland, N. Ireland, and Ireland), Japan, and Australia/NZ

Source: Everest Group (2018)

KEY TRENDS IN THE GLOBAL SERVICES INDUSTRY IN 2018 AND THEIR IMPACT ON POLAND

The global services industry is in the midst of an unprecedented transformation, which is forcing enterprises and service providers to reinvent service delivery with the help of technology and design thinking. Services (such as contact


centre and IT-Infrastructure management) that were erstwhile considered commodity and/or back-office are now moving to the forefront and getting more integrated with business objectives and topline. In Figure 40, we look at key disruptive trends affecting the global services market and evaluate the impact on Poland’s services market.

FIGURE 40

EVEREST GROUP PREDICTIONS FOR KEY TRENDS IN THE GLOBAL SERVICES INDUSTRY IN 2018 AND THEIR IMPACT ON POLISH MARKET

| Category | Key trends | Impact on Poland | Rating |
|------------------------------|---|--|---|
| Geo-political | Brexit | <ul style="list-style-type: none"> » A “hard Brexit” will create boundaries (e.g., discontinuation of corporate passporting, restrictions in flow of talent) between the UK and EU, leading to a spurt in UK firms moving parts of their business to mainland Europe as well as the UK losing its attractiveness to service multi-lingual operations. In both scenarios, Poland will benefit as a prominent delivery destination to support European operations. |  |
| Legal and regulatory | EU-GDPR coming into effect in May 2018 | <ul style="list-style-type: none"> » Increased regulatory oversights over data processing security will probably push firms to locate processes that involve sensitive customer data in locations that offer a stringent data protection environment. |  |
| | Shift towards asset-light and technology-heavy models (e.g., XaaS, platforms, digitalization, and automation) | <ul style="list-style-type: none"> » As next-gen technologies (e.g., RPA, AI, blockchain) make their way into the mainstream and the share of digital services rises, enterprises need to redesign their talent engines as the quantum and quality of talent required by them undergoes a shift. Poland offers access to niche, high-value talent and offers the opportunity to set up centres of excellence driving work in these technologies. » However, the services ecosystem in Poland will also need to transform in the following ways to be able to capture this growth: <ul style="list-style-type: none"> » Re-design talent management programmes and practices (e.g., organizational hierarchies, re-plot career paths, compensation policies, hiring practices) to deal with next-gen talent » Invest in talent upskilling and reskilling » Instill organization-wide focus on “skills of the future” (e.g., change management, design thinking, pattern recognition) » Re-orient academic system to produce talent that is equipped with the skills in demand. |  |
| | Increasing preference for <i>Do-It-Yourself</i> model | <ul style="list-style-type: none"> » Enterprises are increasingly taking control of their rotation into becoming more digital, which drives the preference to bring critical parts of the IT applications and digital services in-house. A combination of a large established of shared services market and availability of high skills is likely to bode well for Poland as a destination for this in-sourced work (as an additional portfolio for existing SSCs or as new centres of excellence). |  |
| Location optimization | Rationalization of existing delivery locations portfolio | <ul style="list-style-type: none"> » Due to the impact of the disruptive factors described above, a large cross-section of enterprises are embarking on large-scale consolidation of their services delivery portfolios. Concurrently, they are also driving co-location of functions (e.g., IT co-located with back-office business processes) to achieve better synergies and faster time to market. |  |
| | Co-location of functions and processes | <ul style="list-style-type: none"> » Owing to the status of Polish tier-1 cities as Leaders (details in next section) in the Nearshore Europe region, and maturity across multiple skills, Poland is one of the most prominent contenders for consolidated regional hubs. |  |

Rating of impact on Poland:

 Highly favorable Favorable, some concerns Least favorable

Source: Everest Group (2018)

EVEREST GROUP PEAK MATRIX™ FOR NEARSHORE EUROPE – BUSINESS PROCESS AND IT SERVICES

This section compares the respective value propositions of key cities in the Nearshore Europe region for delivery of business process and IT services on Everest Group's PEAK Matrix™ for locations (Figure 41).

The PEAK Matrix compares cities on parameters such as talent quality, availability, and sustainability (across entry-level and experienced talent), cost arbitrage (current and forward-looking savings potential over typical source markets), and operating risks (macro-economic, geo-political, legal/regulatory, infrastructure, and safety & security).

We plotted multiple Polish cities on the PEAK Matrix, and these cities offer a spectrum of propositions across all three categories (i.e., Leaders, Major Contenders, and Aspirants).

Key tier-1 Polish cities (Warsaw and Krakow) are ranked as "Leaders" owing to the large pool of employed professionals supporting business process and IT services, sizeable entry-level talent pool, and attractive cost arbitrage compared to most other leading destinations in the region.



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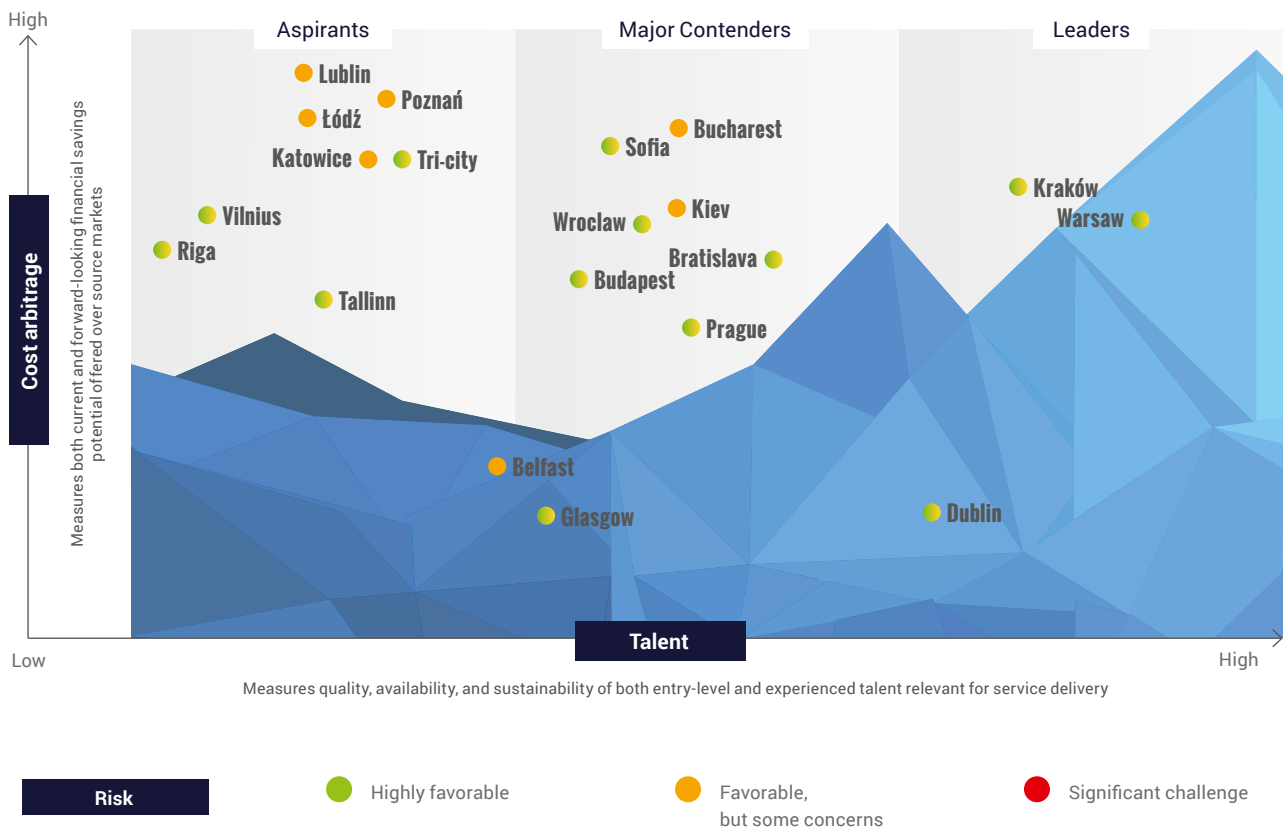
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Wroclaw, another Polish tier-1 city, is ranked as a “Major Contender” due to a relatively lower overall market maturity compared to Warsaw/Krakow. Tier-2 cities, such as Lodz, Tri-city, Katowice, Poznan, and Lublin, are strong “Aspirants” in the region

– they offer huge potential for growth owing to a relatively untapped talent pool and more attractive arbitrage compared to most “Leaders” and “Major Contenders” within Nearshore Europe.

FIGURE 41

EVEREST GROUP PEAK MATRIX™ FOR NEARSHORE EUROPE – BUSINESS PROCESS AND IT SERVICES



* Fully-loaded, ongoing operating cost including compensation, facilities, and technology expenses

** Considers relevant entry-level and experienced talent

*** The assessment has been done only for a representative list of locations

Source: Everest Group (2018)



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Ladies and Gentlemen,

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ABSL is a trusted partner to several hundred companies, which include both global players with investments in Poland and Polish-owned companies from various sectors. Our organization offers advice to all its members and represents their interests. We also provide them with various knowledge and experience-sharing opportunities as well as access to exclusive studies and reports.

It is thrilling for us to see the robust community we have managed to build in under 10 years.

Respectfully,
Piotr Dziwok
 President, ABSL

WHAT DO WE DO AND WHY SHOULD YOU CHOOSE ABSL?

- » We actively support investors, assisting with their communication and discussions with central and local authorities.
- » Our organization represents the business services sector in its dealings with policymakers. We participate in the legislative process, identify opportunities to change legislation and propose solutions and submit comments to bills and other regulations.
- » We provide access to exclusive analyses and studies concerning the business services sector, individual segments within that market as well as cities in terms of their investment appeal. Our reports are now an essential source of information about the business services sector in Poland.
- » By enabling cooperation between businesses and universities, and by supporting talent development, we maintain our involvement in educational activities.
- » Our members have an opportunity to participate in a range of prestigious events such as:
 - / the annual ABSL conference – the most important event for Poland's business services sector and a major business summit for Central and Eastern Europe,
 - / the ABSL Diamonds Gala, where awards are presented to entities that help shape the future and growth of the industry,
 - / an international conference for foreign investors who have a presence in Poland and those who are considering entry into that market,
 - / local conferences held in Poland's fastest growing cities,
 - / ABSL Talks – an event addressed to ambitious young professionals looking for ways to focus and grow their careers.
- » We lead a nationwide project called the ABSL Start-Up Challenge – a competition for start-ups that provides a link between corporations and start-ups.
- » We offer access to knowledge and an opportunity to share best practices – as part of regular meetings of ABSL's local branch offices in eight of Poland's largest cities, and during HR-, IT – and BFSI-themed club meetings. We also offer themed webinars.
- » Our organization promotes the business services sector, offers inspiration, supports best practices, and provides its members and partners with opportunities to share their knowledge, ideas and experience.

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POLAND: COUNTRY OVERVIEW

SELECTED ECONOMIC INDICATORS



GDP Growth

4.6% (2017)
4.0% (2018)*



GDP per capita (2017)

12,100 €



Unemployment rate (April 2018)

6.3%



Inflation (April 2018)

1.6%



EUR/PLN (average)

4.26 (2017)



USD/PLN (average)

3.78 (2017)



Poland has the ninth-largest economy in the European Union in terms of nominal GDP (466 billion euros in 2017) and has been a leader in economic growth in the EU in the past ten years. One of the most important branches contributing to the growth of Poland's economy is the business services sector. The industry's impressive growth in recent years enabled Poland to strengthen its standing among the world's most important locations for investments into (BPO, SSC, IT and R&D) business services centers.

Language: **Polish**

Currency: **złoty (PLN)**

Number of cities with over 100,000 residents: **39**

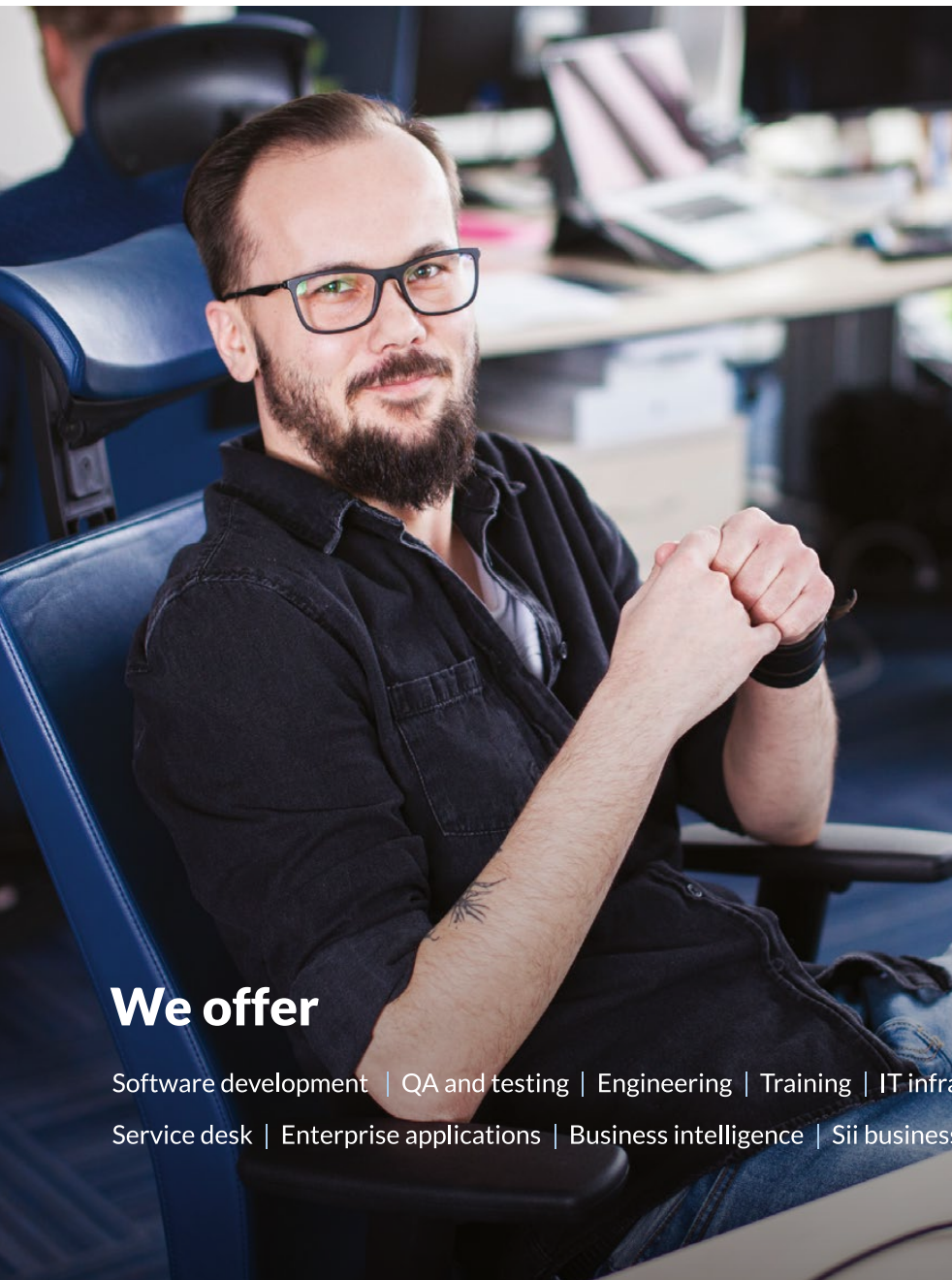
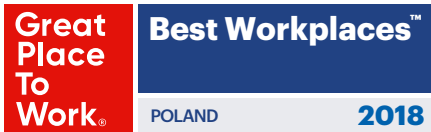
Number of direct foreign investments in 2017: **335**
(1st place in EU)

POLAND IN INTERNATIONAL ORGANIZATIONS

EU (2004), NATO (1999), OECD (1996), WTO (1995), UN (1945) and others

* National Bank of Poland forecast

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