

Spring 2017



# **BUSINESS QUARTERLY**

Association of European Businesses Quarterly Magazine

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## **Safety, Health, Environment & Security**



**With AEB updates on: #safety issues, #environmental legislation, #health protection requirements, #security standards, #AEB news, #committee activities, #member news, and #new members.**

**Dear readers,**

Welcome to the Spring issue of the AEB Business Quarterly!

2017 was declared the Year of Ecology in Russia and we are very happy to dedicate our first edition of the magazine to safety, health, environmental and security issues.

For more than 10 years the AEB has been promoting international safety, health, environment and security (SHES) standards and best practices among companies operating in Russia. Waste processing, the correct classification of plants according to their environmental impact, climate policy, health protection among the working population, regular medical examinations of employees, the simplification of the licensing procedures for medical activities, the arrangement of medical aid in remote industrial sites, are some of the key issues

in 2017 that will be on the radar of the SHES Committee. Some of these and other burning issues are addressed at length in our Spring edition of the magazine.

As usual, this edition will provide you with the AEB Committee updates and up-to-date news from our member-companies. Hopefully you will find this issue to be a useful resource for your business.

Happy reading!

Sincerely yours,

**Frank Schauff**

Chief Executive Officer

Association of European Businesses

**Dear readers,**

It is my pleasure to introduce the second edition of the Business Quarterly magazine, dedicated to safety, health, environment and security (SHES) issues.

Many companies still tend to think about SHES issues in very technical and narrow-minded terms: quantity of emissions, volume of waste, concentration of pollutants, number of incidents and accidents, etc. However, other companies are increasingly realising that SHES risks can have a profound impact on wider business performance, but in many cases due to the transversal nature of the safety, health, environment and security function, the real cost of SHES remains hidden to them. Reality suggests that this hidden cost may include the impact of potential business interruptions resulting from major accidents, loss of NPV due to delayed cash flows, project cost overruns due

to delays, lost deal opportunities, the cost of putting things right, senior management distraction for firefighting, and the impact of a poor reputation on the share price.

This edition of the Business Quarterly magazine covers a number of areas that can be a material SHES risk, with some practical suggestions on how to prevent the aforementioned implications and convert such risks in value to business. These include a range of topics from human factors and safety culture to legislative and regulatory aspects of waste management and climate change which are addressed by the AEB SHES Committee under its current mission – which is promoting best international practice and standards in this regards among companies operating in Russia, informing AEB member companies on the current state of affairs and proposed changes to Russia's SHES legislation, and enhancing the exchange of information between European and Russian business through a common platform.

On this note, I wish you pleasant reading.

Yours sincerely,

**Valery Kucherov**

Chairman of the AEB Safety, Health, Environment & Security Committee, Partner, ERM



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AEB participates in XVI Russian Investment Forum "Sochi-2017"

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# Enhancing business value through safety culture improvement



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**T**echnological progress in modern society requires the development and application of new production processes, the modernisation of plants and equipment, and imposes increasing requirements on workforce skills. As regulations are becoming more stringent, infrastructure is ageing, increasing the likelihood of major accidents, and the risk tolerance of companies is getting lower under increasing public scrutiny, all these factors have one single impact on business – the cost of safety failures is increasing.

Any incident impacts the asset and poses immediate financial losses on

the owner, creating negative media space that lasts for years. The larger the incident, the greater the impact. Based on the results of several studies across various countries, between 70 - 80% of total industrial incidents are attributable to human failure. Every day millions of workers around the world go to the front line where only the wall of a pipe, the bolts of a flange, emergency stop buttons or their personal risk perception and awareness of what to do or not do stands between them and fatal injury.

In this regard, companies are increasingly designing more and more complex multi-disciplinary processes that

can prevent severe injury to people and environmental harm. However, state-of-the-art technology and documented management processes are not sufficient in themselves to run the asset safely. Even competent skilled professionals working with the best technology may make errors, demonstrate unsafe behaviours and take unacceptable risks. Human error may be defined as an action or decision which was not intended, which involved a deviation from an accepted standard, and which led to an undesirable outcome. However, it is not always human error that leads to a failure in the processes. Human factors have a complex nature and refer to wider environmental, organisational and job factors as well as individual characteristics which influence behaviour at work in a way which can affect health and safety conditions. One of these characteristics is the safety culture of the organisation, which is an integral part of the overall corporate culture.

There are several ways to demonstrate the safety culture of the organisation to the public and create a positive external image. Most companies use high profile documents like mission statements, health, safety & environmental (HSE) policies, annual reports, HSE performance improvement statistics, etc. However, in reality the culture of



organisations is demonstrated by what actually goes on to complete the work, shared practices and communication, things people actually do that we see. Safety culture is part of the overall culture of an organisation. A number of studies have found that incidents and accidents including major disasters result from the breakdown in an organisation's safety policies and procedures, originating from inadequate attention being paid to safety issues.

In most organisations health & safety (H&S) training is a key tool to improve safety culture. The key ob-

Incidents and accidents including major disasters result from the breakdown in an organisation's safety policies and procedures, originating from inadequate attention being paid to safety issues.

jective of H&S training is to increase trainee risk perception to enhance their awareness of the hazards typical for the site, job or task performed, and plan mitigation measures to control the risk. However, how often does H&S training fulfil its objective?

Before taking any action, a person thinks about the intended result, so the action is initiated by personal thoughts in a very specific moment, i.e. behaviour equals thought plus action. We can only change how people act if we get each of them to think differently. However, thoughts



are defined by abstract things that are not easy to change: values, beliefs, ideologies and assumptions, questioned and unquestioned, conscious and unconscious. That is why telling people what to do in a typical H&S training session is not sufficient to change people's thoughts and thus have an influence on their actions and the overall safety culture in an organisation.

It is very common that mandatory safety training is formalistic and requires memorising certain rules to pass a test without the trainee fully understanding their meaning. Employees often treat such training as

an unnecessary burden. Employees are aware of but do not fully appreciate the hazards that pose a threat to them, and are commonly guided by the perception that: "This will not happen to me". This attitude hinders the development of the safety culture which then increases the potential for human error. In reality, the "organisational factor" has the greatest influence on individual and group behaviour. So if a small number of workers wear earplugs in a noisy workshop, then this will not encourage others to comply with this safe behaviour. Group social norms for safe behaviour exist and they need to set a good example.

In order to have a positive influence on the informal social norms for safe behaviour, companies are increasingly developing and implementing safety leadership training programmes. Such programmes have an impact on the most important "organisational factor" by helping leaders to create a personal and organisational safety imperative in order to change and make it personal. This helps to deliver cultural and behavioural change and make safety leadership self-sustaining within the organisation that organically controls "the way things get done around here".

Critical factors in the implementation of safety leadership training



programmes are delivery across all management levels of the company (senior management, mid-level managers, frontline supervisors and shift leaders) and the full engagement of each participant. No change will happen without the top management feeling a deep sense of concern and responsibility for their people’s lives. And it needs to be personal for them. As well as leadership, mid-level managers and particularly employees on the front line need to be on the same page.

Also, the delivery of safety leadership training via common methods such as lectures, seminars, and examinations has a lower retention rate. Usually

trainees simply do not “understand it” and do not want to change. Safety leadership training developed and facilitated based on accelerated learning methods engages people in safety culture, educates and promotes constant vigilance. This reduces risk tolerance and serves as a trigger for continued improvement in safety performance.

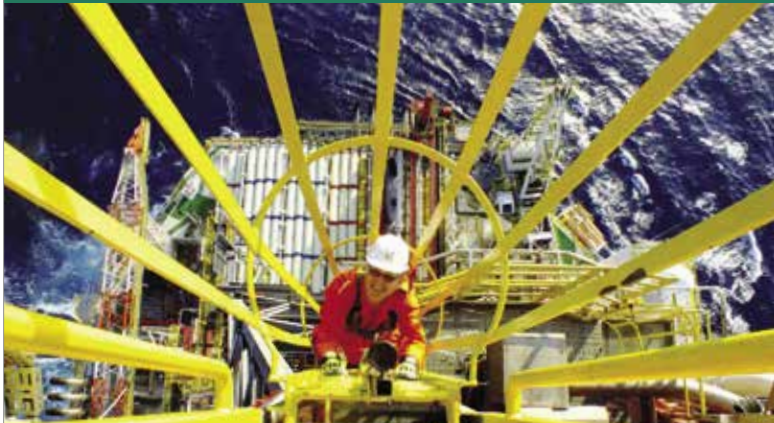
Improving an organisation’s safety culture involves more than just managing hazards and following safety rules and procedures. Safety culture is about working with people to change their attitudes and behaviour at work and at home. The most efficient companies agree that the improvement

of safety culture contributes to profitability and business value creation in many ways. First of all, it results in a reduction of incidents and accidents (up to 70 - 80%) and costly emergencies are completely avoided. Employees organically become more invested in their work both emotionally and physically. The emotional involvement of employees in their work along with a sense of pride for their company and its achievements lowers workforce turnover and boosts productivity and quality. In the end, an improved safety culture generates cost savings from an increase in the efficiency of management and planning in respect of the safety processes extending to the entire company. |

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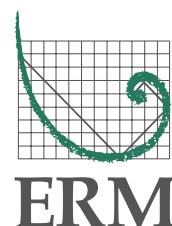
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# Digital Worker, or how to add value by increasing safety



**ANTON ERSHOV**

Strategy Resources Lead, Senior Manager, Accenture

The fourth industrial revolution is underway: mobility, analytics, cloud, smart objects all help people accomplish tasks, make better decisions, and enhance their performance. This unprecedented access to technology – reduction of the cost of components, universal internet coverage, prevalence of mobile devices – has fundamentally changed business strategies of industrial companies for the nearest future. But whatever strategy is followed, scientific and technological progress can first of all dramatically improve working conditions and personnel safety.

Leaders are taking advantage of the broad digital agenda in safeguarding that includes: digitally enabled workforce (wearables, digital mobile workplace, virtual and augmented reality), digital assets (autonomous opera-



**MARGARITA PATRUSHEVA**

Talent & Organisation Senior Manager, Accenture

tions, remote operations centers, IoT) and next-generation analytics. When searching for the most efficient way to address safeguarding tasks, major players take an identical approach.

The first step is to reduce the physical presence of personnel in danger areas, replacing people with machines. Such a strategy actually pays off in many ways. A good example is Rio Tinto, which has implemented Remote Operations Centers (ROC) and autonomous equipment in order to cut expenses, increase efficiency, and improve HSSE figures by moving people off-site. Nowadays ROC has 400+ employees, more than 150 autonomous trucks, and the All Injury Frequency Rate has halved to 0.47 fatality/injury cases. Overall the company has gained very significant annual savings from its ROC operations and from the use of autonomous trucks.

The second step is applied to workers who cannot be removed from dangerous areas. They are transformed into “Digital” or “Connected” workers: people, production sites and equipment is fitted with wearable devices, sensors, Wi-Fi, cameras and other technologies. This gives valuable and timely information on personnel, site and environmental conditions, and combined with next-generation analytics (like predictive modeling) and artificial intelligence, it helps to prevent incidents, rather than respond to them. For example, such solutions can locate and identify a worker without a vest or helmet, perform fatigue and panic alarm management,



Equipping the workforce with wearables such as a camera, personal gas-monitors and radio frequency identification (RFID) tags can help energy companies not only increase safety and provide visibility into their workforce, but also improve productivity and cut costs

gas detection or notification and prevention of other abnormal situations including predictive maintenance.

Let's consider two examples in which different companies came to similar solutions to solve different goals.

Rio Tinto built a safety tracking program for its smelter in Canada in 6 weeks. The initial goal was to track the work of over 2000 contractors, monitor and record violations, as initially they had insufficient contractor productivity and discrepancies in invoices. The programme included: location triangulation with extended WIFI, WIFI tags distributed to the contractors or placed on 20 pieces of equipment and 200+ vehicles, a cloud analytics platform providing real-time visualisation. This tracking equipment gives control access to restricted zones and ensures all contractors are accounted for in case of an emergency. Location visibility provides the capability for real-time decision making, long-term trend analyses, and suggestions for improvements. As a result, Rio Tinto improved the overall safety of its internal/external workforce, response time to emergencies, and has achieved business process optimisation based on analytics.

Marathon Oil was focused on improving personnel safety as a key goal when implementing its Life Safety Solution. As a result, the company gained HSSE-risk mitigation, optimised processes with wireless real-time tracking, analytics and automated incident responses, and gained annual savings. Operators at the remote center monitor production staff on the site (number of people and time spent in work areas), overall work progress, and respond to automatic and manual signals.



The above described initiatives should be followed by the implementation of a full-scale change management system in order to adapt the roles and human participation in the new generation of production processes. In fact interaction and close collaboration with machines requires different skills, competences and mindsets. For instance, the next generation of workers – Digital Workers – are required to quickly seek instructions or remote assistance instead of knowing solutions in advance.

So in order to exploit the full potential of the digital age companies need to invest in deep cultural transformation and personnel adaptation. This means the development of the required skills, attitude to work and habits, while offering relevant motivation systems and value proposition to employees.

However, if we leave apart the issue of the Successful Implementation Factors and focus purely on the Digital Worker idea itself, it is undoubtedly a beneficial solution for any type of production operations. Digital technologies are continuously evolving and increasingly contributing to worker safety by either replacing personnel in risk areas, or by supplementing them real-time with danger monitoring and alert systems, and with virtual assistance systems, which enable timely decisions with the minimum amount of risks or mistakes.

Industrial companies which pioneered this approach proved that wearable devices and other "Digital Worker" related solutions bring greater benefits, including also financial and productivity gains. And these digital technologies are getting more affordable and reliable. |

# Occasional Employee Health Protection Requirements Imposed on Employers



**ALINA LARINA**  
Lawyer, Ancor

**A**rticle 37 of the Constitution of the Russian Federation states: "Everyone shall have the right to working conditions that meet safety and hygiene requirements". The applicable principles of the World Health Organisation and the International Labour Organisation also state that everyone has the right to healthy and safe working conditions. A draft law stating that employees who maintain a healthy lifestyle can be remunerated with various benefits, thus motivating employees to take care of their own health, has been in the preparation

stage for several years in Russia. A part of the benefits granted to employees shall be compensated for by the government. Many companies provide various benefits and compensation regarding taking care of employee health, such as the provision of sports facilities, the payment of

Russian legislation provides for several breaks during the working day not included in the working hours. These are to rest, to have meals, and to feed a child under 1.5 years old.

the cost of gyms, etc. The protection of employee health, in addition to the provision of benefits and compensation granted by the company, includes mandatory state requirements. Most such requirements are well known, and their non-compliance often leads to fines in respect of labour protection. However, there are some quite

interesting requirements for employee health protection which employers often are not aware of:

- Russian legislation provides for several breaks during the working day not included in the working hours. These are to rest, to have meals, and to feed a child under 1.5 years old. An employee should be free from his/her duties during such breaks. Besides, employees are provided with a break which gives time for rest and personal needs, i.e. the time the employee has to rest during the shift (working hours) in order to maintain his/her normal performance and prevent exhaustion, as well as the time required for personal hygiene, which should be at least 20 minutes during the shift (working day). The time for the break is granted to the person who already began to carry out his/her duties and is applicable to a person absent during the entire working day. Initiating disciplinary action in respect of employees who take a short break, which is outside the break duration set forth in the employment contract aimed at the maintenance of normal performance, may be regarded by courts as unjustified. Such breaks are established by the applicable regulations of the USSR, and are included in the working hours and subject to payment.



• If the temperature at the work place if too high or too low, an employee shall have the right to reduced working hours. The reduction of working hours depends on the degree of non-compliance of the temperature at the workplace established by the health and safety requirements for the microclimate at production facilities.

Health and safety requirements are mandatory for directors of facilities, organisations and institutions irrespective of the forms of legal ownership and subordination. The time spent at the workplace depends not only on the air temperature, but also on the category of the work performed. Office employees shall work eight hours a day

at a room temperature not exceeding 28°C. If, for instance, the room temperature is 33°C, an office employee may stop his/her work. The time of absence of an employee at work due to a temperature that is beyond the permitted temperature range, shall be paid by the employer as downtime (at least two thirds of the average wage).

• The employer must provide employees with the necessary quantity of washing and (or) disinfecting agents free of charge. The necessary quantity per person, types of washing and disinfecting agents depend on the type of work and production factors. To avoid fines, the employer shall stipulate the necessary quantities in the employment contract

with each employee. Office employees are an exclusion in accordance with Letter No. 15-2/OOГ-1752 of the Ministry of Labour of Russia, dated 6 May 2016.

• The employer, in addition to conducting scheduled introductory, primary, secondary, extraordinary, and targeted training, shall arrange for workers to undergo special training in occupational safety within a month after they are hired in view of their professional duties. The employer shall also arrange regular (at least once a year) training of workers on rendering first aid to injured persons. This requirement was established by joint resolution of the Ministry of Labour and the Ministry of Education. |



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# Shell's use of an internal CO<sub>2</sub> value



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**OLGA KALASHNIKOVA**  
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Shell has long recognised the climate challenge as well as the role of energy in enabling a decent quality of life. While technological developments are emerging, effective policy such as meaningful government-led carbon pricing is essential to drive low CO<sub>2</sub> business and consumer choices. Today, Shell is primarily an oil and gas company, but we have a long tradition of innovation. We know that long-term success depends on our ability to anticipate the types of energy and fuels people will need in the future. Our natural gas businesses give governments the option to reduce emissions from electricity, in place of coal fired generation, and we are increasingly interested in renewable sources such as wind and solar. Shell has invested heavily in the lowest CO<sub>2</sub> biofuel and piloted

a number of alternative low CO<sub>2</sub> fuel options including projects to bring Liquefied Natural Gas (LNG) to shipping and trucking customers. Also, in 2015, we announced the first nationwide hydrogen-electric fuel network in Germany.

## The case for a government led carbon pricing policy

Similarly, the world has been taking major steps to limit climate change. At the Paris Climate Conference in December 2015, 195 countries adopted the first-ever universal, global climate deal, which sets out a global action plan to put the world on track to limit global warming to well below 2°C. The agreement recognises the important role of governments in establishing a market-based mechanism to

create a cost on CO<sub>2</sub> emissions and introduces the necessary foundation to support the development of a globally linked carbon emissions market. Shell believes that a government led carbon pricing mechanism is the most economically efficient way to achieve widespread and permanent reductions in emissions by driving investment in abatement options, such as Carbon Capture and Storage or using less CO<sub>2</sub> intensive fuels such as natural gas. Our preferred market based policy approach is a cap-and-trade emissions trading scheme (ETS), as it offers economic efficiency through low administrative costs, is well understood, and is already applied in many countries around the world making it easier for countries to work together to reduce emissions. The cap-and-trade ETS also ensures that the most cost-effective abatement options are developed first, is a technology neutral approach, and also provides the opportunity to generate revenue to support the development of low CO<sub>2</sub> technologies.

## Shell's project screening value (PSV)

Shell has used an internal project screening value (PSV) for CO<sub>2</sub> in investment decisions for about fifteen years in anticipation and recognition of the need for government action to address the external cost of CO<sub>2</sub> emissions. Shell generally applies a PSV of USD 40/tonne of CO<sub>2</sub> (equivalent) to the total greenhouse gas



emissions of all investments. That real term value is applied in projects of all sizes and types in all regions of the world. The simplicity of Shell's CO<sub>2</sub> PSV based model facilitates its application. Shell's CO<sub>2</sub> PSV is not a price forecast. It is a risk management tool that encourages CO<sub>2</sub> mitigation investments in preparation for when regulation will make those investments commercially compelling. From a CO<sub>2</sub> management perspective, the best points for influencing project GHG mitigation choices are its development and refurbishment stages. The internal inclusion of a value on CO<sub>2</sub> in all our investment appraisals focuses management attention on limiting emissions. The CO<sub>2</sub> PSV helps "price in" mitigation measures that cost less than USD 40/tonne, so bringing forward when those options will prove economic. The natural sensitivity to CO<sub>2</sub> costs among project managers raises their levels of inquisitiveness and promotes the search for innovative,

economic (now or later) CO<sub>2</sub> management opportunities and options. The PSV helps us identify the assets that account for the majority of CO<sub>2</sub> exposure, which focuses our work at the points of maximum leverage.

The appropriate level of Shell's CO<sub>2</sub> PSV is reviewed internally on an annual basis, based on an assessment of trends in global CO<sub>2</sub> costs. For Shell, we have defined six regions that account for over 90% of our future CO<sub>2</sub> exposure. Regional CO<sub>2</sub> cost projections up to 2050 have been developed and then standardised to accommodate Shell's learned preference for a flat, all-encompassing CO<sub>2</sub> value. While the outlook for global CO<sub>2</sub> costs has varied since Shell first made its CO<sub>2</sub> value public in 2010, our CO<sub>2</sub> PSV has remained constant at USD 40/tonne. To some extent, accuracy and its associated complexity has been sacrificed for effective application and consistency. Domestic efforts to meet countries' obli-

gations under the Paris Agreement may lead to an intensification of CO<sub>2</sub> regulation, which may prompt us to reassess Shell's CO<sub>2</sub> PSV.

What advice would Shell offer to other companies planning to introduce their own CO<sub>2</sub> valuation methodology? First and foremost, any internal PSV you choose to use should naturally be based on your own unilateral thinking and your experience. Our experience shows that process simplicity and uniformity of valuing CO<sub>2</sub> provides real benefits. You should also complement the internal CO<sub>2</sub> value with other CO<sub>2</sub> management systems. The valuation of CO<sub>2</sub> on its own will not drive sufficient actions to encourage robustness against future risks and uncertainties associated with CO<sub>2</sub> regulation. Still, if an organisation has to make a definitive first move, putting an explicit investment value on CO<sub>2</sub> is a very good place to begin, just as Shell did in 2000. |

# Russian environmental legislation – it is hard to be in compliance



## MIKHAIL DIVOVICH

Environmental Subcommittee  
Chairman, General Director, ECOTEAM

**T**he corporate standards adhered to by multinational companies require unconditional compliance with local legislation, but it is very hard or sometimes even impossible to follow this principle in the case of Russian environmental legislation. And the situation is getting worse each year. In rare cases when the environmental authorities meet obstacles in the application of the law, they can stop for a while.

It is almost standard now that any business inspection leads to a fine. The reasons for this are:

- the need to add funds to the state budget;
- the official fight against corruption which is sometimes worse than the corruption itself.

If during an inspection the inspector does not find any violations of the law or admits that a violation found is a minor one, he or she will be under suspicion of corruption. In this case the inspector may be replaced by another one, which would lead to problems for the first inspector. It is hard to understand how this replacement would correlate with the Federal Law "On the protection of rights of legal entities and individual entrepreneurs ...". We have obtained this scheme from the inspector of one of the state bodies, but we have never seen it implemented in practice, because we have almost never seen an inspection with no fine issued at the end of it.

The prosecutor's office also controls the state bodies. According to Decree No. 165 of the general pros-

ecutor's office "On the organisation of the prosecutor's supervision over the execution of laws on environmental protection and use of natural resources", dated 01/04/2014, the prosecutor's office is obliged to "resolutely stop the omissions of supervisory authorities", "to get the bodies exercising state environmental supervision, the proper implementation of the powers (the detection of cases of avoidance of the environmental supervision state bodies from being sued in court or in case an understating of the size of the damage caused should raise the issue of the liability of the responsible officials)".

There is also the practice of imposing a fine on a legal entity and company executive for the same violation of law. Simultaneously an administrative order is imposed to eliminate the revealed violation. Then another fine could be imposed: for the not executing this administrative order in time. Now we see that more and more administrative orders for additional environmental impact measurements are being imposed. This also can be a source of hidden fines.



In these circumstances companies can hardly expect to be inspected and not receive a fine. It is more realistic to minimise company losses (fines, costs related to implementing administrative orders). In this regard there are still options left for negotiating with the inspector in the legal framework to minimise any possible fine and to obtain an administrative order that can be realistically implemented within the given deadline.

If it is not appropriate that a company is fined as a result of an inspection, then we can only recommend to fight this system. This is possible, but it requires a professional approach. A group of responsible professionals should be formed by interested companies. This group has to be capable of carrying out systematic work to lower the negative impact of environmental state bodies on business and in the end on the environment itself. We think that the present situation as regards state environmental control encourages business to focus only on obtaining the appropriate documents rather than on environment protection. A lot of money which is now spent on preparing these documents could be saved and invested by companies in additional environment protection systems, in external environmental projects, etc.

Our experience shows that most of the companies prefer to pay a fine than to fight the system. There are always a number of reasons for that: the

cost of the legal process (fines are still on an acceptable financial level in comparison to the cost of the legal process), fear of losing in court, fear of entering into a conflict with the authorities, lack of expert competence in environmental legislation, and so on.

This can be illustrated by the new Russian legal practice based on legislation that has been successfully implemented in Europe – Extended producer responsibility<sup>1</sup> and Environmental Categories of the objects (industrial sites of the companies)<sup>2</sup>.

### Extended producer responsibility

According to the concept of extended producer responsibility – the producer

(importer) is in charge of the recycling of goods produced (imported) when they become waste. The producer (importer) has to collect any goods produced earlier which became waste and then recycle this waste. The producer (importer) can recycle this waste by himself, can hire an external recycling company, or can pay an environmental fee to the state.

At the end of 2014, in the midst of the financial crisis, Federal law No. 458 was adopted and the government planned to collect about 30 billion roubles from producers and importers via the environmental fee.

Only the active position of the whole business community and business associations,

<sup>1</sup> Federal law No. 458, dated 29/12/2014

<sup>2</sup> Federal law No. 219, dated 21/07/2014



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Реклама



including the AEB, has led to the introduction by the Russian Government of a moratorium on the full implementation of this law.

In the end the new regulation went the usual way – producing a lot of ambiguity and uncertainty in implementation.

Top officials from the Russian Ministry of Natural Resources and Environment and from Rosprirodnadzor unofficially announced 2016 as a pilot one with no fines or risks entailed by businesses for mistakes made or even for not submitting a declaration and reporting. But this promise was broken by the local branch of Rosprirodnadzor in the Central Federal District. This branch of Rosprirodnadzor imposed a fine on a big international company for not filing the appropriate declaration for the year 2015.

Those who risk the self-recycling option may encounter that its reporting

on self-recycling is not accepted. In the best case scenario it could be followed up by a discussion with the authorities about what part of the reporting can be accepted.

### **Environmental categories of the enterprises**

The introduction of the classification of the enterprises (objects) based on their environmental impact was a positive sign. In Russian and Soviet history all the requirements of environmental legislation have been imposed on any company regardless of its size, industry, level of impact, and so on.

The new classification divides all objects into 4 categories – from the most environmentally harmful (category I) to almost not harmful at all (category IV).

Contrary to that the introduced criteria mean that small plants can be assigned to category I and big logistical complexes can be assigned to category IV.

When assigned to category I, a plant needs to arrange constant monitoring of emissions into the air and water, obtain a complex environmental permit, and so on. Assigning category I to the enterprise adds a substantial burden that can be unbearable to the many average size companies that find themselves in this category. Here we see again that an initially good idea turns out to be a problem for business during its implementation.

We think that now is a good time for the business community to choose its position and take steps regarding the implementation of such environmental legislation. Either companies will continue to pay any fine they receive from the environmental authorities, or they will consolidate and work systematically and professionally in order to set clear rules in respect of the implementation of environmental legislation. And then business will be able to truly be in compliance with Russian environmental regulation. |

# Extended environmental liability of importers and manufacturers of goods and packages – questionable and outstanding issues



## VALERY BELOV

Legal Consultant, LLC IKEA DOM,  
Senior Lector of Moscow University  
of Finance and Law

The year 2016 has come to an end. Now importers and manufacturers of goods and packages have very little time before 01.04.2017 to properly document and submit to the respective state authority the following documents:

- declaration of the quantity of goods released into circulation in the Russian Federation in the previous year, and the quantity of consumer packages used to manufacture the goods (hereinafter referred to as the Declaration);
- reports on meeting goods recycling normative targets, including packages that are subject to recycling after losing their consumer properties (hereinafter referred to as the Reports).

Given that a large number of non-profit organisations (associations and unions) have not created (or tested) a fully functioning infrastructure to collect, transport and utilize goods and packages, and the competent bodies have not adopted the decision to select respective regional operators, it appears that a vast majority of business entities will have to pay an environmental charge by 15.04.2017 and submit a respective calculation together with a docu-

ment confirming the payment to a competent authority.

At the same time, there are ongoing debates and working meetings with authorities concerning the issue of extended liability of manufacturers and importers of goods and packages that are subject to recycling after losing their consumer properties. However, in spite of the rather frequent and long meetings and limited timeframe before the H-hour, a fair number of uncertainties still remain, namely:

I. It is expected that in the very near future the bylaws concerning the following issues will be considerably reformed and revised:

- 1) Declaration, Reports submission procedure.

### Meaning of reforms:

In case of the radical revision of the Declaration and Reports submission procedure, in particular, as relates to revising the time in which the

Declaration and Reports must be submitted by connecting it to the release of the respective goods and packages for circulation in the Russian Federation, manufacturers and importers may face the situation in which they have to ensure mutual correlation between the customs and production documents and shipping documents justifying the transfer of goods from one entity to another so as to fulfill the respective civil law transactions.

- 2) Target recycling quantities that must be reached by manufacturers and importers of goods and packages.

#### **Meaning of reforms:**

Changing target recycling quantities, including increasing them upon the expiry of the calendar report period, will instantly mean that a faithful manufacturer and importer of goods and packages subject to recycling after losing their consumer properties, which has met the previously established targets, will be completely incapable of achieving the new ones, because otherwise it will have to backdate respective documents confirming it has achieved the recycling targets, which is not a legitimate thing to do.

In the meantime, it should be noted that up until now, the drafts of the above-mentioned documents are only being discussed during the aforementioned meetings and have not been placed on the official site: Federal portal of legislative and regulatory drafts.

- 3) List of goods and packages subject to recycling after losing their consumer properties.

#### **Meaning of reforms:**

Based on information placed on the official site: "Federal portal of legislative and regulatory drafts", it is suggested that the list of goods and packages subject to recycling after losing their consumer properties has been changed by increasing the groups of goods and packages that must be utilized, i.e. from thirty six (36) groups approved by Resolution No. 1886-r of the RF Government dated 24.09.2015, to forty two (42). Consequently, the increase in the number of groups of goods and packages

There is no official information on the list of documents confirming the export of goods from the Russian Federation.

subject to recycling after losing their consumer properties will result in an additional burden on manufacturers and importers as concerns both the collection of data and submission of the Declaration and Reports, and execution of calculations and payments.

- II. There is no single, centralised understanding among business entities as to who is subject to extended liability. For example, will public catering organisations using plastic and paper tableware (cups, plates, etc.) to pack the food products they produce (hamburgers, coffee, carbonated drinks, etc.) bear the extended environmental liability?

Public attention has spiked and many discussions have been held on the question: "Are public catering businesses indeed manufacturers of goods whose packages are subject to recycling?" since a court judgment entered into force according to which a well-known public catering company was fined for their failure to submit the Declaration and Reports.

Should such practice be given a further, wider application; all public catering organizations, in spite of the fact that their activities (codes of the Russian National Classifier of Economic Activities OKVED) do not include the production (since they, as a rule, operate with semi-products), will bear the extended liability from the environmental viewpoint alongside manufacturers and importers of goods and packages subject to recycling after losing their consumer properties.

Apparently, the said court judgement is nothing more than just an exception to the general rule, since such an interpretation essentially broadens the circle of persons/entities who bear the extended environmental liability as stipulated in the Federal law "On consumer waste". However, such a broadening seems to be acceptable only through the adoption of a respective federal law that would change the list of persons/entities bearing the type of liability in question.

- III. There is no clarity from the competent state authority among businesses about the question: "What documents can confirm that the respective recycling targets have been achieved?"





Currently, there is a single, recommended form of the document confirming the achievement of the targets by manufacturers and importers. This is the recycling act. However, this document is just one of the possible options. This conclusion is drawn from the fact that based on the strict interpretation of clause 5, Article 24.2 of the Federal law "On consumer waste". Nevertheless, given that this document will affect the size of the environmental fee, we assume that this may be legally enforced rather ambiguously.

Moreover, one cannot help but draw attention to the fact that at present, there is no official information on the list of documents confirming the export of goods from the Russian Federation in the context of the extended environmental liability of the manufacturer and importer. In the meantime, this is a key moment as far as determining the size of the environmental fee is concerned, because it is not subject to payment in respect of goods subject to recycling but exported from the Russian Federation.

Finally, it should be noted that this article features only some standout and disputable issues. However, in spite of all the debates and controversies between the authorities and business representatives, as in the papers, the aim to establish and legislatively secure extended environmental liability of manufacturers and importers of goods and packages has an extremely positive focus – to protect our environment against the negative impact of humans actions\*.

\* Full version of the article on Russian was printed in magazine Environmental Bulletin of Russia - 2017 - No.3 - pp 12-15.

# Finding security talent for multinationals: practical experience, salary surveys and potential pitfalls



**DMITRY BUDANOV**  
CEO, Elite Security

Headhunting was never my main business activity. However, after 25 years of professional networking, both for clients (in large Western multinationals) and as a security service provider hiring for leadership roles, this has provided me with the unique opportunity to meet and interact with many people engaged in different areas of commercial safety and security. A major part of this has been through my leadership of the Russian chapter of the ASIS (American Society of Industrial Security) alongside other non-profit professional organisations.

As a result, clients and recruiters frequently refer to me for assistance or advice when hiring for security roles. This ranges from hires of specialists engaged on-site at industrial and production facilities all the way through to regional security directors. This naturally relates to engagements at foreign companies in Russia and developed countries in the CIS.

Below I have tried to give an overview, in no order of importance, of some of my observations and practical experience in this rapidly maturing sector.

Firstly, it is vital to note that in the former Soviet space there are no recruiting agencies specialised in commercial safety and security recruitment. Worldwide only 3 to 5 companies specialise exclusively in private sector security recruitment. None of these organisations have formal representation in the Russian Federation.

Positions are relatively specific by nature. Considering the standard background of usual candidates, alongside the demands and expectations of potential employers, and the socio-economic, cultural and historical specifics of the former Soviet Union, which indelibly cast a shadow over industrial

and commercial security, searches are often engaged using criteria that are not always relevant or applicable. It is worth mentioning that based on my observation of requests that frequently arrive from recruiters and potential employers, there is no clear understanding of the criteria required to make security management hires.

This, in turn, often leads to candidates quickly reaching their professional ceiling at their new places of work. Either they remain in these new positions for life, or alternatively, quickly begin to look for new challenges and opportunities. In both circumstances, the employees are not adequately motivated, and as a result new risks are created for their employer alongside additional costs.

Here in Russia, we do not have any organisations actively aiding and training professionals working in the public sector to enable them to adapt to employment in the corporate sector. In a number of developed countries, government and big business have made this a priority: upon leaving service (early/at the end of their contracts in the armed forces or law enforcement), state sector employees are given the opportunity to obtain additional

qualifications to develop the skills required to move into business. In Russia, the market for good to high quality specialists leaving the public sector is quite large. However, there are relatively limited opportunities to hire staff with the specific capabilities required to work in the private sector.

The work of security managers in multinational companies can significantly differ from the day to day work of their counterparts in Russian companies: they employ very different approaches to security, employ different methodologies and operational capabilities (Russian security teams are only now beginning to implement basic compliance) and their management/business owners have fundamentally different expectations in respect of their work (in Russia business priorities are focused on "smoothing out issues" and "problem solving") amongst other factors.

As a rule even recruiting for Russian companies is done the old-fashioned way; through personal connections and private recommendations, and very rarely through external professional agencies.

There is one more key difference in hiring security managers between international and Russian companies. This is that in most occasions candidates must have a solid knowledge of a foreign language, in most cases English. There are no more than 200 to

300 security managers who can potentially satisfy this requirement for multinationals on the Russian market, and the number of security managers who do not have experience in the public sector (law enforcement/military service) is less than 10%.

There is an unspoken requirement regarding the age of candidates, with preference given to individuals between 35 and 45. This naturally places significant limits on the potential pool of candidates. However, it is worth considering that specialists with law enforcement and military backgrounds usually serve until this age by default (leaving on completion of their contract), and furthermore, they gain experience up to this point. Between 45 and 50, and occasionally with older candidates, there is still the capacity to adapt to new working conditions and practices, with the view to further career development.

Filling a security manager position in an international company takes, on average, 4 to 6 months (from the start of the process to the first working day of the candidate). It is extremely rare that this closing cycle is completed faster. However, this is often due to excessive bureaucracy.

It is clear from that through inertia and habit, the majority of international employers are not willing to consider candidates without law enforcement or military experience. While this professional experience naturally can be considered a plus, its absence should not dictate a refusal to hire if all of the other employer's requirements are fulfilled by the candidate. I know a range of individuals in Russia who have made high flying careers in corporate security without experience in state organs.





In an environment where cost-cutting has become a widespread trend, major international companies are willing to consider outsourcing security managers. This is usually done through external companies specialising in security.

I am regularly asked what salary ranges are standard for security managers (with foreign language skills) working in the private sector in international companies. Based on our private salary surveys and experience in filling roles, we have made the following conclusions (the figures provided below should be considered averages with the application of net/gross income):

- Security specialist (office/facility level): RUB 80–150 thousand per month.
- Security manager (territorial/division/business segment): RUB 150–250 thousand per month.
- Security manager (country level): RUB 200–350 thousand per month.
- Regional security director: RUB 350 – 700 thousand per month.

In addition to this, a quarterly and yearly bonus can be expected, alongside compensation for transport, medical insurance, pension allowances, mobile phone payments, etc.

Managerial positions in international companies are based in Moscow in

the majority of cases. However, exceptions to this rule are retailers, oil and gas companies alongside production companies, where there are closer ties to company facilities and sites.

In comparison with other corporate functions, unfortunately, regional Russia generates relatively few new candidates for security roles. However, there are some genuinely talented candidates. Employers are rarely willing to pay for the relocation of an employee from the regions to a central hub. In this regard, all country level and regional (Russia and CIS) positions are in Moscow.

On a global level, and especially in Russia, security is one of the least diverse employment sectors in terms of gender, background and age. There is an extremely low number of women in the industry and the vast majority of employees are middle-aged men with experience in state security organisations.

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Clearly, in this short article it is not possible to outline all the details and specifics related to security recruitment. Nevertheless, the Russian security market is developing fast. The qualifications and requirements for personnel are changing, as are their functions, which are broadening in line with the increasing maturity of the commercial security sector. More and more companies, both Russian and international are hiring security managers, and in the next 10 to 15 years we will witness more significant changes in the employment market in this sector. |



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# AEB News

## AEB has been included into the List of industrial unions and associations, interacting with the Ministry of Agriculture of the Russian Federation

In December 2016, the AEB was informed about its inclusion into the List of industrial unions and associations, interacting with the Ministry of Agriculture of the Russian Federation. This issue was discussed on 19 November 2016 during the negotiations between Frank Schauff, AEB CEO, and Arkady Dvorkovich, Deputy Prime Minister, at the Second World Grain Forum held in Sochi. Inclusion of the AEB in the List will facilitate more effective interaction of its Committees working in agrarian sphere with the Ministry of Agriculture.

The Ministry of Agriculture of the Russian Federation is a federal executive authority responsible for elabo-

rating state agrarian policy and regulating agricultural sphere, including animal breeding, veterinary, handling of pharmaceuticals for veterinary use, plant growing, plant quarantine, soil reclamation, soil fertility, regulation of agricultural market, food and processing industry, tobacco production and turnover, wine production, sustainable development of the rural areas, and safe handling of pesticides and agrochemicals. The Ministry is also the federal executive authority responsible for selection achievements. The Minister of Agriculture is Aleksander Tkachev.

## Establishment of a Working group on e-commerce

On 11 January 2017, the Board of the Association of European Businesses (AEB) approved the establishment of a Working group on e-commerce under the umbrella of the Retail Trade Committee. The Working group is open for AEB members who have a substantial business share in e-commerce. The purpose for establishing of the Working group on e-commerce is to:

- bring together and represent the common interests of companies operating in the business model of e-commerce, including cross-border e-commerce;
- contribute to the improvement of regulatory framework through governmental liaison and advocacy activities;
- promote international standards and best practices of e-commerce, including cross-border e-commerce.

If you are interested in joining the Working group, please contact Saida Makhmudova, Retail Trade Committee Coordinator at [saida.makhmudova@aebrus.ru](mailto:saida.makhmudova@aebrus.ru).



L-R: **Dmitry Cheltsov**, Chairman of the AEB Customs & Transport Committee, IRU General Delegate to Eurasia; **Maksim Sokolov**, Minister of Transport of the Russian Federation

## Dmitry Cheltsov, Chairman of the AEB Customs & Transport Committee, IRU General Delegate to Eurasia, has been awarded the "Honoured Transport Worker of the Commonwealth of Independent States (CIS)" medal

Maksim Sokolov, Minister of Transport of the Russian Federation, awarded Dmitry Cheltsov, Chairman of the AEB Customs & Transport Committee, IRU General Delegate to Eurasia, the "Honoured Transport Worker of the Commonwealth of Independent States (CIS)" medal.

This distinguished international award was presented in recognition of his meaningful contribution to strengthening and expanding cooperation in transport across the CIS member states and for championing the role of transport in the economy and society.

The medal was presented last December in Moscow, at the 36th meeting of the Coordination Transport Council (CTC) of the CIS member states.



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## Business Mission to Ekaterinburg

On 8–9 December 2016, during the business mission to Ekaterinburg Frank Schauff, AEB CEO, and AEB member companies took part in several events coorganised with the government of the Sverdlovsk region and Development Corporation of the Middle Urals.

The AEB delegation participated in the business lunch with the high-profile regional authorities, held several B2B meetings with local businesses during the forum and met Alexey Orlov, First Deputy Governor of the Sverdlovsk region.

The AEB was a coorganiser and main partner of the Investor Talks event, a meeting of foreign businesses in the Urals with more than 100 participants, where Frank Schauff greeted the audience with a welcome speech and Mikhail Akim, Chairman of the AEB Working Group on Modernisation & Innovations, Vice-President, ABB Russia moderated one of the key sessions.



Frank Schauff, AEB CEO



Frank Schauff, AEB CEO, congratulating the RSPP

## RSPP Anniversary

On 19 December 2016, the Russian Union of Industrialists and Entrepreneurs (RSPP) held a commemorative event in honour of its 25th Anniversary.

During the event Frank Schauff, AEB CEO, on behalf of the Association of European Businesses congratulated the RSPP and presented an honorary diploma to its President Alexander Shokhin. He also underlined excellent relations and the fruitful cooperation between the AEB and RSPP over the years and wished the

best of successes for the next 25 years ahead.

Other keynote statements were made by Valentina Matviyenko, Chairperson of the Council of the Federation of the Federal Assembly of the Russian Federation, Elvira Nabiullina, the Governor, Bank of Russia, Igor Shuvalov, First Deputy Prime Minister of the Russian Federation, Olga Golodets, Deputy Prime Minister, Sergey Lavrov, Minister of Foreign Affairs of the Russian Federation, Denis Manturov, Minister of Industry and Trade of the Russian Federation, Anton Siluanov, Minister of Finance of the Russian Federation, Maksim Oreshkin, Minister of Economic Development of the Russian Federation, and others.

The RSPP was established in June 1990 as a non-political organisation to protect the interests of industry at the time of fast and large-scale transformations in the state politics and economy. The RSPP represents the interests of all Russian businesses irrespective of size, sector or regional location of companies.

## AEB holds a Breakfast for New Members

On 20 January 2017, the AEB held its Breakfast for New Members, which takes place every few months at the AEB premises. On this day, the companies who recently joined the AEB were given the opportunity to get a first-hand look at the work of the most active business association in Russia and to meet representatives of other companies. The session was opened with welcoming speeches by Dr. Thomas Staertzel, Chairman of the AEB Board, and Frank Schauff, AEB CEO.

Over the course of the event, the AEB member companies asked questions and raised major issues of concern before representatives of the AEB staff. During the networking session, the companies used the opportunity to explore potential avenues for cooperation.



Participants of the event



## Strategy Meeting 2017

On 26 January 2017, the AEB held its Strategy Meeting where Board Members, CNR representatives, Committee Chairpersons, guests of honour, AEB CEO and the staff met at the AEB premises to discuss the results of 2016 and define the committees' main targets and initiatives for 2017.

Dr. Thomas Staertzel, Chairman of the AEB Board, made a review of the AEB Strategic Development and perspectives for the future. Sven-Olov Carlsson, Deputy Head of the EU Delegation to Russia, Alexander Liberov, First Deputy Chairman of the AEB Board, Philippe Pegorier, Chairman of the AEB Machine Building & Engineering Committee, and Filippo Baldisserotto, Chairman of the AEB Real Estate Committee, also participated in the podium discussion.

Frank Schauff, AEB CEO, made short introductory remarks on cooperation between Russia and the Eurasian Economic Union. Stuart Lawson, Chairman of the AEB Finance & Investments Committee, delivered welcoming remarks on Russia's WTO membership.



Participants of the meeting

Cesare Biggiogera, Member of AEB Board, presented AEB Communication Strategy and Gerald Sakuler, AEB Treasurer, spoke about AEB financial stability in challenging times. Olga Bantsekina, Deputy Chairperson of AEB Board, summarised the discussion results.



## Briefing by Jasques Sapir, Director of Studies, High School of Social Studies (EHESS)

On 9 February 2017, the AEB met with eminent French economist and Member of Russian Academy of Science, Jasques Sapir, Director of Studies, EHESS. He is also a theoretician of economic science noted for his heterodox positions on many issues. The briefing was titled "Will Growth Return to Russia in 2017?"

The event was co-chaired by Philippe Pegorier, AEB Board Member, President, Alstom, and Frank Schauff, AEB CEO.

The Questions & Answers session established a lively discussion on issues of fundamental importance for the business community.

Jasques Sapir, Director of Studies, EHESS

## Briefing by the Head of the Federal Service for Intellectual Property (Rospatent) Grigory Ivliev

On 10 February 2017, the AEB held a Briefing by Grigory Ivliev, Head of the Federal Service for Intellectual Property, (Rospatent) titled "Federal Service for Intellectual Property: current practice and prospective".

The meeting was organised by the AEB Intellectual Property Committee and was moderated by Frank Schauff, AEB CEO, and Anton Bankovskiy, Chairman of the AEB Intellectual Committee.

The meeting discussed the following issues: main directions of the governmental policy in the area of intellectual property in 2017 and the role of Rospatent in this process; plans of Rospatent to expand the list and methods of providing public services with the use of the Internet; recent initiatives of the Agency on the procedure of opposition, the institutes of preliminary application and licensing of applications. Topics of mutual interests and future cooperation were also discussed.



L-R: Anton Bankovskiy, Chairman of the AEB Intellectual Property Committee; Grigory Ivliev, Head of the Federal Service for Intellectual Property; Frank Schauff, AEB CEO

## AEB Winter Cocktail 2017

On 13 February, the AEB held its annual Winter Cocktail. Dr. Thomas Staertzel, Chairman of the AEB Board, PORSCHE RUSSLAND/Porsche Centre Moscow, addressed the audience with a welcome speech.

The participants enjoyed the atmosphere of the historical XVIII century's mansion of vodka merchant's Petr Smirnov, the so-called "Smirnov House". The guests were also invited to a guided tour of the mansion.



L-R: **Dr. Thomas Staertzel**, Chairman of the AEB Board, PORSCHE RUSSLAND/Porsche Centre Moscow; **Frank Schauff**, AEB CEO



Participants of the event



L-R: **Ruslan Grinberg**, Director, Institute of Economy, Russian Academy of Sciences; **Guennady Melikyan**, Member of Supervisory Board, Sberbank; **Igor Yurgens**, President of All-Russian Insurance Association and President of Russian Association of Motor Insurers; **Oksana Panchenko**, Board Member, Head of Corporate Banking & Corporate Finance Directorate, RaiffeisenBank AO; **Frank Schauff**, AEB CEO.

## Talks on the Russian Economy. Russian Economy: Forecasts for 2017

On 16 February, the AEB held its 4th round of "Talks on the Russian Economy" dedicated to 2017 forecasts.

Among the invited speakers were Igor Yurgens, President of All-Russian Insurance Association and President of Russian Association of Motor Insurers; Guennady Melikyan, Member of Supervisory Board, Sberbank; Ruslan Grinberg, Director, Institute of Economy, Russian Academy of Sciences.

The experts shared their views on the prospects of the Russian economy in the year of 2017.

The event was moderated by Oksana Panchenko, Board Member, Head of Corporate Banking & Corporate Finance Directorate, RaiffeisenBank AO, and Frank Schauff, AEB CEO.

The presentations are available upon request.





## AEB Business Mission to Germany

On 20-22 February 2017, a joint delegation of the Eurasian Economic Commission (EEC) and the Association of European Businesses (AEB) headed by Mukaj Kadyrkulov, Minister of Customs Cooperation, EEC Board, and Frank Schauff, AEB CEO, held a business mission to Germany.

The delegation visited DHL Hub in Leipzig and held a number of meetings with transport operators in order to learn about express shipment operational processes and the latest technologies, and to gain a better understanding of logistics and transport procedures, as well as regulations and customs processing simplifications for express-carriers in Germany.

L-R: **Graham Crawford**, Customs and Regulatory Affairs Manager, DHL Hub Leipzig; **Vladimir Kabakov**, Head of Customs Payments, Customs Value and Country of Origin Unit Department of Customs Legislation and Law Enforcement Practice, EEC; **Frank Schauff**, AEB CEO; **Mukaj Kadyrkulov**, Member of the Board, Minister of Customs Cooperation, EEC; **Thomas Johnson**, Customs Field Support Manager, DHL Express Europe; **Elio Curti**, Vice President Customs Operations, DHL Express Europe; **Oksana Shpitalnikova**, Customs & Gateways Manager, DHL Express Russia; **Dmitry Cheltsov**, General Delegate to the IRU Permanent Delegation to Eurasia, AEB Customs and Transport Committee Chairman.

## The AEB participates in XVI Russian Investment Forum "Sochi-2017"

On 27 February, the XVI Russian Investment Forum "Sochi-2017" was opened.

Frank Schauff, AEB CEO, spoke at the session "Society and power: joint work on a regional agenda," and talked about the work of the AEB in the regions.

Philippe Pegorier, AEB Board member, spoke at the sessions "Industrial clusters: regional aspect" and "Eurasian Economic Union: single market — new rules for the investor?"

At the Krasnodar Krai stand a series of Round Tables and other events were held. In particular, Frank Schauff met with Evgeny Pervyshov, the Mayor of Krasnodar. They discussed areas and prospects for further cooperation and outlined plans for joint work. Also, Frank Schauff held meetings with representatives of other Russian regions at the Forum.



L-R: **Oleg Zharko**, Chair of the AEB Southern Regional Committee, **Frank Schauff**, AEB CEO, **Evgeny Pervyshov**, the Mayor of Krasnodar; **Vladislav Stavitskiy**, Deputy Head of Municipal Structure of Krasnodar.



**Igor Artemiev**, Head of the Federal Antimonopoly Service

## Briefing by the Head of the Federal Antimonopoly Service Igor Artemiev

On 6 March, the AEB hosted a briefing by the Head of the Federal Antimonopoly Service Igor Artemiev entitled "Federal Antimonopoly Service: current practice and prospective".

The event was co-chaired by Frank Schauff, AEB CEO and Alexander Kozhukhov, Chairman of the AEB Legal Committee.

Igor Artemiev answered a number of questions of importance for AEB member companies. As usual, these questions touched on important topics regarding the regulation of the pharmaceutical and medical device industries. In his speech, Igor Artemiev pointed out that the principle of the limitation of access to state

procurement for foreign producers should be abolished, and instead preferences for local producers should be introduced. Other issues covered by Mr. Artemiev's answers included: state procurement according to FL-223, retail, oil and gas industries, regulation of the construction and building materials industry, insurance market, unfair competition and compulsory licensing, localisation and import-substitution, environmental regulations, and so on.

The Association of European Businesses highly appreciates the fact that Mr. Artemiev always finds time in his busy schedule to attend regular meetings with representatives of European companies in Russia.

# AEB COMMITTEE UPDATES

## Automobile Manufacturers Committee



**Joerg Schreiber**, Chairman of the AEB Automobile Manufacturers Committee, Mazda Motor Rus

On 12 January 2017, the Automobile Manufacturers Committee of the Association of European Businesses held its X Annual Press Conference "REVIEW 2016".

The event took place at Hotel Intercontinental Moscow Tverskaya.

Main speakers at the Conference were Frank Schauff, AEB CEO, and Joerg Schreiber, Chairman of the AEB AMC Committee, Mazda Motor Rus LLC. At the Press Conference, the sales results of the Russian automotive market in 2016 and prospects for 2017 were presented.

In December 2016, sales of new cars and light commercial vehicles in Russia decreased by 1% compared with December 2015 or by 1,526 sold units, and amounted to 145,668 cars, according to the AEB Automobile Manufacturers Committee (AEB AMC).

In 2016, new car and LCV sales declined by 11 % or 176,319 units in comparison with the same period of the previous year. Totally, 1,425,791 cars have been sold.

The AMC Chairman, Joerg Schreiber announced market results in 2016 and AMC forecast for 2017: "A nearly bal-

anced year-on-year performance in December concludes a similarly balanced 4th quarter (-0.9% respectively vs. the same period last year). After the double-digit losses in the first 9 months of the year, this is a good progress. The market as a whole is still lacking positive momentum, but apparently is in process of finally establishing its bottom. Full year sales of passenger cars and light & medium commercials in 2016 reached 1.42 million units, 11% below the 2015 result of 1.60 million. In 2017, the AEB believes the market has the potential to end a 4-year period of decline and to return to moderate growth. Total market sales are expected at a level of 1.48 million units, or 4% above 2016 result".

At the Press Conference the main issues on the AMC Agenda were featured. CEOs and representatives of major automotive companies participated in the Press Conference. The representatives of leading mass media were present and showed huge interest in the event. A series of individual interviews with the speakers and individual brands' representatives were organised after the event.



## Banking Committee

On 26 January 2017, the AEB Banking Committee met representatives of the Central Bank (Banking Supervision Department), to discuss comments and proposals to the draft legal acts on banking (customs and tax) guarantees, namely: the draft Order of the Ministry of Finance "On establishment of a maximum amount of one bank guarantee and a maximum total amount of all concurrent bank guarantees issued by one bank or one other credit

institution for acceptance of bank guarantees by customs authorities in order to ensure payment of customs duties and taxes" and the draft Order of the Government "On establishment of a maximum amount of one bank guarantee and a maximum total amount of all concurrent bank guarantees issued by one bank for acceptance of bank guarantees by tax authorities in order to ensure payment of taxes".

## Compliance and Ethics Committee



L-R: **Anton Subbot**, AEB Compliance and Ethics Committee Chairman, Partner, Baker & McKenzie; **Arina Sergievskaya**, Head of Compliance, Daimler Kamaz Rus; **Elena Zheltovskaya**, Compliance Director, Astra Zeneca Russia; **Elena Barsukova**, Manager Compliance RU, UA and KZ, Philip Morris Izhora.

On 28 February 2017, the AEB held a session as part of the VI Annual ICA (International Compliance Association) conference "Compliance management systems: accordance confirming".

The session was organised by the AEB Compliance and Ethics Committee and chaired by its Chairman Anton Subbot, Partner, Baker & McKenzie. The session was dedicated to the topic of "Risk assessment for purposes of building up a compliance system in the company: European experience in the Russian market".

Participants were Elena Zheltovskaya, Compliance Director, Astra Zeneca Russia; Elena Barsukova, Manager Compliance RU, UA and KZ, Philip Morris Izhora; Julia Glubokaya, Deputy Compliance

Director, Vypelcom; Nadezhda Kozyreva, Director, Compliance & Controls, Deutsche Bank Russia, and Arina Sergievskaya, Head of Compliance, Daimler Kamaz Rus. They shared experiences and discussed challenges in the process of building compliance systems.

This year, the AEB is also a partner of the ICA Compliance Prize 2016. We are pleased to announce that the AEB Compliance & Ethics Committee's member Alexey Muntyan, Personal Data Protection & IT Security Officer, DHL Express Russia, was awarded ICA Compliance Prize 2016 for his personal contribution to the promotion of compliance in the field of personal data protection.

## Crop Protection & Seed Committees



L-R: **Anton Basov**, Country Manager, DuPont Science&Technologies; **Andrey Voropay**, Head of Corn & Oil Crops East Europe, Limagrain; **Vladimir Druzhina**, Chairman of the AEB Seed Committee, Head of Corn & Oil Crops East Europe, KWS; **Alexander Berkovskiy**, Chairman of the AEB Crop Protection Committee, Head CIS, Syngenta; **Yves Picquet**, Deputy Chairman of the AEB Crop Protection Committee; **Sofia Treus**, Managing Director, Kleffmann Group; **Svetlana Kuskova**, AEB Press Secretary.

On 21 December 2016, the AEB Seed and Crop Protection Committees held a joint Press Conference. The event was attended by federal and specialised media.

Sofia Treus, Managing Director, Kleffmann Group, opened the event with the overview of the seed and crop protection market of 2016.

The key speakers were the Heads of R&D companies or corresponding divisions for multibusinesses: Alexander Berkovskiy, Chairman of the AEB Crop Protection Committee, Head CIS, Syngenta; Vladimir Druzhina, Chairman of the AEB Seed Committee, Head of Corn & Oil Crops East Europe, KWS; Yves Picquet, Deputy Chairman of the AEB

Crop Protection Committee, Country Division Head Crop Science, Russia and CIS, Bayer; Andrey Voropay, Head of Corn & Oil Crops East Europe, Limagrain; Anton Basov, Country Manager, DuPont Science&Technologies.

Their presentations focused the main attention on innovative technologies and investment projects, as well as technology and product stewardship, that companies provide to their clients – Russian farmers (education and information programmes, field days, days of agrotechnologies, etc.).

The event was moderated by Svetlana Kuskova, AEB Press Secretary.

## Energy Efficiency & Real Estate Committees



Participants of the event

On 1 December 2016, the AEB Energy Efficiency and Real Estate Committees held a Round Table entitled "Sustainable Office – Comfort & Energy Efficiency". The event was moderated by Bashir Chalabi, Chairman of the AEB Energy Efficiency Committee, PBN Hill+Knowlton Strategies, and Andrey Golovin, General Director, ESYLUX RU. The key issues of the discussion were office market overview, role of an architect in office design, project management in office fit out – technical consultant's role, solutions and expertise in the sustainable construction of buildings and offices, sustainable office, experience from tenants and landlord and perfect climate, energy saving, biological effective lightening solutions.

**Finance & Investments Committee**



L-R: **Mikhail Matovnikov**, Senior Managing Director/Chief Analyst, Sberbank; **Gabriel Di Bella**, International Monetary Fund Resident Representative in the Russian Federation; **Chris Weafer**, Senior Partner, Macro-Advisory Ltd.; **Stuart Lawson**, Chairman of the AEB Finance & Investments Committee, EY; Frank Schauff, AEB CEO.

On 31 January 2017, the AEB Finance & Investments Committee held the open event "Promises and pitfalls of the year ahead".

The event gave the audience an opportunity to hear updates and thoughts of the well-known experts regarding development of the Russian economy and investment climate. Among the speakers were Chris Weafer, Senior Partner, Macro-Advisory Ltd.; Gabriel Di Bella, International Monetary Fund Resident Representative in

the Russian Federation; and Mikhail Matovnikov, Senior Managing Director – Chief Analyst, Sberbank. The event was moderated by Stuart Lawson, Chairman of the AEB Finance & Investments Committee, EY. The welcome speech was made by Frank Schauff, AEB CEO. During the event, the participants discussed forecasts for the Russian economy, productivity, investments, sanctions, structure of the Russian economy, oil production, rouble rate, etc.

**Health and Pharmaceuticals Committee**

On 22 February 2017, the Committee Chairman Yury Litvishchenko, CEO, Chiesi Pharmaceuticals, took part in the business breakfast with the President of Russia's Chamber of Commerce and Industry (TPP) and pharmaceutical industry leaders organised by RBC Conference.

The event was aimed at strengthening cooperation between representatives of the pharmaceutical industry, one of the fastest growing sectors in the Russian Federation, and the public authorities. Yury Litvishchenko spoke about the work of European investors on localisation in the Russian Federation and raised the issue of the protection of intellectual rights in Russia.

**Yury Litvishchenko**, Chairman of the Health and Pharmaceuticals Committee, CEO, Chiesi Pharmaceuticals





## Hotels & Tourism Working Group

On 7 February 2017, the Working Group (AEB H&T WG) organised a meeting with the Moscow Department for Sport and Tourism at Hotel Metropol Moscow. Close cooperation between the AEB H&T WG and the Moscow Government in respect of the Confederations Cup and FIFA World Cup 2018 was discussed at the meeting. Hotel representatives shared their practical experience on preparatory and organisational issues with regards to World Cup matches. The Moscow Department for Sport and Tourism informed the hotels about the security checks which will be organised by the authorised organisations (MVD, FSB) in 2017 prior to FIFA World Cup 2018. The AEB H&T WG meeting participants expressed their interest in participating in the exhibitions organised by the Moscow Government abroad. In order to continue the constructive dialogue Nikolay Gulyaev, Head of the Moscow Department for Sport and Tourism, proposed that such meetings be held on a regular basis.



L-R: **Armin Eberhard**, Chairman of the AEB Hotels & Tourism Working Group, General Manager, Renaissance Monarch Centre Moscow; **Nikolay Gulyaev**, Head of the Moscow Department for Sport and Tourism; **Dominique Nicolas Godat**, General Manager, HOTEL METROPOL Moscow.

## HR Committee



On 12 December 2016, the AEB HR Committee held its business meeting “Overview of Salary Surveys in Russia” organised by the AEB Compensations & Benefits Subcommittee. The participants discussed main trends and future outlook of Russia’s salary market based on salary surveys results provided by EY, PwC and Korn Ferry Hay-Group. Ekaterina Ukhova, Partner, EY, moderated the event.

L-R: **Olga Krivospitskaya**, Head of Research Centre, Korn Ferry Hay Group; **Darina Sokolova**, Senior Consultant, EY; **Ekaterina Ukhova**, Partner, EY; **Frank Schauff**, AEB CEO.



## Insurance & Pensions Committee

On 20 December 2016, the AEB Insurance & Pensions Committee held a business meeting titled "Pension system of Russia: looking into the future".

The event on pensions was organised by the Committee for the fourth time. It was opened and moderated by Alexander Lorenz, Chairman of the AEB Insurance & Pensions Committee. Ruslan Kokarev, AEB COO, delivered welcoming remarks. The event gave the audience an update on the pension reform and market, as well as overview of corporate pension programmes and solutions. It also provided a platform for exchange of ideas and experiences and for networking.

Among the speakers were Sergey Belyakov, Association of Non-State Pension Funds (ANPF), Oksana Sinyavskaya, Higher School of Economics, Evgeniy Yakushev, SAFMAR NPF AO, Igor Kobzar, OOO Raiffeisen Capital Asset Management Company, Karina Khudenko, PwC, and Tadzio Schilling, EY.



L-R: **Alexander Lorenz**, Chairman of the AEB Insurance & Pensions Committee; **Ruslan Kokarev**, AEB COO; **Sergey Belyakov**, Association of Non-State Pension Funds (ANPF); **Oksana Sinyavskaya**, Higher School of Economics.

The AEB kindly thanks for its support:



## Machine Building & Engineering Committee



L-R: **Timur Mikhailov**, Head of Project Management Department, Tebodin Eastern Europe B.V.; **Mikhail Turundaev**, Deputy Chairman of the AEB Machine Building & Engineering Committee, Business Development, Schneider Electric; **Andrey Sosnovsky**, VP Solution Execution Centre, CIS, Schneider Electric; **Oleg Shutkin**, General Director, Avelar; **Alexey Gorlatov**, Associate Director, Head of Commercial Practice/Projects, Goltsblat BLP LLP.

On 6 December 2016, the AEB Machine Building & Engineering Committee held its traditional Round Table "Engineering & Project Management: Risks Mitigation" moderated by Mikhail Turundaev, Deputy Chairman of the AEB Machine Building & Engineering Committee, Business Development, Schneider Electric.

With real cases and experts from different industries, the Round Table revealed the most successful factors in project execution, risks mitigation instruments and solutions to anticipate possible risks during design & construction. The lively discussion in a form of questions-answers was one of the important elements of this successful event.

## North-Western Regional Committee

On 14 December 2016, the AEB North-Western Regional Committee (the AEB NWRC) took part in the regular meeting of the Investment Council under the Governor of the Leningrad region, which was held in Tikhvin, the Leningrad region, at the premises of Tikhvin Freight Car Building Plant.

The meeting was devoted to the improvement of the investment climate and project management in the Leningrad region. Andreas Bitzi, Chairman of the AEB North-Western Regional Committee, presented the results of the survey conducted in cooperation with the administration of the Leningrad region among AEB members operating in the region.

The aim of the survey was to assess the level of satisfaction of European investors and AEB members with the investment climate in the Leningrad region, with the work of investor support organisations, and the problems arising during the implementation of investment projects in the region.



Participants of the event

Summing up the results of the survey, which revealed that the majority of investors are satisfied with the investment climate and cooperation with the regional authorities, the AEB NWRC expressed its readiness to continue working with the administration of the Leningrad region, the front-office (AERLO), and other support organisations to further improve the level of participation of AEB members in regulatory assessment process and in the development of regional legislation.



L-R: **Dainius Numgaudis**, Consul General of the Republic of Lithuania; **Anton Rassadin**, Deputy Chairman of the AEB North-Western Regional Committee; **Gabriel Di Bella**, Resident Representative of the International Monetary Fund in the Russian Federation.

On 2 February 2017, the Committee held a briefing with Gabriel Di Bella, Resident Representative of the International Monetary Fund in the Russian Federation, titled "Russia: Recent Economic Development & Outlook".

The event was kindly hosted by the Consulate General of Lithuania in St. Petersburg.

Meetings with high ranking experts from international financial organisations are a long and well established AEB tradition. The event was opened by Dainius Numgaudis, Consul General of the Republic of Lithuania, and was moderated by Anton Rassadin, Deputy Chairman of the AEB North-Western Regional Committee. The briefing was followed by a questions-and-answers session.



**Torsten Erdmann**, Head of Saint Petersburg Branch, "Commerzbank (Eurasija)" AO, Member of the AEB North-Western Regional Steering Committee

On 9 February 2017, the Committee held an open event: "It's all about money: Financial outlook for 2017 – update for successful business".

Leading experts from Commerzbank (Eurasija), Nordea Russia, SEB Russia, Raiffeisen-Leasing and Awara Law briefed on the overall financial situation in Russia with forecasts for the current year, and shared their experience regarding successful financing strategies in Russia, including export financing and localisation financing. The event provided a lively platform for discussion and the exchange of practical experience, opinions, concerns and proposals.

The event was kindly hosted and supported by the Consulate General of Sweden in St. Petersburg.

### PR & Communications Committee

On 6 February 2017, the Committee held its open event "Meet the Media: Meeting with Vedomosti Business Daily".

At the meeting, the Vedomosti media group was represented by Alexander Gubskiy, Deputy Editor-in-Chief, Gleb Prozorov, Publisher, Ekaterina Derbilova, Editor-in-Chief, Vedomosti.ru. The meeting gave the audience an update on editorial and advertising processes at the newspaper and the way it interacts with business. The speakers also provided their viewpoint on Russia's media business and its development in the digital world. The event was moderated by Igor Reichlin, Chairman of the AEB PR & Communications Committee, Managing Partner, Reichlin & Partners LLC.



L-R: **Ekaterina Derbilova**, Editor-in-Chief, Vedomosti.ru; **Gleb Prozorov**, Publisher; **Alexander Gubskiy**, Deputy Editor-in-Chief; **Igor Reichlin**, Chairman of the AEB PR & Communications Committee, Managing Partner, Reichlin & Partners LLC; **Ruslan Kokarev**, AEB COO.

### Product Conformity Assessment Committee



L-R: **Luis Portero**, Head of Economics and Trade Section, EU Delegation to Russia; **Dmitry Patrakov**, Head of Department of international cooperation in the field of technical regulation, The Ministry of Industry and Trade; **Dimitrios Bakolas**, President, European Profiles S.A.; **Han Zuyderwijk**, Project Leader of "Approximation of EU and RF technical regulation and standardisation systems"; **Alexej Soldatow**, Chairman of the AEB Product Conformity Assessment Committee.

On 8 December 2016, Alexej Soldatow, Chairman of the AEB Product Conformity Assessment Committee, took part in the Closing Conference of the EU Project "Approximation of the EU and RF Technical Regulation and

Standardisation Systems". He noted the important role of the Project in approximation of EU and Russia technical regulation and expressed his hope for continuation of this cooperation.



## Real Estate Committee



Participants of the event

On 14 December 2016, the Committee held its regular Networking Event. The event was held at the EY office with participation of all interested AEB members. Guests had drinks, enjoyed appetisers, and had an opportunity to network with real estate and construction professionals. The AEB sincerely thanks EY for hosting the event. The AEB thanks for sponsoring the event:



On 16 December 2016, the AEB Real Estate Committee held its regular open event on real estate and tax update entitled "Taxation of Real Estate: the New Regulation".

The event was opened by Ruslan Kokarev, AEB COO, and moderated by Filippo Baldisserotto, Chairman of the AEB Real Estate Committee, General Director, Stupino 1 Industrial Park. During the event the participants discussed the current changes in tax legislation and the practice of its application in the areas of property tax exemption for energy-efficient buildings and investment tax benefits.



Participants of the event

## Retail Trade Committee



On 7 December 2016, the Committee held a meeting with Andrey Danilenko, Ombudsman for Protection of the Entrepreneurs' Rights in Trade. Andrey Danilenko told about the main issues related to the consumer market: a new reform of regulatory and supervisory bodies, cross-border e-commerce and trade law. The meeting was held with participation of all interested AEB members.

L-R: **Andrey Danilenko**, Ombudsman for Protection of the Entrepreneurs' Rights in Trade; **Alexey Grigoriev**, Chairman of the AEB Retail Trade Committee.

## Seed Committee



On 2 December 2016, a working meeting between the Seed Committee members and Nikolay Dzyubenko, Professor, Director of N.I. Vavilov All-Russian Institute of Plant Genetic Resources, took place in Saint Petersburg. The event was aimed at clarifying legal and storage conditions for reference samples that companies must provide to the Institute according to the new requirements for the seed registration procedure. The participants visited N.I. Vavilov's memorial office and the Institute's storage.

L-R: **Alexander Voichik**, KWS; **Vadim Mokrousov**, Bayer; Georgy Sitnik, Bayer; **Tatiana Pozdeeva**, German Seed Alliance; **Vitaly Pivovarov**, Limagrain; **Tatiana Belousovich**, AEB; **Nikolay Dzyubenko**, N.I. Vavilov All-Russian Institute of Plant Genetic Resources; **Liudmila Kalyakina**, Pioneer Hi-Bred Rus; **Boris Makarov**, N.I. Vavilov All-Russian Institute of Plant Genetic Resources; **Ekaterina Grishunina**, Syngenta



On 9 February 2017, Andrey Tsyganov, Deputy Head of the Federal Antimonopoly Service, met with Frank Schauff, AEB CEO, and representatives of the Seed Committee. The key issue discussed was the dominance of foreign seed breeding for a number of crops in the Russian market.

The participants of the meeting came to the conclusion that a constructive dialogue needs to be held on domestic and foreign seed accounting methodology and quality standards evaluation.

Andrey Tsyganov informed the participants about the development in 2017-2018 of "roadmaps" on the elimination of bureaucratic barriers for certain sectors of the Russian economy, including the agriculture sector, in line with a request by the Government of the Russian Federation. He suggested that the AEB could offer proposals to improve the investment attractiveness of the Russian seed and crop protection market, which might be reflected in the corresponding "roadmap". Both parties agreed to continue the dialogue.

### Southern Regional Committee

On 8 December 2016, the AEB Southern Regional Committee organised the conference entitled "Corporate Social Partnership: Investment in Human Capital" at the conference-hall of Hotel "Platan Yuzhny". The company Philip Morris Kuban was the partner of the conference, the gold sponsor – company Syngenta.

The conference was held in the framework of the programme "Time of Social Investments" implemented jointly by the AEB Southern Regional Committee, the weekly Yug-Times and the Public chamber of the Krasnodar region.

The meeting was attended by heads of leading foreign and Russian business of the Krasnodar region, public and non-profit organisations, representatives of higher education institutions of the Krasnodar region, and mass media. The representatives of companies EY, Bank Center-invest, Gubskiy kirpichny zavod, Danone, Cargill, CLAAS, Knauf, Nestle Kuban, Philip Morris Kuban, and others spoke at the conference.

The conference participants discussed the opportunities, prospects and projects with universities in training highly qualified personnel, working within the framework of joint educational programmes in financial literacy and business training. Considerable attention was paid to the development of personnel and the creation of a unifying corporate culture.

It was decided to continue analysis of these important issues in other AEB Southern Regional Committee events.



L-R: **Liubov Popova**, Gubskiy kirpichny zavod; **Oleg Zharko**, Chairman of the AEB Southern Regional Committee; **Alisa Andreeva**, Philip Morris Kuban.

Gold sponsor:



Partner:



Participants of the event

On 15 December 2016, a Round Table "Practice of Strategic Staff Planning in international companies" took place. The event was organised by the HR Subcommittee of the AEB Southern Regional Committee and gathered the heads of HR departments and representatives of the following AEB member companies: KWS, PwC,

Cargill, CLAAS, Knauf, Nestle Kuban, Raiffeisenbank, Tebodin, Philip Morris Kuban.

Round Table participants met in the conference room of the Philip Morris Kuban and discussed methods and tools of workforce planning used by foreign companies, form of the recruitment plan, practice of training specialties at Universities and Colleges, possibility of workforce plan coordination with state authorities.

Issues were interesting for participants and made a lively discussion. It was decided to conduct a survey among AEB SRC member companies and hold the next meeting on this subject in February 2017.

On 17 February 2017, a Round Table titled "Collaboration between business, government and society in the creation of the socio-economic development strategy for the region" took place at the Formula business club in Krasnodar. The Round Table was held under the programme "Time for new strategies." The program was organised by the AEB Southern Regional Committee, the Public Chamber of the Krasnodar Krai, the Investment and International Cooperation Agency, and the Russian-English socio-political weekly newspaper Yug Times.

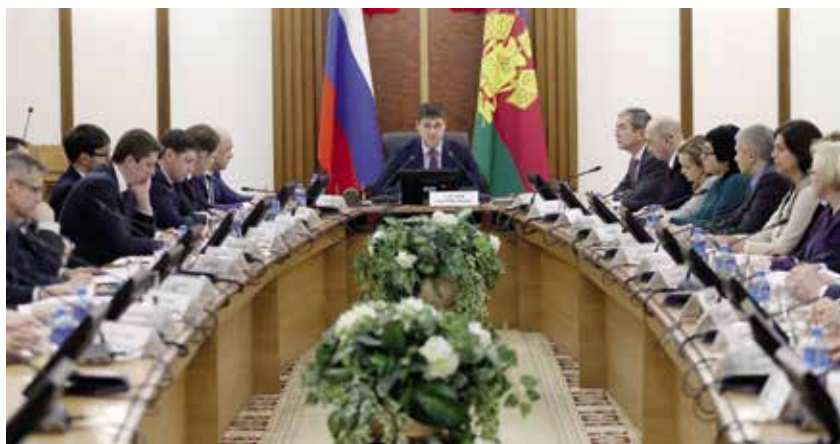
This is a modern and effective platform for representatives of the business community, the public authorities of the Krasnodar Krai, and all other stakeholders to discuss important economic issues and search for solutions to problems related to regional development, business and social investment strategies. It is planned to organise a series of business events under the programme. It will be followed by the implementation of the media project Yug-Times, including interviews with speakers, research and a conference at the end of 2017.

The Round Table was devoted to the discussion of business proposals for inclusion into the socio-economic development strategy for the Krasnodar Krai up to 2030. More than 50 participants of the Round Table – representatives of the authorities, various sectors of the economy, public business associations and the business media of the region discussed the role of business in shaping the region's strategy and mechanisms for further cooperation in this area. The moderator of the Round Table was Oleg Zharko, Chairman of the AEB Southern Regional Committee, Regional Corporate Affairs Director, Danone Group in Russia. Igor Galas, Vice-Governor of the Krasnodar Krai, took part in the discussion.

Speakers of the meeting included the leadership of the Public Chamber of the Krasnodar Krai, business associations and foreign companies represented in the region. The Round Table participants voiced a number of proposals related to the Krasnodar Krai development strategy, discussed mechanisms for further cooperation, and highly praised this platform as a means to work together on important regional development issues.

On 19 January 2017, a meeting of the Regional Foreign Investment Advisory Council under the Governor of the Krasnodar region was held. Sergey Altukhov, Vice Governor of the Administration of the Krasnodar region, headed the meeting and noted that "the Administration of the Krasnodar region pays great attention to development of foreign economic relations and aims to build long-term and stable relations with its partners in the investment sector. Cooperation of the Krasnodar region with foreign investors is a long-term and mutually beneficial process. Regional Foreign Investment Advisory Council under the Governor of the Krasnodar region was founded 13 years ago. It was one of the first such Regional Council in the country and was created to solve problems of foreign investors and improve the investment climate in the region".

The event was attended by the representatives of large foreign business operating in the region: Philip Morris Kuban, CLAAS, Danone, Nestle Kuban, Cargill, EY, Knauf, KWS, Bank Center-invest, Banca Intesa and other AEB members. 14 out of the 16 companies included in composition of the Advisory Council are members of the Association of European Businesses.



**Sergey Altukhov**, Vice Governor of the Administration of the Krasnodar region (centre) and participants of the meeting

In 2016, following working groups were established in the frame of the Regional Foreign Investment Advisory Council: promoting of the investment image of the Krasnodar region, legal issues and regulation, localisation, staffing for foreign investment. Working groups help to attract a wider level of professional expertise and to intensify investment processes in the region. At the meeting, the heads of the working groups spoke about the work done in 2016 and plans for 2017. In particular, a new analytical document, the Report on the status of work with foreign investors in the Krasnodar region, was discussed. It is planned to be developed and presented by March 2017. The Report is going to be prepared annually.

## Taxation Committee



L-R: **Vladimir Golishevskiy**, Deputy Head of Standards and International Cooperation Department of the Federal Tax Service; **Alina Lavrentieva**, Chairperson of the AEB Taxation Committee, PwC; **Sergey Shatalov**, Vice President, Media Group "Action-MCFER".

On 15 December 2016, the AEB Taxation Committee held its event entitled "Development of the Russian Tax System: results of 2016 and perspectives". The event highlighted recent changes in tax legislation, new taxation initiatives and prospects for the next few years and provided an excellent platform for discussion and exchange of knowledge by pro-

fessionals. Sergey Shatalov, one of the founders of the Russian Tax System, and Vladimir Golishevskiy, Deputy Head of Standards and International Cooperation Department of the Federal Tax Service were the event's distinguished guests. Mikhail Filinov, PwC, spoke about Russia in international tax cooperation. Anton Nikiforov, Pepeliaev Group, gave a presentation on the upcoming changes in tax legislation. Victor Kalgin, EY; Alexander Erasov, Goltsblat BLP; Dzhangar Dzhchalchinov, Dentons; Nina Goulis, KPMG; Arseny Seidov, Baker & McKenzie; Alexander Kulikov, Alinga Consulting, reported about beneficial owner of income, tax control and court practices, special investment contracts, VAT on e-commerce and draft law on restricting audit secrecy in tax relations respectively. The event was moderated by Alina Lavrentieva, Chairperson of the AEB Taxation Committee, PwC, and Vadim Zaripov, Deputy Chairperson of the AEB Taxation Committee, Pepeliaev Group.

## Working Group on Modernisation & Innovations & PR Committee

On 14 December 2016, the AEB Working Group on Modernisation & Innovations jointly with the AEB PR Committee held a Round Table entitled "The development of youth scientific and technical innovative and creative potential: prospects for cooperation". The event aimed at informing AEB members on possible cooperation in the field of the development of youth scientific and technical innovative and creative potential, it will show a link between industrial enterprises and graduates of the professional education system. The meeting was moderated by Michael Akim, Chairman of the AEB Working Group on Modernisation & Innovations, Vice President, ABB Russia.

Ivan Bortnik, Member of the Supervisory Board of the Association of innovative regions of Russia, Head of the Department of Innovation Management, Higher School of Economics, spoke on the creation of educational centres for talented and gifted children (including the Center "Sirius" and others) and invited the AEB member-companies to bridge the dialogue between Russian and European talented children and to share their experiences with younger generation. Victoria Soboleva, Director of the Organising Committee of the International Festival of Children's and Youth Scientific and Technical Creativity "Ot Vinta!", Chairperson of the Commission on the development of children's and youth scientific and technical activities of the Public Council under RF Ministry of Industry and Trade, informed the participants about opportunities for cooperation within the youth Festival "Ot Vinta"



Participants of the event

which was established to promote creative and innovative potential of children and young people. Elena Voskoboinikova, Deputy Director of the Department for Marketing and Partnerships, WorldSkills Russia, told about the movement "Young Professionals (WorldSkills Russia)" and the possibilities for cooperation in the development of vocational education and enhancement of the prestige of working professions. Vladimir Frolov, Director of the Department of Programmes for Management and Modernisation of the Moscow Polytechnic University's campuses, briefed on student competitions in the field of energy efficiency and the promising ways for the development of innovative creativity of youth. Sanofi experiences in working with talented youth in business were presented by Ivan Burkov, Product Planning Manager, Sanofi Eurasia, and Elena Zdanova, Manager for Recruitment Projects, Sanofi Eurasia.



# MEMBER NEWS

Dear members, please be informed that you can upload your news or press releases on our website in "Member News" section via personal page absolutely free of charge.

## Alinga Consulting

On 22–23 November 2016, Alinga Consulting sponsored the XII Kontur Conference "Accounting Innovations 2016–2017". More than 2,000 participants discussed the coming changes in tax legislation and accounting procedures, including new social contributions, the reconciliation of 2-NDFL and 6-NDFL forms, profit tax and new FA qualifier. Alexey Spirikhin, Director, Alinga Consulting, addressed the conference with a presentation on "What are the risks for accountants who do not apply the prudence principle?".

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On 2 February 2017, Chet Bowling, Managing Partner & Founder, Alinga Consulting, recently appointed as Honorary Counsel for Jamaica in the Russian Federation held an Ambassadors and CEO Cocktail Reception at Hyatt Ararat Moscow. More than 120 guests of the Reception, representing the Ministry of the Foreign Affairs, Diplomatic Corps and Business Community in Russia, congratulated Mr. Bowling and greeted this appointment as the one is signaling a reopening a Jamaican diplomatic presence in Russia after 20 years.

The event was sponsored by the Ararat Hyatt Moscow, Campari Russia and PVK Law Firm.

## Baker & McKenzie



Baker McKenzie Russian IP practice group is ranked in Band 1 for both enforcement/litigation and prosecution/strategy according to the recently released World Trademark Review 1,000 rankings.

Eugene Arieivich is ranked as a Band 1 Individual for both enforcement/litigation and prosecution/strategy, while Denis Khabarov and Margarita Divina are ranked as Band 1 Individuals for enforcement/litigation and prosecution/strategy, respectively. What WTR says about Baker McKenzie Russia:

"Baker McKenzie's Russian IP squad counsels companies across the trademark spectrum, packing a hefty punch in both prosecution and litigation. Leading the way in the non-

traditional trademark space, it successfully registered Tiffany & Co's signature 'tiffany blue' colour in Russia. Heading the CIS practice is enforcement maestro Eugene Arieivich, who recently secured victory for the famous Hotel Cipriani in a fraught, protracted battle with competitor Altunis Trading which involved 20 separate litigations. Together with Arieivich, Denis Khabarov assisted Julius Samann in four court actions relating to the company's well-known tree-shaped air freshener. The business-minded Margarita Divina is a dab hand at drafting franchising and licensing agreements; she recently advised Ingram Micro in connection with its acquisition of Odin Service Automation Platform from Parallels".

## ManpowerGroup

In January 2017, ManpowerGroup Russia & CIS has launched a field force outsourcing business line to support the development of outsourcing project of clients.

ManpowerGroup unique points are related to workforce management. The inability of companies to adjust their workforce to fluctuations in workload is at the core of where ManpowerGroup can add most value to its clients' businesses. The key differentiator between target based outsourcing and other ManpowerGroup solutions is that in TBO ManpowerGroup will take the operational responsibility for a business process and its output.

Our local field marketing experts know FMCG market inside out and have relationships with the best professionals in the marketplace. They will take the time to get to know the business of the clients in order to help drive distribution, availability, visibility and display of the products at point of sale.

ManpowerGroup has developed its own platform Jobzz, which allows to manage all field marketing activities and provides receiving information from point of sale on a real-time basis.

## SSI SCHAFER



### SSI SCHÄFER open IT branch office in Samara Russia

In order to be able to offer its customers objective consulting and planning services locally in Russia, the worldwide leading logistics provider SSI SCHÄFER made a decision to take over a team of qualified IT specialists. The goal of the team is not only to provide customers with the proved and tested logistics



software during design and optimisation of their intralogistics but also with a comprehensive, objective consultation concerning IT-planning and implementation. The takeover also includes a new, local SSI SCHÄFER office in the town of Samara, about 1200 km. southeast of our office in Moscow. On top of local Russian IT development the new Russian team will take care of a 24/7 Helpdesk, says Sales Director Andrey Belinskiy.

**Vegas LEX**

**Vegas LEX, fas Russia discuss tariff regulation and disputes after supreme court plenary adopts resolution 63**

On 9 February 2017, the conference Resolution No. 63 of the Plenary Session of Russia’s Supreme Court: Tariff Regulation and Disputes took place. It was organised by the VEGAS LEX law firm and the Council of Power Producers association with the participation of representatives of FAS Russia. VEGAS LEX Managing Partner Alexander Sitnikov listed the concerns of the energy sector firms and companies in con-

nection with one of the most important documents regulating electricity, heat, gas and water supply, – Resolution No. 63 of the Russian Supreme Court Plenary Session adopted on 27 December 2016.

Evgeniy Rodin, Head of Energy practice, VEGAS LEX Partner, listed the main provisions of Resolution No. 63, including ways to compensate the supplier’s material losses, to recover the consumer’s overpayment for energy resources, factors affecting the evaluation of debt for the resources supplied, and explanations about disputes over such resources. He also gave a detailed analysis of individual disputed cases of applying regulated prices.

FAS Russia representatives noted the relevance of Resolution No. 63 in challenging the prices of the resources for the purpose of ensuring financial stability of regulated entities. They also noted the importance of the adoption of the law on tariff regulation.

Yuriy Tatarinov, Counsel of VEGAS LEX Energy practice, spoke about the specifics of challenging regulated prices (tariffs) in and out of court.

**APPOINTMENTS**

**Baker & McKenzie**



Alevtina Kamelkova joined Moscow office of Baker & McKenzie as Counsel of IT/Communications practice group. Alevtina has extensive experience in IT/Telecom including comprehensive legal support in implementation of the latest IT technologies, structuring of outsourcing and state infrastructure deals, as well as in Ethic & Compliance matters.

Prior to joining our Firm Alevtina worked as General Counsel for CIS and Russia region at Alcatel-Lucent for a long period of time. In 2016, she was appointed Head of Legal for Eastern Europe at Nokia joint group of companies. Alevtina graduated with honors from the European Humanities University (Minsk, Belarus in cooperation with Montesquieu – Bordeaux IV University, Bordeaux, France) in International and European Law. She also received the LL.M. degree in European Business Law at the University of Nijmegen (The Netherlands). Baker McKenzie has further strengthened its leading Moscow IP practice by appointing Yuri Pylnev as counsel, effective 1 January 2017.



Mr. Pylnev has been the head of the patent subdivision at the IP Practice since 2010. Mr. Pylnev has extensive experience, started his career as a State Patent Examiner, further to becoming vice-head of a Patent Examination Department and a member of the Chamber for Patent Disputes at the Russian PTO (Rospatent). After Rospatent, Mr. Pylnev successfully passed exams to become a Patent and Trademark Attorney and continued his IP practice as an in-house IP counsel at a scientific-production subsidiary of Rosatom (currently the national nuclear corporation). Mr. Pylnev is an IP lawyer with a technical and legal background, and has been specialising in various intellectual property issues for more than 16 years. Mr. Pylnev helps clients with different IP matters primarily relating to inventions, utility models and industrials designs, including drafting, filing and prosecuting patent applications in Russia and abroad, challenging and supporting Russian and Eurasian patents at the Chamber for Patent Disputes and the IP Court, resolving patent disputes, including pre-trial and court proceedings, conducting freedom-to-operate investigations and any kind of patent searches, assisting with licensing and assigning IP rights, and managing patent portfolios.



Baker McKenzie Partner Alexey Trusov has been appointed as the new Head of the EMEA Healthcare Group Steering Committee.

Mr. Trusov co-heads the CIS Healthcare Practice Group, specializing in corporate, commercial and regulatory issues relating to the life sciences sector. Alexey has been top-ranked by leading legal directories since 2010, and is described as "a leading expert in the area of Life Sciences." Sources describe him as "very experienced" in life sciences and note his highly regarded regulatory advice. (Chambers 2014).

Alexey is also the chairman of the Association of International Pharmaceutical Manufacturers (AIPM) Legal Committee.

Alexey Trusov graduated from St. Petersburg State University's School of Law in 1997 and received his LL.M. from Cleveland State University's Cleveland-Marshall College of Law in 1998. He received his degree of Candidate of Science from St. Petersburg State University's School of Law in 2002 and was admitted to the bar in Russia in 1997.

## BEITEN BURKHARDT



International law firm BEITEN BURKHARDT has appointed Andrey Slepov, Senior Associate and Head of the Labour and Migration Law Practice at the Moscow Representative Office, as partner effective 1 January 2017.

Andrey joined the Representative Office of BEITEN BURKHARDT in Moscow in 2012. His core activities include consulting on labour and migration law and legislation on personal data.

Andrey Slepov is the Vice-Chairman of the Committee for Migration Law of the Association of European Businesses. He was also included in the list of recommended lawyers of the Legal500 ranking. Thirteen lawyers from five different areas of activity worldwide were appointed partners at all three levels together with Andrey Slepov.

"This promotion is, first and foremost, a reflection of the excellent work of all the colleagues who received the appointment, as well as an important step in ensuring the future of our company", noted Frank Obermann, Managing Partner of BEITEN BURKHARDT.

## SSI SCHÄFER



SSI SCHÄFER Russia are delighted to announce Andrey Belinskiy as our newly appointed General Manager.

The appointment, announced February 8th by North & East Europe Region General Manager, Ole Madsen, is a key part of SSI SCHÄFER's long-term development strategy, which will see Andrey Belinskiy supporting SSI SCHÄFER RU full operations in driving sustainable business growth in Russia.

Andrey Belinskiy comments: "It is an honour to be asked to lead SSI SCHÄFER Russia team. SSI SCHÄFER is a market leading company with almost 80 years' experience and an enviable reputation in its field. It has an outstanding client base served by truly committed and exceptional people who produce award winning products, develops and implements innovative industry-specific answers to its customers' unique challenges".

Andrey Belinskiy has joined SSI SCHÄFER team in 2015 as a Sales Director in Russia. Along with his new GM role, Andrey will carry on to be responsible for the strategic leadership of a sales department in Russia.

Ole Madsen shares: "SSI Russia is in a good development, a trend we want to continue and grow even further in the coming years. I wish all the best and good luck to Andrey and all Russian team".

## TMF Group



Leading provider of business services to clients operating and investing internationally, TMF Group, has appointed Samuli Pesu to the role of Managing Director of its Russian business. Samuli oversees the company's Russian operations, which include 200 specialists in

Moscow, St. Petersburg, Voronezh and Kirov. TMF Group has been operating in Russia since 2006. Its in-country payroll, accounting, corporate secretarial and alternative investments experts help businesses of all sizes to expand and operate within and beyond their home markets. Globally, TMF Group has more than 6,500 experts in over 80 countries.

Samuli has worked in senior management positions for international companies in Russia for the past decade. He has a bachelor's degree in international business and marketing, and two masters degrees; in social sciences, and economics & business administration. Samuli is based at TMF Russia's Moscow office and is fluent in Russian, Finnish and English.

# NEW MEMBERS



## Allianz

Dedicated to bringing worldwide protection and care, Allianz Worldwide Partners is a global leader in B2B2C assistance and insurance solutions in the following areas of expertise: global assistance, international health & life, global automotive and travel insurance. These solutions, which are a unique combination of insurance, service and technology, are available to business partners or via direct and digital channels under three internationally renowned brands: Allianz Global Assistance, Allianz Worldwide Care and Allianz Global Automotive. This global family of over 16,000 employees is present in 35 countries, speaks 58 languages and handles 39 million cases per year, protecting customers and employees on all continents.

[www.allianz-assistance.ru](http://www.allianz-assistance.ru)



## Beko

Beko LLC is one of the largest household appliances producers in Russia and it is in the list of top 5 leaders in the segment of production and sales of white domestic appliances on the Russian market. The brand "Beko" is owned by Arçelik A. Ş., a member of the Turkish Corporation "Koç holding" and it appeared firstly in Russia in 1997. The company has a plant in Kirzhach district of Vladimir region which was opened in 2006. The production area is more than 615 000 m<sup>2</sup> and it produces two categories of goods: washing machines and refrigerators. The production capacity in 2016 reaches 700,000 units. Company also makes the export shipments and its share corresponds to 36% of total sales. Goods produced at Beko plant are exported to more than 15 countries, including Germany, Slovenia, Montenegro, Poland and others. The main priority of the company is a production of high-tech products that make life easier for humans and is completely safe for

the environment. All products produced at Beko plant pass 100% computer control. Responsibility for the quality of goods is one of the priority business tasks for the company.

[www.beko.ru](http://www.beko.ru)



A Brambles Company

## Chep

CHEP is a leading supply-chain logistics company. CHEP enhances performance for customers by helping them transport goods through their supply chains more efficiently, sustainably and safely. CHEP provides reusable unit-load equipment such as different types of pallets for shared use by multiple participants throughout the supply chain, under a model known as "pooling". CHEP primarily serves the fast-moving consumer goods (e.g. dry food, grocery, and health and personal care), fresh produce, beverage, retail and general manufacturing industries, counting many of the world's best-known brands among its customers. CHEP helps customers move, store and protect materials as they flow through each stage of their supply chain. Using CHEP's equipment pooling solutions has been proven to significantly reduce not only capital expenditures but also energy consumption, environmental waste and CO<sub>2</sub> emissions. CHEP has started its activity in Russia in 2014 and by now keeps growing by implementation of "pooling" model on Russian market.

[www.chep.com](http://www.chep.com)



## Gorodissky

Home grown Russian IP boutique Gorodissky & Partners with a headquarter in Moscow and branch offices in 10 Russian/1Ukrainian cities remains heading top positions in every aspect of protection, disposal and enforcement of IP rights. The largest IP practice in Russia and among top 10 biggest IP law firms in Europe it was founded by patent/trademark attorneys and lawyers who began their professional carriers in 1959.

Team of 140 IP professionals provides domestic and foreign clients and associates with comprehensive, professional and cost effective legal services relating to all IP

matters including inventions, trademarks, designs, utility models, copyrights, computer programs, domain names in every aspect like consulting, prosecution, litigation, records, (IP) valuation, (IP) taxation and accounting, searches, mediation, due-diligence etc.

Patent/trademark attorneys and lawyers of the firm are members of AIPPI, FICPI, LESI, INTA, MARQUES, ECTA, PTMG, AIPLA, IFA, the Russian Chamber of Patent Attorneys, the Council of Eurasian Patent Attorneys and The Russian Franchise Association.

[www.gorodissky.ru](http://www.gorodissky.ru)



### GSK

GlaxoSmithKline (GSK) - one of the world's leading research-based pharmaceutical and healthcare companies, headquartered in Brentford, London. GlaxoSmithKline has a significant global presence with commercial operations in more than 150 countries, a network of 89 manufacturing sites, and large R&D centres in the UK, USA, Belgium and China. GSK mission is to improve the quality of human life by enabling people to do more, feel better, live longer.

[www.gsk.com](http://www.gsk.com)



### Istrats

International Strategy Solutions (ISTRATS) is a high-quality Strategy and Management Consulting boutique present on the Russian & CIS markets for more than 10 years.

We combine Western methodology with local business environment knowledge to support our Corporate clients in their key issues:

- Development strategy, strategic marketing, sales strategy
- Organization design and optimization, reorganization, restructuring
- M&A and strategic due-diligence
- Cost reduction, purchasing optimization

We have accumulated an impressive track record in a large array of industries, in particular: banking and financial

services, retail (food, non-food), B2B products and services, construction materials, machinery and equipment, energy / utilities, transport, IT, FMCG, agro-industry and others.

Our clients are Western and local Corporates, banks and other financial institutions, Private Equity Funds and IFIs.

[www.istrats.com](http://www.istrats.com)



### Itella

Finnish company Itella came on the Russian market in 2006. In 2008 Itella merged with Russian leader in contract logistics - National Logistics Company (NLC) and one of Russia's largest and most successful direct marketing agencies - Connexions.

Today the company is known on the market as a reliable provider with full scope of logistic services, including warehousing, freight transportation, services for eCommerce and marketing communications.

Itella Russia employs around 3500 employees and has "A class" warehouses with total space of around 400 000 m<sup>2</sup>. Itella facilities are located in all major regions of the country: Moscow, Saint-Petersburg, Rostov-on-Don, Ekaterinburg, Novosibirsk, Vladivostok and Novorossiysk.

Among our customers are multinational companies from different industries, such as Automotive, DIY, FMCG food, non-food, Fashion, Consumer Electronics, Pharmaceuticals, Engineering. We have rich expertise in providing customized logistics solutions for these sectors.

All Itella operations comply with ISO 9001 and 14001 standards relative to freight transportation services of transport. Itella in Russia is numerous winner of the National EALA rating "Logistics operator of Russia" in years 2010-2016 in nomination "Best freight-forwarding company in serving international transportation corridors".

[www.itella.ru](http://www.itella.ru)





### **Liniya Prava**

Liniya Prava is a leading Russian law firm that provides a full range of services in various industries. Both local and foreign clients value the expertise of the firm's lawyers in comprehensive legal support of foreign investment projects in Russia. Key facts on Liniya Prava:

- 6 partners;
- 45 lawyers;
- more than 560 clients;
- more than 2300 completed projects.

Our clients, comprising major domestic and international private and state-owned corporations, value our lawyers' expertise in corporate law and M&A, capital markets, banking and tax law, project finance, PPP, dispute resolution, tax and other areas of law. Since 2000, Liniya Prava has proudly acted as a legal consultant for major projects, representing the interests of international financial institutions, the leading Asian, European and US banks, local and international companies operating in various industries. The competence of Liniya Prava is confirmed by the most reputable international rating agencies (Chambers & Partners, The Legal 500, IFLR 1000, Pravo.ru, Best Lawyers). Liniya Prava is the first Russian law firm to issue legal opinions accepted by international rating agencies for assigning investment ratings to securities.

[www.lp.ru](http://www.lp.ru)



### **Europeum**

Europeum s.r.o., Start-up, member of Europeum Group ( more than 25 years Europeum Group is one of the leading companies in the field of banking and retail equipment representing such companies like OKI, Gunnebo, Sumetzberger and Glory and having its own production in Russia and Czech rep.).

Europeum s.r.o. provides consulting, introducing and further supporting EU SMEs looking to establish business relations with Russian companies and/or in Russia and consulting, introducing and further supporting of Russian SMEs looking to establish business relations with EU companies and/or in Middle and Eastern European countries.

[www.europeum.ru](http://www.europeum.ru)



### **Volkswagen Financial LLC**

Volkswagen Group Finanz OOO is a part of the Russian division of Volkswagen Financial Services AG – one of the largest international automobile financial services providers conducting business in 51 countries.

Volkswagen Financial Services Russia (VWFS Russia) has been present in the Russian market since 2003 and currently includes the following companies providing financial services such as leasing, financing and factoring:

- Volkswagen Group Finanz OOO (leasing for private and fleet customers)
- LLC Volkswagen Financial Services RUS (factoring for dealers' stocks)
- LLC Volkswagen Bank RUS (retail and corporate financing for Volkswagen Group clients)

Our companies work in close collaboration with the brands of Volkswagen Group such as Audi, SKODA, Volkswagen, Volkswagen Light Commercial Vehicles and MAN.

With our comprehensive range of financial services products we make a significant contribution to the promotion and securing of Volkswagen Group sales and strengthen the link between our customers and the Group brands. Metaphorically speaking our innovative financial services open our customers the door to their dream Volkswagen Group car. Volkswagen Financial Services: The key to mobility.

[www.vwfs.ru](http://www.vwfs.ru)

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