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Labelling and Track & Trace System



**Dear readers,**

I am pleased to present the Summer 2020 "Business Quarterly" to you. It was produced on the initiative of the newly established AEB Working Group on Labelling and Track & Trace System.

The topics explored in the publication could be of interest and help for companies already dealing with the traceability system, as well as for industries which will encounter this technology in the future.

The authors of the articles focused on a broad range of issues: potential and benefits, challenges and setbacks of the track & trace system; its application in small wholesale trade; digital labelling of medicines and perfumery industry testing; pharmaceutical company experience in a pilot project; a legal perspective on non-compliance with the labelling requirements; tips to implement the track & trace system remotely.

I am grateful to all the contributors of the magazine. Their inputs are truly valuable.

Let me also extend genuine gratitude to Ekaterina Priezheva, Head of the Department of the System of Digital Marking of Goods and the Legalization of Product Turnover at the Ministry of Industry and Trade of the Russian Federation, for providing a substantial foreword.

Likewise, I would like to thank Dmitry Alkhazov, CEO of the Operator – Centre for Research in Perspective Technologies, for submitting an article which shed light on the specifics of the national track & trace system in Russia.

As usual, the second half of the magazine covers the AEB most recent activities, this time predominantly organised in an online format. Remarkably, several companies shared updates on their achievements and accomplishments in the midst of the pandemic.

Information about new members which have lately joined the Association finalizes the publication. I am honored to welcome the newcomers on board and hope for a fruitful and long-standing cooperation. Thank you for support and trust. We will try to respond with excellence!

Enjoy your reading!

Tadzio Schilling

Chief Executive Officer,
Association of European Businesses

**Dear readers!**

In accordance with the decisions of the President of the Russian Federation and the Government of the Russian Federation, a track and trace system has been developed and is currently being implemented to combat the illicit circulation of industrial products in Russia.

The project is being implemented in the form of a public-private partnership.

The project began with the introduction of mandatory labelling for natural fur products in 2016. Even at the time labelling proved itself to be an effective mechanism for combating illicit trade. The total retail sales of these products in the first five months after the launch of the project exceeded the entire previous year's estimated turnover (according to market research figures) by over five times. More than 20% of market participants who previously did not report their sales to the tax authorities have since legalised their businesses.

The introduction of mandatory labelling for a number of product groups will enable the digitalisation of certain sectors of the economy, increase the market share of legal products and reduce the number of unfair market participants while improving the effectiveness of government control in protecting the interests and health of its citizens. Labelling also allows consumers to verify the legality of the products they purchase.

Since 2018 the project has been coordinated by the Ministry of Industry and Trade of the Russian Federation. In 2019 the Ministry created a dedicated department to oversee the implementation of the project: the Department of the System of Digital Marking of Goods and the Legalization of Product Turnover. The Government of the Russian Federation has chosen Operator-CRPT LLC to serve as the operator of the unified information system for labelling goods.

The system has been tested via the voluntary labelling of medicines, footwear, light industry products, tobacco products (cigarettes), photo equipment, perfumes and colognes, car tyres.

The Ministry of Industry and Trade of the Russian Federation and Operator-CRPT LLC are in constant contact with federal executive authorities of the Russian Federation, market participants, industry associations and unions. Regular public discussions regarding the provisions of the regulatory framework and the usability of the system are held with the goal of making adjustments and reducing the organisational and financial burden on businesses.

Additional difficulties in preparing market participants for the enactment of the new requirements have arisen from the high-alert state introduced throughout the Russian Federation in order to combat the spread of COVID-19 as well as from other measures aimed at ensuring the health and well-being of the population during the pandemic. Due to these conditions, the Ministry of Industry and Trade of the Russian Federation has stepped up its efforts to ensure the market's readiness for the introduction of mandatory labelling.

Ekaterina Priezeva

Head of the Department of the System of Digital Marking of Goods and the Legalization of Product Turnover,
Ministry of Industry and Trade of the Russian Federation

**Dear readers,**

The track & trace system has rightly become one of the most discussed topics on the consumer market in recent years. The system is designed to cover a vast number of product categories, both food and non-food related, which leaves businesses no choice but to actively involve themselves in developing a proper technical and regulatory framework.

Last year, I had the privilege of becoming Chairman of the newly established AEB Working Group on Labelling and Track & Trace System. This unique platform brings together the majority of industries already affected by the new regulation – namely tobacco, clothing, perfumes, pharmaceuticals, consumer electronics, some food categories, wholesale and retail trade. We are in the perfect position to develop a consolidated approach towards issues that every industry has been trying to tackle on its own.

Russia is one of the first countries in the world to start tracing the movement of goods at the national level. This means that there is no way to learn from the mistakes of others, and every step forward must be double checked.

This AEB “Business Quarterly” edition contains valuable experiences collected by professionals with diverse backgrounds. I hope you find some useful insights here and I wish you all pleasant reading!

Alexander Perekrest

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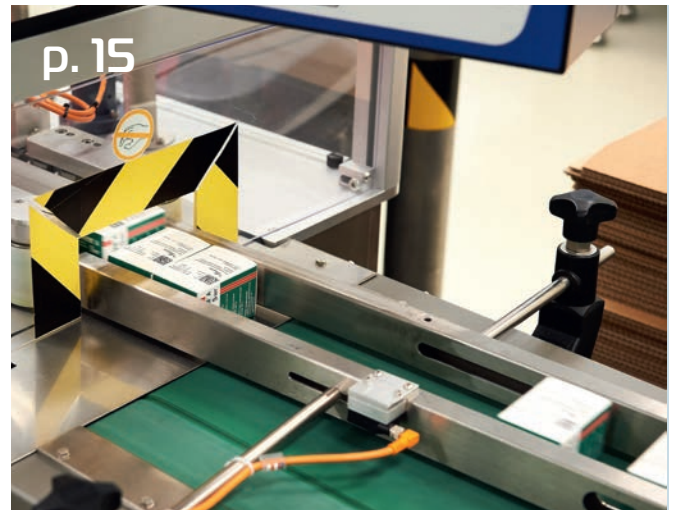
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AEB delegation undertook a business mission to Kazakhstan



AEB took part in the International Forum within the Russian Business Week 2020

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Time of honesty: how traceability impacts business and customers



DMITRY ALKHAZOV

CEO of the Operator – Centre for Research in Perspective Technologies

The Head of World Economic Forum Klaus Schwab caused a stir several years ago with his Industry 4.0 concept. While we were spending years discussing 'smart' production and logistics chains, people made jokes about fridge uprisings. But within just two months, the COVID-19 pandemic has highlighted an acute problem that stumbles Industry 4.0: we have no comprehensive data about our goods, reserves, markets and the whole industries. We do not see the whole picture, meanwhile the crisis threatens to bring a wave of counterfeit products across the board.

Value of big picture

Russia's national track & trace system is set to create such a picture. It is a large-scale public-private project for tracing goods from the manufacturer to the end consumer. Many countries (including the U.S., Argentina, Turkey and EU states) are now implementing such systems in one of the most sensitive fields: the sale of medicines. Counterfeit goods and stock depletion in this sphere come at a high cost for everyone. Patients risk their health, businesses risk their image and the government risks losing the trust of citizens.

In Russia, labelling of medicines will become mandatory from 1 July 2020, but we have gone further. The system now covers several categories of goods: tobacco, footwear, clothes, tyres, perfume products and photo cameras. Tracing dairy products, bottled water and bicycles is in the pilot mode now.

A digital traceability system is aimed at cleaning up markets from illegal players, eliminating tax evasion schemes in the shadow economy and streamlining industry management. When traceability was introduced for fur coats in Russia in 2016, the result was astonishing: a number of market players registered in the system exceeded 16 times the previously recorded figures.

Value of transparency

The benefits of track & trace system for consumers are evident. We all want to take safe medicines, eat good-quality food, use hypoallergenic perfumes and walk in durable shoes. It should go as the default settings. But this system also has an interesting social effect, giving consumers a means of control and a feeling of engagement. Since the codes of all labelled goods are recorded in the 'Chestny ZNAK' ('Honest Mark') unified database, consumers can use the eponymous app to easily check whether the product is legitimate, where it was produced and other information before buying.

Value of honesty

This creates a large-scale communication ecosystem between brands and consumers, which is the most important aspect of marketing and customer loyalty. This is one of the most evident advantages for businesses. The traceability system is the foundation of Industry 4.0. It involves the creation of not only smart production but smart stock management systems throughout the whole product chain. After all, the goal of every business is to meet consumer needs at the right time, in the right place and in the right volume.

The main advantage of labelling is the creation of a healthier competitive en-

vironment by reducing illegal turnover, replacing it with honest manufacturers and sellers. In business, the enemy is not always someone who accepts your challenge openly but one who stabs you in the back. According to various studies, shrinking a grey market with an illegal turnover share of 5–10% leads to increase in legit brands' revenue of RUB 50–100 billion. In high-risk industries, where the share of counterfeit products can reach 50%, this number can reach up to RUB 200–250 billion.

Since the whole product chain is traceable, the manufacturer can see which intermediaries have a high level of quality and compliance, can be trusted and will not sell goods 'on the side'. All these factors benefit honest manufacturers, protecting and increasing the value of their brand.

Value of data

The benefits to the state are also obvious. According to some estimates, a decrease in the illegal circulation of goods (estimated to be worth RUB 1.1–2.5 trillion) can contribute to 1.2% GDP growth. Cleaning up markets leads to more stable economy, encourages competition, increases tax and other payments by up to RUB 360 billion and improves the quality of control and supervision work. This is another advantage for businesses as honest manufacturers and intermediaries will be subject to fewer inspections.

Value of partners

Russia chose to establish a public-private partnership to create its national track & trace system. The experiment, which began with fur coats in 2016, was run by the state. But as the project was scaling up, an official operator was selected – the Centre for Research in Perspective Technologies

(CRPT). All investments amounting to RUB 200 billion are private. The CRPT was established by USM Holdings, the Rostec public corporation, and technology entrepreneur and investor Alexander Galitsky in 2017.

Why a private company? First, the project is too multi-dimensional and costly for the government and requires close communication with domestic and foreign market players. Second, we and our partners manufacture highly advanced IT solutions, including those for the Internet of Things (IoT). Third, we speak the language of business. For private operators, there is no such thing as

sia. This unique digital passport can be assigned to goods both at the factory and upon import. This technology was also chosen for labelling medicines in the U.S., the EU and Turkey. In contrast to a number of states where codes are only assigned to batches, in Russia, they are applied to each individual package. In other words, the package is traceable from the moment it leaves the production line through the logistics and retail chain until it is checked out at the store. If the required Data Matrix code cannot be found on the product during checkout, the product is illegal, and the controlling authorities must take action.

In contrast to a number of states where codes are only assigned to batches, in Russia, they are applied to each individual package. In other words, the package is traceable from the moment it leaves the production line through the logistics and retail chain until it is checked out at the store.

'large and small' (insofar as labelling is free for cheap medicines) or 'ours and theirs'. Fourth, both we and the state hear the initiative, and the state is meeting business halfway. Experiments with tobacco, shoes, tyres, bicycles and water labelling became possible because they were requested by market players themselves.

Value of technologies

The encrypted Data Matrix code was chosen for labelling goods in Rus-

The Data Matrix code can contain not only the series, number, unique specifications and country of origin of a product but also other data. In the case of tobacco in Russia, such data include the maximum retail price.

That said, this is just a brief look at the track & trace system which becomes a timely driver for creating new solutions and technologies for the Internet of Things. The time for honesty has come. |

The track & trace system in small wholesale trade



ALEXANDER PEREKREST

Chairman of the AEB Working Group on Labelling and Track & Trace System; Head of Government Relations Department, METRO Russia

The Russian track & trace system operated by the Centre for Research in Perspective Technologies is not the first we come across as a trade company. In 2014, METRO launched its own solution in Germany called PRO TRACE, which provides detailed tracking data on the origin of fish and meat products and which is highly appreciated by METRO's professional customers. In Russia, traceability systems are government-driven. The Unified State Automated Information System (EGAIS) serves to track the movement of every bottle of alcohol from the factory to the end consumer. Every transaction or movement involving meat, fish and dairy products must be accompanied by electronic veterinary certificates registered in the Mercury system.

While the track & trace system differs from its 'predecessors' in terms of technologies, methods and regulatory aspects, the fundamental issues and challenges remain similar.

Receiving goods from suppliers

Every individual item received from a supplier must bear a unique Data Matrix code. Packages and pallets should also have an 'aggregated' code, which makes it possible to register all individual codes within the package with just one scan.

However easy it may seem, even a slight disruption could cause a snowball effect in the supply chain. Certain conditions must be met before the new traceability requirements come into full force:

- producers and suppliers must have sufficient time to test the new system alongside trade companies in order to reduce errors reading codes;
- wholesalers and retailers must be given an adequate amount of time to sell off unlabelled goods stocks legally purchased before the traceability regulations take effect. This timeframe should be defined by the regulator in conjunction with business circles;
- there must be a clear and easy way to correct technical errors in the system. Obviously, there should be no liability or penalties for such errors.

Selling to end-consumers (retail operations)

Track & trace regulations require all companies to transmit individual prod-

uct codes via checkouts when sold to the end consumer. For trade outlets, this means:

- equipping all checkouts with scanners capable of reading Data Matrix codes;
- re-configuring cash tills, which is a major issue for companies with their own internal custom software;
- training checkout operators to properly scan codes so as not to cause unnecessary delay.

For any trade chain, especially larger ones, this involves a number of complex business processes and requires a dedicated project team and considerable resources.

The recent explosive growth in e-commerce makes it absolutely impossible to roll out the track & trace system without an efficient solution for this channel – especially regarding goods delivered by courier. The system operator has yet to devise a viable solution for this.

The track & trace system is intended to let consumers verify that they are purchasing a 100%-legal product by scanning its code using a smartphone app. As such, it is vital to thoroughly investigate all reported violations without automatically imposing penalties. Otherwise, unscrupulous lawyers or competitors could place counterfeit products on shelves for the purposes of blackmail and extortion (we have observed similar cases with alcohol, for example).

Selling to legal entities and individual entrepreneurs

METRO is probably best known for serving the needs of small and medium businesses, particularly in the retail and HoReCa sectors. Small and medium business should definitely be helped to smoothly implement the new system and even benefit from it.

- Many small entrepreneurs are still struggling to switch to electronic invoicing systems, which is an essential requirement for all transactions with labelled (traced) goods. Such entrepreneurs often lack digital skills and the motivation to deal with anything more complex than what they are already used to. It is therefore important to roll out a comprehensive educational campaign for SMEs and

devise additional incentives for SMEs to 'go digital'.

- Many entrepreneurs, especially restaurant and retail shop owners, still prefer to go to brick-and-mortar stores and select products by feel and touch. They pay for these goods at the checkout, often in cash. They may also use some of these goods for their own needs. The track & trace system should therefore provide a solution which allows such entrepreneurs to continue their business without making their lives overly complicated.

Technical issues aside, there is another topic that deserves special attention. Once implemented, the track & trace system creates an asset that could easily become a burden.

The system collects a mass of sensitive commercial data, which could wreak havoc on the market if leaked. For a trade chain like METRO, there is the additional risk of having its unique customer base stolen by its competitors (other wholesale operators, distributors, etc.). It is therefore crucial to ensure the proper security of any commercially sensitive data contained by the system.

The track & trace system affects a vast number of industries, and we can only praise the government and system operator's commitment to open and constructive dialogue with business. This is clearly the only way to implement such a complex project without causing disruption in the market. |

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Реклама

The track & trace system in Russia: possibilities and open questions



DMITRY MIKLIN
GR Director, Herbalife

2020 is the first year of the intensive go-live of Russia's mandatory track & trace system (T&T). Its development highlights the confluence of complications, benefits and challenges posed by the system.

Solutions for the tracking of goods based on machine-readable tags are nothing new. Such commercial and industrial systems provide logistics support in various settings (such as production facilities, equipment servicing, retail and even on the battlefield), ensure quality, help with consumer inquiries and more. In recent years, we have seen the introduction of mandatory track & trace systems in certain industry sectors across the globe (for example, in the EU tobacco industry).

Nevertheless, the drive in Russia (and across the EAEU) to implement T&T is unprecedented in its scale and scope. As such, it represents a quantum leap forward that opens up a range of new, somewhat unique, questions, challenges and opportunities.

As the footprint of T&T grows bigger and bigger, the need for uniform technical solutions is crucial. It is essential in retail involving multiple product categories, both from an investment standpoint (due to the potential need to implement many separate technical solutions) and from an operational costs one. A uniform solution can not only be cheaper, it can also have additional benefits such as enhancing the quality of inventory handling, whereas multiple solutions will inevitably involve unnecessary direct costs, as well as losses incurred by errors resulting from overly complex technical solutions. This is even more important in an SME setting, where costs can easily become blunder – sometimes fatal – due to a limited ability to absorb indirect regulatory requirements. This consideration is also important for suppliers, especially those of branded goods with portfolios of multiple overarching product categories.

Another critical concern is the uniformity of technical solutions be-

tween the members of the Eurasian Economic Union. In most product categories, the economy benefits from the free movement of goods within the EAEU. The introduction of national T&T systems, while not inherently a contradiction to this principle, presents a significant and potentially fatal stumbling block if these national systems do not operate seamlessly. Unfortunately, there has been no satisfactory answer to this concern so far. Across the EAEU, T&T systems are built using national cryptography standards that, naturally, cannot be shared. There are three possible ways to tackle this: separate production for each EAEU market (with unique markings), exchanging the data of generated codes (provided their format is identical), and the creation of a shared cryptographic standard among EAEU countries. Unfortunately, given that we have not seen any progress made towards the second or third approaches, we should be prepared for the first.

It should also be noted that due to natural inertia, the longer a uniform solution is unavailable, the less the chances are of achieving one in the future.

Another technical aspect is how convenient it is to implement systems. For imported goods, the current approach so far lacks sufficient flexibility

and breadth in various approaches, ranging from integrated solutions for production lines to arranging markings at the warehouse after customs clearance. Unfortunately, such an array of solutions is all but absent.

The benefit of T&T implementation to society, the state and businesses in various product categories is another key consideration. Some claim that in the case of tobacco, the implementation of T&T serves public health by suppressing illegal trade and by adding to the operational costs of legal manufacturers and distributors – thus driving down consumption. This clearly illustrates two key points: that T&T is a powerful tool in fighting the illegal circulation of goods, and that it can be a significant factor in the

decline of certain industries. This requires extra care with other product categories; unlike tobacco, the negative effects must be avoided and the benefits must be clearly tangible. Having a clear decision-making process involving a wide range of stakeholders can provide some assurance that no such mistakes are made. Decisions must come from open discussions based on the most accurate data possible. A key element in this regard is the prevalence of counterfeit and illegal trade for a particular product category. Unfortunately, data for most categories has so far been anecdotal, with an extremely large margin of error. We need to examine how we can improve the quality of data in this regard. Otherwise, unbalanced decisions may lead to un-

necessary and costly missteps for businesses, consumers, and the state itself.

Another key point is the synergy potential of T&T and the ability to capitalise on it. It is clear that T&T can be a convenient substitute for excise stamps and similar methods. It also has a huge potential for generating big data (which does present numerous unanswered questions on how to handle, share and disseminate such data without violating the principles of fair competition). These aspects require thorough analysis in order to avoid losing a significant part of T&T's added value.

This all suggests that the discussion around T&T is just beginning. |



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Digital labelling of medicines: preliminary results and perspectives



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Origins of track & trace systems

We are living in a global world with ever-increasing demand for a faster and safer supply of products, among which medicines have crucial importance. The current state of logistic processes requires constant optimization through the supply chain from the production to the final dispensation to the consumers. By their nature, 'track and trace' system should allow market participants to determine where the products is at any given time and where it came from. This feature offers following benefits to the market:

- improvement of supply processes and better coordination of procurement processes;
- ensuring safety of products and traceability of their origins.

For modern pharmaceutical industry, these advantages are more important than ever. It faces significant difficulties fighting falsified medicines and illegal distribution. According to the World Health Organization, these problems affect every region of the world. An estimated 1 in 10 medical products circulating in low- and middle-income countries is either substandard or falsified and around 16% of the counterfeit drugs contain the wrong ingredients.

In addition to being a danger to the health of patients and contributing to antimicrobial resistance and drug-resistant infections, they lead to loss of confidence in medicines, healthcare providers and health systems. Traceability of supply chains, which is available to state authorities, businesses and consumers, should improve this situation.

Development of such system and their introduction into supply chains requires major effort from both private and public sector. We see that multiple countries are trying different approaches with implementing these systems, in particular, the EU, Turkey, China,

Argentina, and several other countries. In Russia, the medicines traceability experiment was launched in year 2017.

How it was supposed to work

To implement the track & trace system for medicines, a dedicated information system was developed to monitor pharmaceutical product circulation (IS MDLP). The system is intended for use in the healthcare industry and is operated by the Centre for Research in Perspective Technologies (CRPT).

The manufacturer and other participants of the market should register in the track & trace system. Then the manufacturer applies for a digital code and attaches received digital code on

the medicines in a prescribed way. The price for the labelling code is approved by Resolution of the Russian Government No. 577 dated 8 May 2019 and is RUB 0.5, exclusive of VAT.

The system records the entire journey of the medicines along the logistics chain. In its final point, they will be scanned twice at the store: before being placed on the shelf, and at the cash register. Thanks to the fiscal mass storage built into the online cash register and the permanent connection with the system, illegal goods should not be sold.

Practical difficulties

At the pilot stage of the project, multiple issues became apparent and led

to lengthy and turbulent discussions between the representatives of the industry, CRPT and the state bodies.

First of all, technical issues arose: the proposed encryption code was too long and it was not possible to print it out at required speed with necessary accuracy, the equipment should be set up and incorporated into logistics systems of the companies, which are quite different between themselves, the acceptance procedures took more time than usual, the personnel needs to be educated and trained as well, and many more problems. The discussions on the length of encryption code took the most time with neither side completely winning the argument.



The market participants repeatedly express their concerns about the reliability of involved IT systems. For example, in February 2020 there was a serious malfunction of technical systems, which led to the suspension of the circulation of medicines. According to the market players, it appears that the operator did not have the procedure for such cases and the supply of medicines involved in the experiment to the patients was under a threat. However, the CRPT has a different opinion on this incident stating that it was not a malfunction per se but "routine test aimed to increase capacity of the system and no data transferred by companies to the system was lost during this testing".

There are also legal issues to consider given that the system tracks the chain of ownership with respect to medicines. For example, it does not provide for the possibility to transfer the ownership of the product without changing its location (with exception for the zone of customs control). From the commercial point of view, the added costs of implementing the system can be quite crucial for market participants, especially small pharmacies not belonging to major pharmacy chains. In addition, even the costs of acquiring relevant codes can be quite high for some medicines, especially with rather strict price regulations mechanisms currently in place, and the producers may decide to exclude them from the circulation.

Current status and impact of COVID-19

According to the usually optimistic press service of CRPT, 94% of Russian pharmaceutical manufacturers and 80% of the list of foreign pharmaceuticals whose medicines were in circulation in 2018-2019, 86% of medicines

available in circulation are already registered in the system. They argue that the system is fully working with all required functionality, and the key players were ready as early as 1 January 2020. At the same time, the market players and the state officials are rather more cautious in their comments and we see contradictory positions.

For example, the Ministry of Industry and Trade is pushing producers to speed up all relevant processes and recommended that producers transfer

From the commercial point of view, the added costs of implementing the system can be quite crucial for market participants, especially small pharmacies not belonging to major pharmacy chains.

not only information on the labelling of the packaging of medicines, but also on the introduction of labelled medicines into circulation and their further shipment to counterparties. With more information uploaded in the system (even though this requirement will become mandatory only on 1 July), they will be able to execute

stress testing of the system scheduled for mid-May.

Moreover, they have developed a bill on criminal liability for trafficking of unlabelled medicines as well as for counterfeit labelling. In some cases, according to the document, the punishment can be up to 12 years in prison. The current version of the bill was heavily critiqued by the experts, who noted that it does not address the fact that there are cases where the medicines can be released into the market without labelling or continue to circulate on it without such labelling (e.g. during interim period).

At the same time, the market players report multiple issues with meeting deadlines and incorporating labelling system and equipment into their internal processes. In particular, COVID-19 and consequent quarantine measures press pause on many business activities, including in some cases, delivery of equipment and the arrival of foreign specialists invited to set it up. To answer their pleas, the State Duma is considering a bill to postpone once again the introduction of mandatory labelling of drugs. It is not yet known for how long it is proposed to postpone the labelling or whether it even will be adopted.

At the same time, despite contradictory preliminary results of this initiative, we see that it indeed helps to reveal counterfeited medicines and may be made to serve the market in efficient manner. Given that track & trace requirements are being extended to cover more and more types of the products, we believe that the pharmaceutical industry presents an interesting opportunity to learn and correct mistakes before they are made with respect to other markets. |

Track & trace national project co-piloting: an international pharmaceutical company's experience



ROMAN SHORIKOV

EAEU Supply Chain Deputy Director,
Servier

In December 2019, international pharmaceutical company Servier began work on the serialization of commercial batches of medicines at its plant in Moscow, Russia. In March 2020, after three months of intensive testing and validating of computerized systems, the company put them into regular operation.

Servier was one of the first pharmaceutical companies to start working on the pilot T&T project back in 2017. It was joined by governmental authorities in charge of the project and the Operator CRPT, as well as other leaders in the pharmaceutical market. This has helped

to strengthen the mutual trust between all involved parties and has made it possible to embark on the final stage of the project on a national scale in recent months.

Observation or action

The national track & trace system will have numerous benefits to society (safety for Russian patients), business (the creation of a system for tracking goods) and the state (the elimination of counterfeit goods and greater transparency in the market). It has already been announced that T&T will be implemented for other types of goods and industries. The

ing the process. They fix mistakes and prepare the legal basis, develop technical solutions as problems arise, prove the lack of feasibility of some solutions and confirm the viability of others. Observers do not get involved until a later stage of the project. They accumulate resources and devise design strategies specific to their organization based on tried and tested practices. Each company must make its own decision, and Servier has chosen the former.

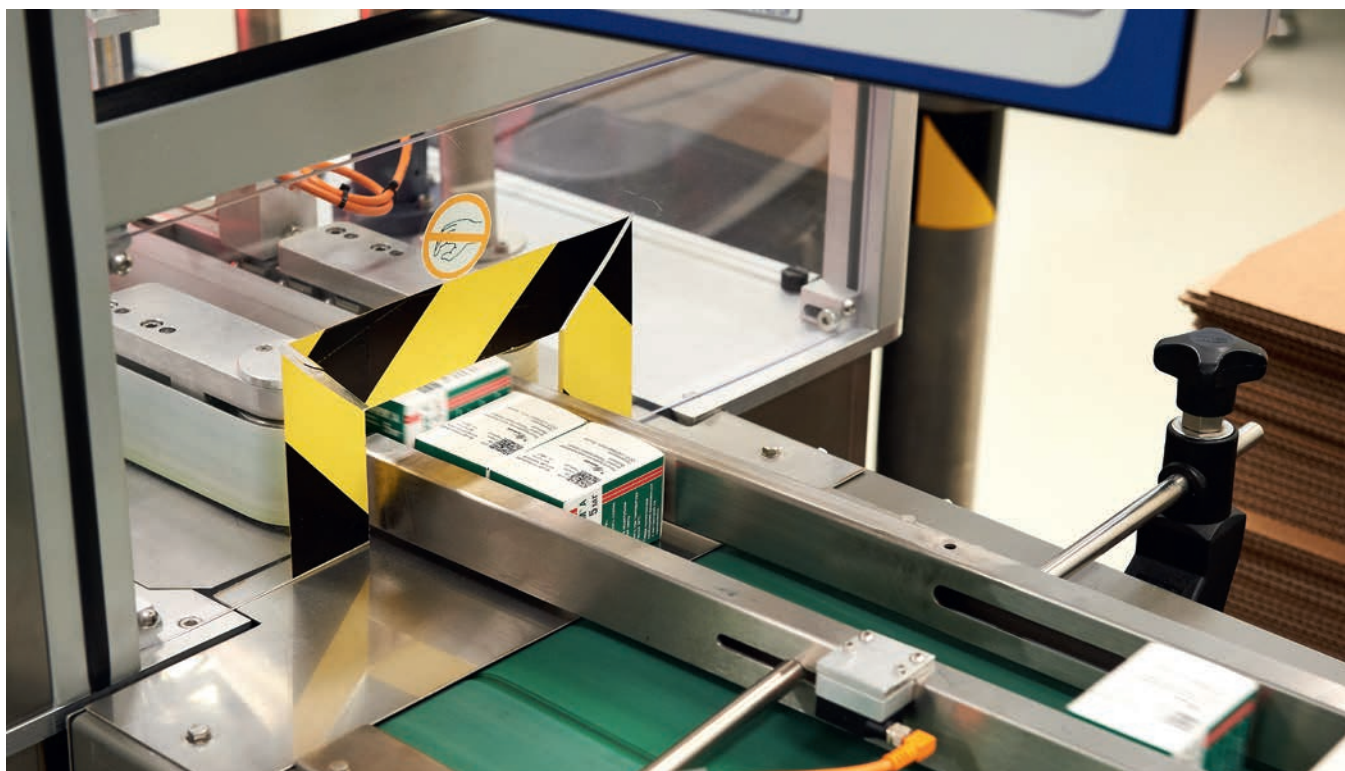
Learning by doing

During the course of the project, a great number of technical, legal and

The national track & trace system will have benefits to society (safety for Russian patients), business (the creation of a system for tracking goods) and the state (the elimination of counterfeit goods and greater transparency in the market).

question arises of whether it is better to be a 'pioneer' or an 'observer' in this process. Pioneers break new ground at each stage of the project in step with the authorities regulat-

methodological documents were drawn up and examined thoroughly. For example, in the project for tracking medicines, 35 versions of technical documents have already been put



forward for implementation and the third version of thorough methodological recommendations has been validated. This kind of evolution is made possible by the willingness of the regulating authorities and the Operator CRPT to analyse and create the right conditions to realize various business scenarios. However, elaborated concepts fall flat without the active participation of the industry and the identification of diverse needs and situations, making it inconvenient and difficult for many companies to implement. Servier's delegated experts on this project have devoted a considerable amount of their time at this design stage of the project.

Each in their own place

Several working subgroups were formed during the implementation of the pilot project. This made it possible for companies to contribute to the sphere in which their potential is highest.

Servier contributed to the smooth progress of the project during the transition to crypto-protected Data Matrix code in early 2019, at a time when this highly complex technical task was beyond the reach of many companies. The tests conducted at Servier's Moscow plant made it possible to determine the performance limitations of the equipment, after which research was carried out to enhance printing quality.

This was followed by a months-long study into the durability of the Data Matrix code placed on cardboard packages in a variety of different conditions. Servier demonstrated its willingness to share the results of this work with the market, regardless of whether they were positive or negative. This inspires confidence in the workability of the proposed solutions and serves as solid evidence in cases where "it's impossible to go beyond certain limits".

Benefits for the company

Servier's participation in the project has allowed it to develop an internal body of knowledge and competencies. The company's willingness to engage in additional so-called 'external' work comes with the benefit of an attentive and respectful relationship with the Operator CRPT. All in all, it helps to cultivate an atmosphere of open and constructive co-operation within the market.

There are still a lot of issues to be explored in order to make the track & trace system a completely seamless and stable part of operations. Accordingly, business investment in the project will reap considerable financial returns.

If faced once again with the question of whether or not to participate in the pilot programme, Servier's answer would once again be an unreserved 'Yes'.

Perfumery labelling



ALEXANDER KIRILCHENKO

Head of Customs Dispute Resolution, Bryan Cave Leighton Paisner, formerly Goltsblat BLP in Russia

Back in 2018, perfumery was included in the range of products for testing the product labelling and traceability system¹.

The system is designed to place unique identification codes on each perfumery product and trace it from production through import into the country through sale to the end consumer.

A commercial entity Centre for Research in Perspective Technologies (CRPT) was selected as the system operator, which claims that the sys-

tem will help the business purge the market of unfair competition and counterfeit products and improve the government's tax collection rate².

The perfumery industry testing was to continue for five months, from the start of July through the end of November 2019³. Companies did not manage to complete their tests on time, however, since the testing procedure was only approved one month before this period ended⁴. Meanwhile, the Russian government recognised the testing as successful and approved final perfumery labelling rules⁵.

Perfumery industry players have been struggling to absorb and implement these rules in practice since the beginning of 2020. Perfumery labelling is being introduced stage by stage: from January through March 2020, companies were registering with the labelling system, whereas, from 1 October 2020, perfumery labelling becomes mandatory for all companies throughout the country. At the same time, products manufactured or imported into Russia before this date may be sold without labelling for another year, i.e. until 30 September 2021.

Also exempted from labelling by the government are test product samples

intended for certification, products manufactured for export and so-called testers in any volume, i.e. sample perfumery products not sold to end customers but intended for in-store testing prior to purchase.

Before being labelled, products must be registered with the so-called National Catalogue, providing key information about the perfumery product (name, brand, volume, etc.)⁶.

Labelling codes are issued by the CRPT and the manufacturer or importer is required to apply them to the products. The EAEU labelling agreement suggests that the Customs Union states apply the labelling following customs clearance. Unfortunately, the Russian authorities have remained deaf to the industry's plea to allow imported products to be labelled right after being cleared through customs. As a result, perfumery importers must handle the labelling at bonded warehouses, this increasing labelling costs substantially and delaying customs clearance.

A company must reflect the operations of manufacture, import, sale and purchase of the labelled products in the labelling information system. Most commercial documents (such

¹ Russian Government Directive No. 792-r dated 28 April 2018

² <https://xn--80ajghhoc2aj1c8b.xn--p1ai/>

³ Russian Government Resolution No. 814 dated 26 June 2019

⁴ Methodological Guidelines for Participants in Experimental Identification Labelling and Monitoring of Trade in Perfumes and Eaux de Toilette (approved by the Russian Ministry of Industry and Trade on 31 October 2019)

⁵ Russian Government Resolution No. 1957 dated 31 December 2019

⁶ <https://xn----7sbabas4ajkhfocck9d3cvfsa.xn--p1ai/parfyumeriya/>



as consignment notes, transfer and adjustment documents) are also acquiring an electronic format. Not all the requisite electronic formats have been implemented, however, and the information system does not always run smoothly. This is a source of concerns for perfumery market players. We hope these matters will be resolved by the time mandatory labelling comes in, since breach of labelling rules entails grave liability for infractors.

Trading in unlabelled products is punishable by administrative fines of up to RUB 300,000 and confiscation of the products involved⁷. Any transactions with unlabelled products worth over RUB 2.25 million also trigger criminal liability⁸. Moreover, a draft law tightening this liability is currently being developed⁹.

In 2020, industry players are getting ready to operate in compliance with the labelling rules, this requiring con-

siderable investments in IT systems, equipment and reorganisation of business processes. Yet, the COVID-19 pandemic is disrupting these plans, requiring businesses to re-distribute financial resources and delay the activities required in the run-up to labelling.

Given all these circumstances, the industry hopes the labelling launch might be postponed. Time will show if these hopes are met in reality. |

⁷ Article 15.12 of the Russian Code of Administrative Offences

⁸ Article 171.1 of the Russian Criminal Code

⁹ <http://regulation.gov.ru/projects#npa=100575>

Counterfeit consumer goods: the ineffectiveness of the mandatory labelling system



VYACHESLAV NECHAEV

Project Manager, Promaco-TIAR (TIARCENTER)

In 2016, the Russian Government adopted the Strategy to Combat the Trade in Counterfeit Goods in the Russian Federation by 2020¹ (hereinafter referred to as the Strategy). According to the Strategy, the main tool in the fight against counterfeit goods will be the track & trace labelling system. The system aims to solve the issue of counterfeit goods by tracing the origins of goods at all stages of the supply chain for distributors, retailers and end consumers.

Counterfeit goods in Russian distribution chains

The track & trace labelling system will still leave a considerable part of the counterfeit goods trade unaffected for three main reasons:

It only covers legal operations.

The track & trace labelling system will be implemented at federal and regional retail chains with extensive networks of general and specialized stores. These chains operate in accordance with Russian legislation, comply with trade regulations, pay their taxes and, most importantly, file their accounts. These retailers usually work with trusted suppliers who have undergone due diligence procedures and have stable cashflow in their accounts. Such suppliers provide top-quality goods to the regional logistics centres of retail chains for later distribution through their vast networks of stores. This process makes it quite impossible to buy counterfeit goods at established retail chains.

Traditional trade activities are unaccounted for.

The track & trace labelling system does not cover the operations of trading pavilions, corner stores, or wholesale

markets and fairs. Traditionally, these sales points operate within a 'grey' area – they do not pay the majority of their taxes and sell their goods without proper accounting. Goods for sale at these points are sourced by different channels, including wholesale purchases from large markets and fairs and reselling goods bought at larger retail chains. The former means that most of the time, goods are supplied without any associated documentation. According to the BrandMonitor law firm, the proportion of sales made up by counterfeit goods in traditional trade outlets can be as much as 60%².

Counterfeit goods appear in Russia via 'shadow' import/export operations which the track & trace labelling system won't cover.

According to the Russian Ministry of Industry and Trade, the main flow of counterfeit goods into Russia comes from China via Kazakhstan and Kyrgyzstan. In 2019, the customs service recorded only RUB 8 billion in counterfeit non-food products at the border³, while TIARCENTER estimates that up to 30% of non-food products in Russia could be counterfeit, which at the highest point amounts in RUB 5.2 trillion⁴.

¹ <http://static.government.ru/media/files/PfZVT3MgMHBeauo79SnsnM82GZo1j9Nb.pdf>

² https://brandmonitor.ru/brandmonitor-research/BrandMonitor_Контрафакт_Б_Торговых_Центрах.pdf

³ <http://customs.ru/activity/results/itogovye-doklady-o-rezul-tatax-deyatel-nosti>

⁴ <https://tiarcenter.com/counterfeit/>



Non-food counterfeit goods imported into Russia then appear in Russian wholesale markets (largely in Moscow). These serve as hubs for counterfeit goods, which are later distributed to other regions for sale in traditional trade and local fairs. Most of these sales are seemingly unaccounted for. While authorities know that counterfeit goods are sold in these wholesale hub markets, it has only been possible to take action against individual

retailers – the owners of these markets could not be brought to legal action.

Alternative solutions

The introduction of the mandatory track & trace labelling system for different product groups will increase the price of goods (up to 10–15% in some categories). This price increase will shift consumer demand towards counterfeit goods instead.

One solution to the counterfeit goods trade could be the enforcement of legal liability for owners of trade premises selling counterfeit products within their territory. This will motivate said owners to monitor the activities of individual sellers. It could potentially help to lower the counterfeit trade in wholesale markets and traditional outlets. As an additional measure, stricter customs control in the Eurasian Economic Union could lower the flow of counterfeit goods from China. |

Liability for failure to comply with requirements on mandatory labelling of goods



HAYK SAFARYAN

Partner, CMS Russia



ALEXEY SHADRIN

Associate, CMS Russia

Until mandatory labelling is implemented in respect of the very limited number of the products, the liability issues remain not so acute for companies. However, the more pilot projects switch from the transitional period to the stage of full implementation, the more often companies face risks related to improper labelling.

Companies may face administrative and criminal liability under Russian law if they fail to comply with the requirements on mandatory labelling.

Article 15.12 of the Code of Administrative Offences of the Russian Federation provides for administrative liability for:

- manufacturing goods which are not labelled or are improperly labelled (non-compliant goods); and

- selling non-compliant goods (or storing, transporting or purchasing non-compliant goods with a view to selling them).

Fines may range from RUB 50,000 to 100,000 (approx. EUR 606 to 1,212) in relation to the manufacture of non-compliant goods. With regard to sale, the maximum fine is RUB 300,000 (approx. EUR 3,636), although more stringent fines are stipulated for tobacco and alcohol products. Perhaps more significantly, any non-compliant goods will also be seized.

If the amount of the goods exceeds RUB 2,250,000 (approx. EUR 27,266), company officials (e.g. the CEO) may face criminal liability under Article 171.1 of the Criminal Code of the Russian Federation. The maximum penalty under this article is three-year

imprisonment with a fine of up to RUB 80,000 (approx. EUR 969) or six months' salary.

Based on current court practice, when assessing companies' liability for storage, transportation or purchase of non-compliant goods, regulatory authorities will have regard to the individual circumstances, including the location and status of the goods based on the underlying documentation and information systems. Accordingly, if a company stores products in a showroom or a warehouse without clearly indicating that they are not intended for sale, it is likely that any non-compliant goods will be considered as ready for sale and the company will be liable.

The regulatory authorities are seen to be taking a strict approach to any breach of the law, regardless of whether the breach may give rise to negative consequences for consumers. Accordingly, a company must be able to show that it has taken all reasonable actions to comply with the legislative requirements related to mandatory labelling. This is difficult to prove as the regulatory authorities apply a very high standard in this regard, requiring strict and timely compliance with the detailed requirements. There is also a risk that companies may be held liable as a result of technological errors on the operator's, regulatory authority's or counterparty's side (e.g. due to incor-



rect presentation of information in the labelling system, incorrect data reading following a state audit or encoding of incomplete information upon labelling). Regulatory authorities generally take the same strict approach in relation to breaches caused by technological errors unless it can be shown that this was beyond the relevant person's control. In one case, the authorities did not proceed with a criminal prosecution of an individual entrepreneur after he was able to prove that the products were correctly labelled but that this was not reflected in the system due to a technical error beyond his control.

Considering the implementation of IT technologies in business processes, any failure to comply with the labelling requirements may be duplicated in customs documents and consequently, companies may also be held liable for the submission of false information about goods to customs authorities or even for smuggling under certain circumstances.

On 15 June 2020, a draft law providing for new liability rules was submit-

ted to the State Duma. To align the Code on Administrative Offences with the current "track and trace" legislation, the lawmakers propose to introduce liability for separate offences:

- the manufacture or sale of non-compliant medicines;
- putting non-compliant goods into circulation (e.g. the first release of such goods in Russia or their importation to the country);
- any further sale or other transfer of non-compliant goods;
- breach of the procedure for submitting data to the track and trace digital system.

In general, the fines will be in the same range as provided by Article 15.12 of the Code of Administrative Offences. In addition to that, the bill provides for increased fines for repeat violations.

For the avoidance of doubt, the bill expressly provides that goods labelled with a code containing unreliable data are also deemed non-compliant. In addition, it eliminates some terminological inconsistencies in the existing laws.

If the draft law is adopted, there is no doubt that these changes will contribute to improve the legislation. They will not, however, solve most of the issues described above, and the effect of the new law will depend on the enforcement practice of the authorities in charge.

To sum up, although court practice in this area is still developing, it is already clear that the regulatory authorities and the courts are adopting a strict approach in relation to violations and there are limited opportunities to appeal decisions of the court. It follows that strict compliance with all legislative requirements and internal rules relating to labelled goods is critical. Companies may also apply contractual instruments to mitigate such risks and possible damages. In particular, and regardless of the identity of the counterparty (whether parent company, independent distributor or manufacturer), the contract should clearly set out the parties' respective obligations relating to labelling, the scope of information to be encoded and indemnification for provision of incorrect information or in the event of administrative penalties. |

How to handle track & trace implementation remotely: recommended steps



ALEXANDRA KALININA

Track & Trace working group Leader,
Deloitte Consulting LLC



PAVEL JULY

Track & Trace Technology Integration
Leader, Deloitte Consulting LLC

Russian manufacturers and distributors are having difficult time. Although their businesses are experiencing a lot of pressure and the majority of them now have to focus on coping with contingencies, deadlines for the implementation of obligatory labelling (track & trace) have not been postponed by the Government yet. Such large-scale projects should be implemented by the business community during 2020-2021.

Executives and managers of each business involved need to decide: is it possible to implement a track & trace project on time under the current circumstances or should they accept the risks of potential delays and non-compliance? What is the right choice?

The companies may start smooth preparation during the lockdown and post lockdown periods. In general, a track &

trace project's life cycle consists of the following stages: initiation, planning, development, testing, final preparation and go-live. Based on our record of successfully completed projects, we believe that the following stages can be easily carried out remotely:

- **Initiation** – this phase, although not long, is a very important one. At this stage, a company should discuss the project's scope and constraints, identify the high-level risks, identify and secure the budget, start forming the delivery team, and set up communications with all stakeholders.

- **Planning** – probably, the most time-consuming phase. The main activities of this phase are data collection and analysis, preparation of documents (project's roadmap, as-is and to-be business processes flow-charts, functional specifications for the software and technical requirements for the hardware). At this stage IT software, hardware and

method of the DataMatrix code application should be chosen.

Needless to say, IT capabilities and communication systems allow to execute the initiation and planning stages remotely with the same quality and efficiency as it was done before out of a physical office.

IT environment varies from company to company, but a platform for virtual meetings and video calls and a collaboration tool to manage project documentation are usually available everywhere. Voice/video calls with screen sharing could be used by analysts to document the as-is and design the to-be processes and collect requirements. All project documentation can be stored in secured cloud or network folders, enabling project managers and stakeholders to work on them together in real time. A SharePoint site with the project's charter, schedule, requirements, and budget control report is another collaboration option. Video calls can be effectively used to inspect the production lines and the current manufacturing process and develop the optimal solution for attaching and scanning DataMatrix codes.

Summarising the above, a company can successfully perform at least the initiation and planning stages of a track & trace implementation project remotely which usually takes up to 3 months. This will lay the foundation for the next stages, which can be soft-launched when the lockdown is over and the required resources are available. |

AEB NEWS



Tazio Schilling

Tazio Schilling elected as new AEB CEO

Because of the threat of the COVID-19 proliferation, the AEB Annual General Meeting was held on 17 March 2020 in a closed format (through voting by power of attorney). Tazio Schilling, Head of the German Business Center EY

(Moscow), was elected as incoming AEB CEO.

The following AEB Board members were elected (in alphabetical order): Mikhail Akim, ABB; Paul Bruck, Most Service; Ernesto Ferlenghi, Eni S.p.A; Jussi Kuutsa, Itella; Stuart Lawson, EY; Alexander Liberov, Siemens LLC; Philippe Pegorier, Alstom Transport Rus LLC; Thomas

Staertzel, Porsche Russland; Johan Vanderplaetse, Schneider Electric.

New members of the Auditing Commission were elected: Filippo Baldisserotto, Italcantieri; Igor Bruevich, KWS; Giorgio Callegari, Generali Russia & CIS; Marco Koschier, Schneider Group.

It was agreed that such issues as the AEB annual and financial reports for 2019 and budget for 2021 would be settled at a later date.

On 18 March 2020, the AEB Board re-elected Johan Vanderplaetse, Senior Vice President, President for Russia and CIS, Schneider Electric, as Chairman of the Board. Thomas Staertzel, CEO, Porsche Russland, was re-elected as Deputy Chairman. Paul Bruck, main shareholder, Most Service, was re-elected as Deputy Chairman responsible for SMEs. Mikhail Akim, Vice President, ABB, was elected as Deputy Chairman.



Participants of the round table at the Ministry of Foreign Affairs of Kazakhstan

AEB business mission to Kazakhstan

On 2-4 March, the AEB delegation undertook a business mission to Nur-Sultan, Kazakhstan. It started with a round table which brought together government representatives and national companies at the Ministry of Foreign Affairs. The meeting aimed to explore the investment potential of Kazakhstan, as well as to discuss specific steps in the development of cooperation and expansion of business contacts between Kazakhstan and European businesses. Yerlan Khairov, Ambassador Extraordinary and Plenipotentiary of the Ministry of Foreign Affairs of Kazakhstan, delivered opening remarks. Johan Vanderplaetse, Chairman of the AEB Board, noted in his speech that AEB member companies were interested in the opportunities that Kazakhstan

could offer in terms of business development and investments, and expressed hope that new business contacts would be established.

At the end of the meeting, the bilateral Memorandum of Cooperation was signed between "KAZAKH INVEST" and the AEB, confirming the intention of the parties to strengthen cooperation in order to improve the competitiveness of business in the Russian Federation and the Republic of Kazakhstan. Later the meeting with Roman Sklyar, Deputy Prime Minister of Kazakhstan, was organised. The participants discussed opportunities to participate in government programmes and initiatives to support Industry 4.0, green economy, sustainable development, electricity transport infrastructure in Kazakhstan, including through technology transfer and localization.

The agenda of the business trip also encompassed a meeting with Ramūnas Janušauskas, Trade Counsellor, EU Delegation to Kazakhstan, and EU trade and economic counsellors. Mr. Janušauskas spoke in detail about the work to develop relations in such areas as economic cooperation and trade – especially through the implementation of the Enhanced Partnership and Cooperation Agreement. Trade and economic counsellors from the embassies of EU member states and representatives of AEB companies exchanged their experience in doing business in Kazakhstan and discussed prospects for strengthening the position of European investors in the country.



L-R: **Frank Schauff**, AEB CEO; **Johan Vanderplaetse**, AEB Board Chairman; **Ramūnas Janušauskas**, Trade Counsellor, EU Delegation to Kazakhstan.

One more meeting was that of between representatives of the AEB Crop Protection Committee, the Kazakhstan Republican Association of Manufacturers of Agrochemical Industry, and Rustam Isatayev, Chairman of the Investment Committee of the Ministry of Foreign Affairs of Kazakhstan. The issues of making changes into the Technical Regulations of the Eurasian Economic Union "Safety of Chemical Products" (EAEU TR 041/2017) were discussed.

New AEB Honorary Council members

On 15 April 2020, three new members joined the AEB Honorary Council upon the Board decision. They are: Olga Bantsekina, former AEB Board Member/Deputy Chairperson; Frank Schauff, outgoing AEB CEO; Joerg Schreiber, former Chairman of the AEB Automobile Manufacturers Committee (AMC).



Olga Bantsekina



Frank Schauff



Joerg Schreiber

We would like to congratulate the new members of the AEB Honorary Council and express gratitude to them for out-

standing work. We wish them all the best in their future professional careers.



Lodewijk Schlingemann

The AEB CNR elected its Chairman and his Deputy

On 21 April 2020, the AEB Council of National Representation (CNR) members re-elected Lodewijk Schlingemann, Juralink Legal Consultancy (the Netherlands), as CNR Chairman. Fredrik Svensson, Mannheimer Swartling (Sweden), was re-elected as CNR Deputy Chairperson.

The current members of the CNR are:

- Austria – Rudolf Lukavsky, Austrian Trade Commissioner;
- Belgium – Marc Dellaert, Center for Creative Leadership;
- Bulgaria – Zeynel Boba, Midatech Company Limited;
- Croatia – Jakov Despot, Croatian Chamber of Economy Representation to Russia;
- Czech Republic – Daniel Ruzicka, Mikenopa;
- Denmark – Aage V. Nielsen, Vitus Bering Management;
- Finland – Jari Jumpponen, East Office of Finnish Industry;
- Estonia – Enn Veskimägi, Estonian Chamber of Commerce and Industry (ECCI);
- France – David Lasfarque, JEANTET;
- Germany – Matthias Schepp, German-Russian Chamber of Commerce;

- Hungary – Tamas Endrenyi, EGIS Pharmaceuticals PLC in Russia;
- Iceland – Ingolfur Skulason, Kleros LLC;
- Italy – Fabrizio Cepollina, CNH Industrial Russia;
- Latvia – Aigars Rostovskis, Latvian Chamber of Commerce and Industry;
- Luxembourg – Alexander Sokolov, Arendt & Medernach;
- Malta – Patrick Catania, International Hotel Investments (Benelux) B.V. in St. Petersburg;
- Netherlands – Lodewijk Schlingemann, Juralink Legal Consultancy;
- Norway – Svein Age Dahl Olsen, Kvaerner;
- Poland – Wiktor Antonow, Foreign Trade office in Moscow of Polish Agency of Trade & Investments;
- Portugal – Jorge Azevedo Sousa, Rusgrape LLC;
- Serbia – Dejan Delic, Chamber of Commerce & Industry of Serbia in the Eurasian Economic Union;
- Slovenia – David Kokalj, Medico Vital;
- Spain – Guillermo Morodo, Morodo & Partners;
- Sweden – Fredrik Svensson, Mannheimer Swartling;
- Switzerland – Martial Rolland, Nestle Russia & Eurasia;
- United Kingdom – Roger Munnings, Russo-British Chamber of Commerce (RBCC).



Rene Pischel

Rene Pischel re-elected as Chairman of the Auditing Commission

On 19 May 2020, Rene Pischel, Head of the Representation office, European Space Agency in Russia, was re-elected as Chairman of the AEB Auditing Commission (AC), at the first AC meeting after the Annual General Meeting 2020 which was held on 17 March in a closed format (through voting by power of attorney).

The current members of the Auditing Commission are: Filippo Baldisserotto, Italcantieri; Igor Bruevich, KWS; Giorgio Callegari, Generali Russia & CIS; Marco Koschier, Schneider Group.

Webinar of the Russian Parliamentary European Club

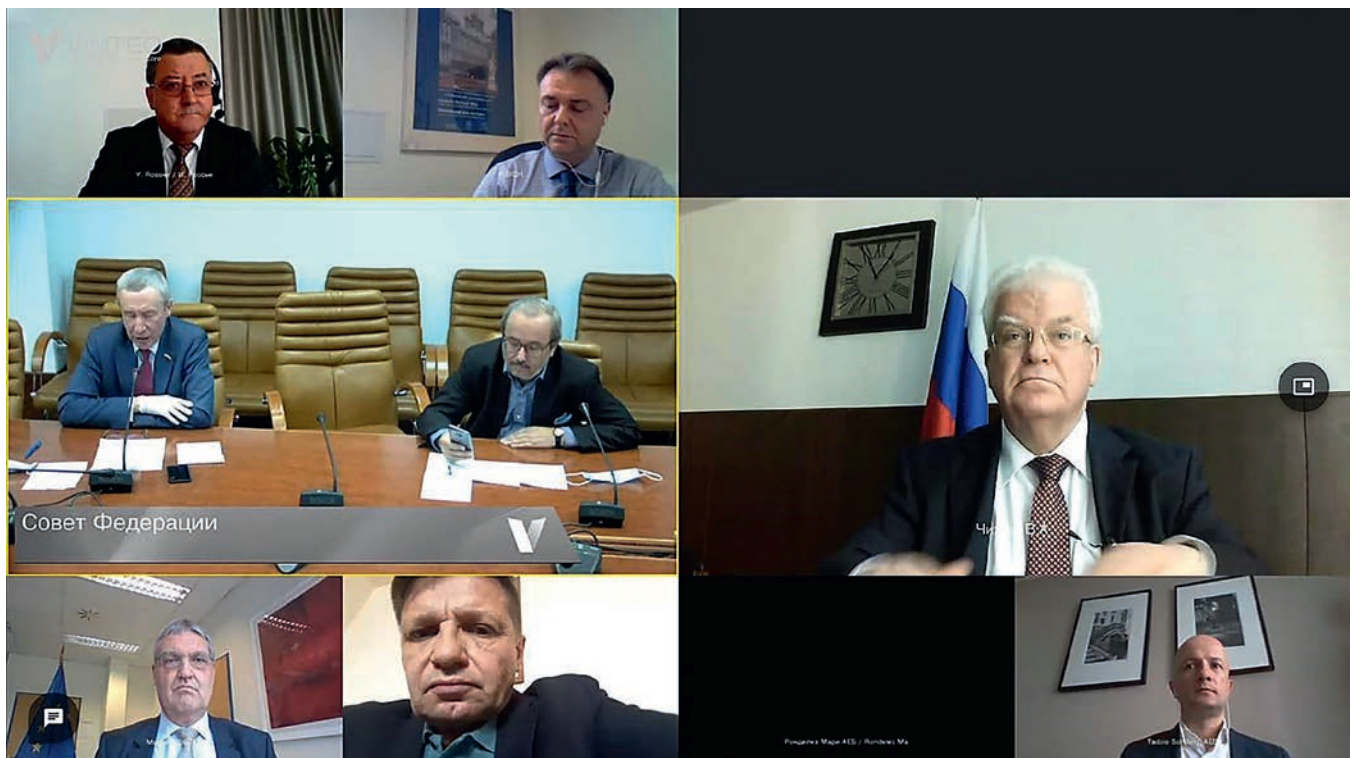
On 27 May 2020, a webinar of the Russian Parliamentary European Club on the state of play and prospects for the EU-Russia relations in the time of the COVID-19 pandemic took place.

Senator Andrey Klimov, Member of the Russian Federation Council, chaired the seminar.

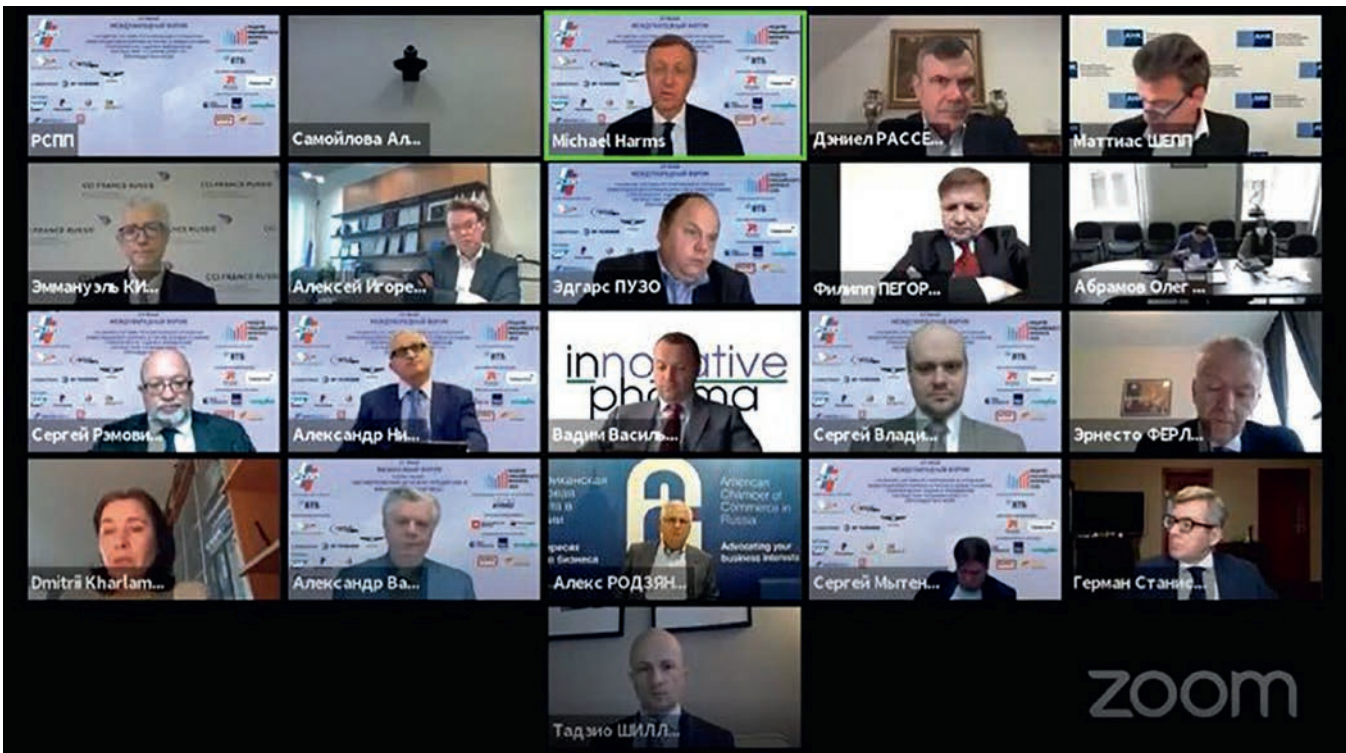
Philippe Pegorier, AEB Board Member, and Tazio Schilling, AEB CEO, presented the perspective of the European businesses, underlying the most burning issues faced by foreign

investors in the Russian Federation during the pandemic. They also mentioned the need to use the pandemic as an opportunity to reinvigorate EU-Russia relations and engage on common challenges such as climate change and digitalization.

Other participants of the webinar were: Markus Ederer, EU Ambassador to the Russian Federation; H.E. Ambassador Vladimir Chizhov, Permanent Representative of the Russian Federation to the European Union; Yves Rossier, H.E. Ambassador of Switzerland to the Russian Federation; and Petr Sich, Head of the Council of Europe Programme Office in the Russian Federation.



Participants of the webinar



Participants of the International Forum

AEB participated in the International Forum in the framework of the Russian Business Week 2020

On 29 May 2020, the AEB representatives took part in the International Forum “Regulatory system and investment environment in Russia under new conditions: meeting strategic objectives and managing COVID-19 pandemic impact” in the framework of the Russian Business Week 2020 organised by the Russian Union of Industrialists and Entrepreneurs (RSPP).

Representatives of leading business associations, foreign and national companies, government bodies and expert community discussed key topical issues of creating a favourable environment for doing business in Russia, proposed approaches to the development of the regulatory system for particular sectors and the economy as a whole, and exchanged views on the priorities and prospects for the development of international business cooperation.

The moderator of the discussion was Philippe Pegorier, President, Alstom Transport Rus, AEB Board Member.

Alexander Shokhin, RSPP President, Chairman of the International Council for Cooperation and Investment (ICCI); Viktor Vekselberg, Chairman, Board of Directors, Foundation for Development of the Centre for the Development and Commercialization of New Technologies (Skolkovo

Foundation); Johan Vanderplaetse, AEB Bord Chairman, President, Russia and CIS, Schneider Electric, addressed the participants with welcoming speeches.

Tadzio Schilling, AEB CEO, delivered a presentation on the European business prospects during and after the COVID-19 pandemic. He emphasized the need to support European businesses in Russia, which for many years have been responsible employers and taxpayers.

Dias Asanov, AEB Legal Committee Chairman, Director of Legal Affairs at Siemens in Russia, Belarus and Central Asia, spoke about the overcoming the COVID-19 crisis: sustainability of investors’ regulation. The role of information technologies in overcoming the COVID-19 crisis was covered by Edgars Puzo, AEB IT & Telecom Committee Chairman, CEO at Atos, member of the Committee on information and communication technologies, RSPP.

Ernesto Ferlenghi, AEB Energy Committee Chairman, President, Confindustria Russia, Vice President, Eni S.p.A, spoke about a new model of cooperation between Russian and foreign companies and ways to increase demand in the Russian market.

Alexey Grigoriev, AEB Retail Trade Committee Chairman, Head, METRO AG Representative Office in Russia, informed about measures to support the HoReCa sector under and after the limitations of the pandemic.

AEB COMMITTEES UPDATES

Customs & Transport Committee

In 2019 at the stage of development of the draft Order of the Ministry of Finance "On Approval of the Mechanism of Categorizing Entities Engaged in Customs Operations..." experts of the AEB Customs & Transport Committee along with other representatives of business community worked on the development and promotion of the drafted proposals and recommendations aimed at the improvement and streamlining the criteria of categorizing the participants in foreign trade.

As a result the Order of the Ministry of Finance of the Russian Federation dated 21 February 2020 "On Approval of the Mechanism of Categorizing Entities Engaged in Customs Operations ..." was elaborated. It is scheduled to enter into force on 20 June 2020.

In course of constructive collaboration of business community with representatives of the Ministry of



Discussion of proposals and recommendations for Order "On Approval of the Mechanism of Categorizing Entities Engaged in Customs Operations ..."

Finance and the Federal Customs Service, a number of critical recommendations provided by the AEB were reflected in the final version of the Order.

A general mechanism of categorization and all other previously issued documents on that matter were approved.

The AEB Working Group on Categorization of Participants in Foreign Trade was formed and approved by the AEB Board. Alexander Perrote, Customs Projects Manager, International Trade Department, Leroy Merlin, was elected as Chairman.

Energy Committee



Tatiana Mitrova

On 29 April 2020, the AEB Energy Committee arranged a meeting with Tatiana Mitrova, Director of the Energy Centre of the Moscow School of Business "Skolkovo".

During the meeting, she presented an analytical report prepared by the "Skolkovo" Energy Centre entitled "Coronacrisis: the impact of COVID-19 on the fuel and energy complex in the world and in Russia".

According to the report, the fall in oil demand due to the proliferation of COVID-19, coupled with a tough price war, had dire consequences for the global oil market. Today we are experiencing the deepest crisis in the energy market in history, which can lead to a serious change in the global economy.

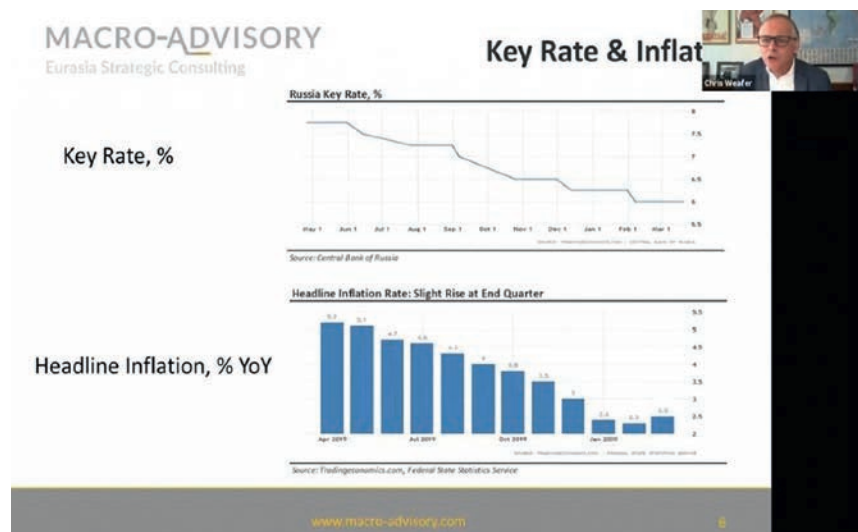
Finance & Investment Committee

On 21 April 2020, the AEB Finance & Investment Committee held a webinar entitled "COVID-19: impact on the economy".

It was moderated by Stuart Lawson, AEB Board Member, Chairman of the AEB Finance & Investment Committee, Senior Advisor, EY.

The participants of the webinar discussed the impact of the crisis caused by the epidemic on different sectors of the economy in Russia, as well as in the world.

The presentations were delivered by: Annette Kyobe, International Monetary Fund Resident Representative for the Russian Federation; Vladimir Drebentsov, Head of Russia & CIS Economics, BP plc Vice President, BP Russia; Chris Weafer, Chief Executive Officer, Macro-Advisory.



Presentation by **Chris Weafer**, Macro-Advisory

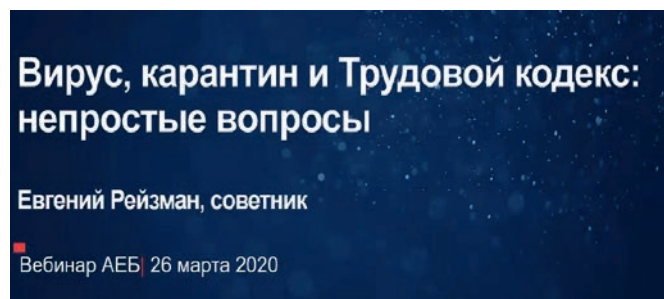
The speakers also exchanged opinions on the impact of the current crisis on Russia.

Human Resources Committee

Webinars within the series "HR issues and labour law in the period of the coronavirus"

On 24 March 2020, the first AEB webinar within the series "HR issues and labour law in the period of the coronavirus" was organised. Sophia Povzikova, Head of the Department of Personnel Administration, Coleman Services, reviewed the following topics: organization of protective measures at the premises of the employer; organization of work of employees working remotely; documentation of the employees' absence in connection with the quarantine; samples of the documents.

On 26 March 2020, the second webinar took place. Evgeny Reyzman, Counsel, Baker McKenzie, made a presentation "Virus, quarantine and the Labour Code: puzzling questions" with a focus on the following topics: Self-isolation – who is put under?



Presentation by **Evgeny Reyzman**, Baker McKenzie

Employee should stay at home – what employer has to do? Idle time, distant work, absenteeism? We retain operations. How to optimize costs?

On 7 April 2020, the third AEB webinar was held. Olga Polezhaeva, Deputy Head of Employment Law Practice – ANCOR Holding, delivered a presentation "Mandatory and additional measures for the protection of labour, life and health of workers during uncertain times" with an emphasis on the following: What obligations may be imposed on the employer in the current conditions? How can an employer organize remote work and employee business missions? Organization and monitoring of compliance with mandatory quarantine by employees. What should the employer do if the employee does not agree with the measures taken, for example, does not comply with mandatory quarantine, refuses to work



Presentation by **Sophia Povzikova**, Coleman Services

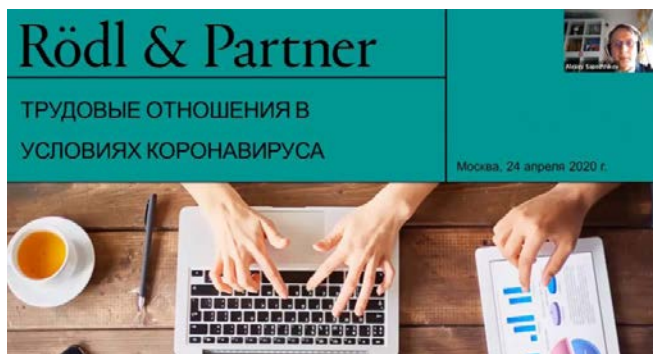
**Обязательные и
дополнительные мероприятия
по охране труда,
жизни и здоровья работников в
условиях неопределенности**

ancor
Consulting

Presentation by **Olga Polezhaeva**, ANCOR

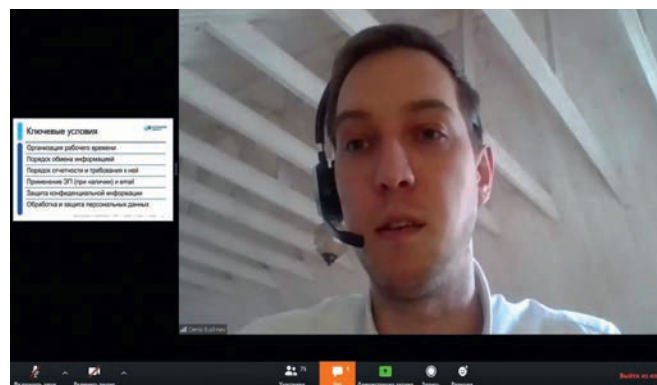
remotely? How to carry out planned labour protection measures, including training, physical examinations, compulsory briefings? On 20 April 2020, the AEB held another webinar. The speaker was Denis Bushnev, Team Leader Labour & Migration Law Practice at Schneider Group. He presented the topic "Legal and practical aspects of the transfer of employees to the remote work for the period of pandemic" with a focus on the following aspects: legal conditions for the use of remote work during the pandemic; how employees are temporary transferred to remote work in practice; the main risks and difficulties with the implementation of this type of work today.

On 24 April 2020, one more webinar took place. Elena Agaeva, Counsel, Head of M&A and Corporate Practice (St. Petersburg), Egorov Puginsky Afanasiev & Partners, and Alexey Sapozhnikov, Attorney-at-law, Partner, Head of Practice Groups Labour and Migration Law, Restructuring, Rödl & Partner, discussed the



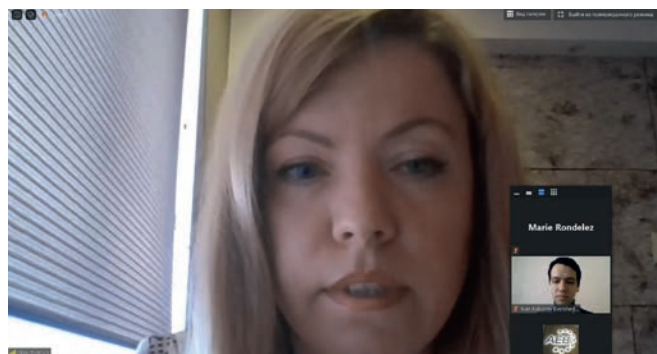
Presentation by **Alexey Sapozhnikov**, Rödl & Partner

topic of legal aspects for labour relations caused by the coronavirus pandemic. Specifically, they elaborated on the following issues: "non-working" week is equal to a month; vacation, idle time, termination, reducing work hours: payment issues; remote work, office work; foreign employees; who falls under the exceptions of the Presidential Decrees: who can continue working and in which regime; how various authorities interpret the Presidential Decrees: recommendations and opinions; how can businesses navigate and make decisions in connection with non-working days: recommendations and controversial issues.



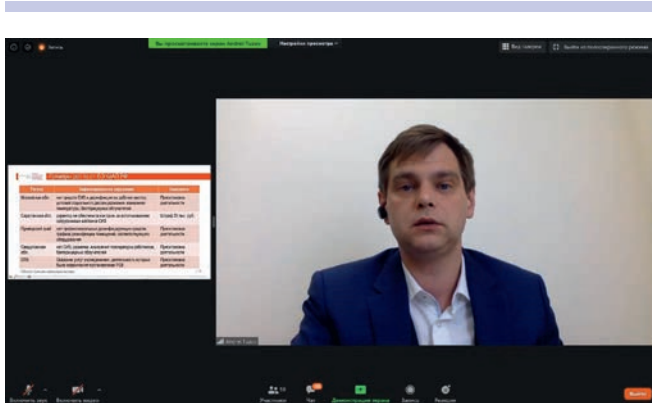
Denis Bushnev, Schneider Group

On 15 May 2020, another webinar within the series was organised. Olga Chirkova, Principal Associate, Eversheds Sutherland, and Ivan Kaiserov, Senior Associate, Eversheds Sutherland, discussed the following topic: "Downsizing (redundancy): a comprehensive approach to minimize risks, and taking into account the presence of a trade union in the company" with the focus on the following issues: peculiarities of downsizing during the period of application of restrictive measures related to COVID-19; requirements applicable to notification obligations towards employees when downsizing, depending on their working situation (remote work, "non-working" days, etc.); potential pitfalls in the downsizing process: "non-downsizeable" employees, preferential rights, vacant positions, etc.; participation of trade unions in the downsizing procedure: creation of "spontaneous" trade unions, notification requirements, and guarantees for trade union members. On 22 May 2020, one more webinar took place. Andrey Tuzov,



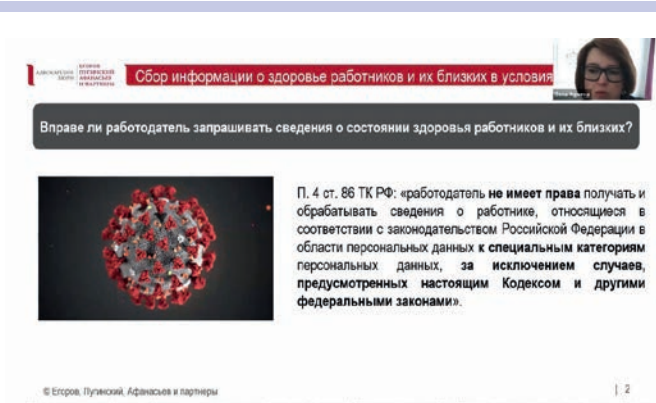
Olga Chirkova, Eversheds Sutherland

Senior Associate of White Collar Crime practice, Egorov Puginsky Afanasiev & Partners, delivered a presentation entitled "Criminal and administrative responsibility of the head of the company during the fight against the pandemic" with the focus on the following topics: review of the updated pandemic formulations in the Code of Administrative Offences and the Criminal Code of the Russian Federation; features of the law enforcement practice under Articles 6.3, 20.6.1 and others of the Code of Administrative Offences of the Russian Federation; practical recommendations for minimizing the risks of holding liable for pandemic staff.



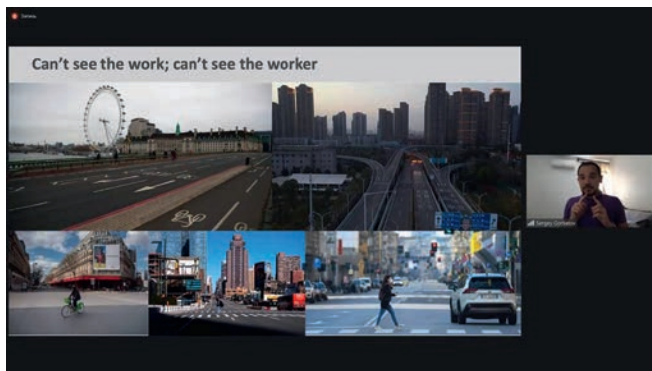
Andrey Tuzov, Egorov, Puginsky, Afanasyev & Partners

On 29 May 2020, the last in May webinar was organised. Elena Agaeva, Head of St. Petersburg M&A and Corporate Practice, Egorov, Puginsky, Afanasyev & Partners, made a presentation "Processing personal data of employees in the conditions of a pandemic". She covered the following aspects: provision by employees of personal data to the employer in



Presentation by Elena Agaeva, Egorov, Puginsky, Afanasyev & Partners

a pandemic: information about the health of the employees and their relatives; can an employer require an employee to pass a coronavirus test; conditions for the employer to process information about the health status of the employees and their relatives in connection with coronavirus: is the consent required.



Presentation by Sergey Gorbатов, IE Business School

On 8 May 2020, the AEB Human Resources Committee organised a webinar "Making it personal: leading virtual teams". Sergey Gorbатов, Director for General Manager Development at AbbVie Madrid, Professor, Human Resources & Organizational Behavior at IE Business School, focused on the fundamental psychological needs and how a smart leader can serve those to drive motivation and performance when times are tough.

The participants of the webinar discussed the challenges of leading employees at the time of uncertainty, as well as simple managerial tasks, such as goal setting, providing feedback when working remotely.

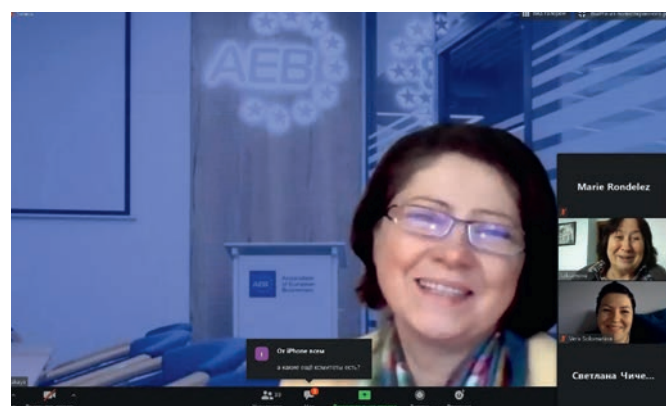
On 20 May 2020, the HR Recruitment Subcommittee within the AEB Human Resources Committee organized a webinar "Approaches to hiring in a new reality".

Invited speakers from SAP CIS, Chiesi Pharmaceuticals LLC, and Metro focused on the topic of the changing labour market, discussed new HR tools and approaches to hiring and adaptation of the employees in this changing coronacrisis period.

Irena Alektritskaya, Chairperson of the Recruitment Subcommittee, Managing Consultant, Antal Russia, shared the latest results of the Antal's Labour Market Survey Spring 2020: "Challenges for employers and candidates expectations".

Vera Solomatina, HR Director, SAP CIS, explained how to use the internal resources efficiently.

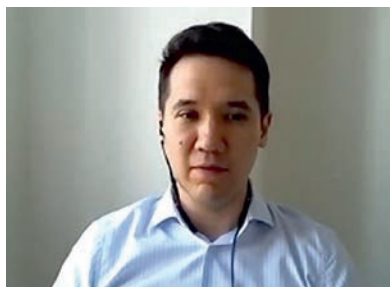
Tatiana Kolomiets, HR Director, Chiesi Pharmaceuticals LLC, shared the company's practical experience in the remote hiring and adaptation of newcomers.



Irena Alektritskaya, Chairperson of the Recruitment Subcommittee, Antal Russia

Svetlana Chichel'nitskaya, Head of HR Operations Division, METRO, explained how the company had organized the cross-hiring process.

Legal Committee



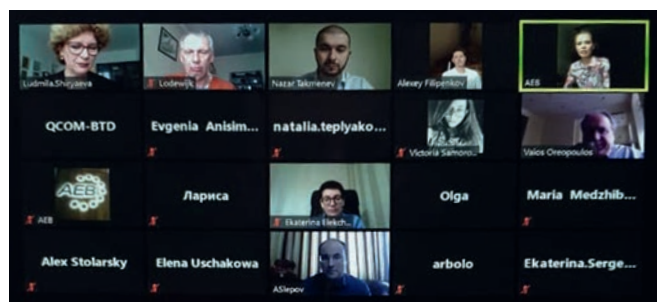
On 8 April 2020, the webinar "Practical legal implications caused by coronavirus pandemic" was organized by the Legal Committee.

Dias Asanov, Chairman of the AEB Legal Committee, General Counsel, Siemens Energy Russia/Central Asia, made a presentation related to disruptions on contracts performance and business relations: performance and liability; force majeure; expected changes in legal practice, and how to drive those changes; tips for newly concluded agreements.

Dias Asanov, Chairman of the AEB Legal Committee

Migration Committee

On 8 April 2020, the AEB Migration Committee organized a webinar "Migration law in practice during the restrictive measures caused by coronavirus". During the webinar the following topics were discussed: the recent changes in migration law; practical aspects of migration rules implementation in connection with the introduction by the Government of the Russian Federation of restrictive measures during the coronavirus period; practical aspects of migration registration of foreign employees, application and obtaining work permits, the work and schedule of the territorial bodies of the Ministry of Internal Affairs, notification procedures for concluding labour contracts with foreign employees; what to do if a foreign employee (general director) cannot get back from Europe. The participants of the event had an opportunity to raise acute questions and share the practical experience in migration sphere.



Participants of the webinar

Based on the request of the webinar's participants, it was agreed to hold the next webinar as soon as the Committee receives the clarification from the Russian Ministry of Internal Affairs on its requests, and the Presidential Decree clarifying implementation of migration rules during the pandemic situation in Russia will be issued.

North-Western Regional Committee



Anton Rassadin

On 15 April 2020, the AEB Board approved Anton Rassadin, Head of Corporate Communications, GR, BSH Russia, as new Chairman of the North-Western Regional Committee. He was elected by the members of the NWRC Steering Committee. Andreas Bitzi (quality partners), who was elected

Chairman of the NWRC by the Steering Committee after the Annual General Meeting held on 27 February 2020, had to resign after four years of successful work, since he was also elected as Chairman of the AEB Small & Medium-Sized Enterprises Committee. However, Andreas will continue his duties in the NWRC Steering Committee as Deputy Chairman.

According to the official notification, Arno Coster (SCHNEIDER GROUP), the newly elected member of the NWRC Steering Committee, had to quit for personal reasons. Therefore, Anton Poddubny (Dentons), the next candidate with the highest number of votes and highest membership category from the Reserve List replaced Arno Coster.

The current composition of the NWRC Steering Committee is as follows: Anton Rassadin, BSH Russia (Chairman of the North-Western Regional Committee); Andreas Bitzi, quality partners (Deputy Chairman of the North-Western Regional Committee); Elena Novoselova, Coleman Services UK (Deputy Chairperson of the North-Western Regional Committee); Wilhelmina Shavshina, DLA Piper (Deputy Chairperson of the North-Western Regional Committee); Anna Chekhova, Commerzbank (Eurasija) AO; Natalia Kapkaeva, Port Hamburg Marketing; Timo Mikkonen, ORAS Group; Anton Poddubny, Dentons; Maxim Sobolev, YIT.



Participants of the online conference

On 21 May 2020, Andreas Bitzi, Deputy Chairman of the AEB North-Western Regional Committee, Chairman of the AEB SME Committee, took part in the online conference "After

quarantine. The crisis and countermeasures", organized by the economic bloc of the government of the Leningrad region, headed by Dmitry Yalov, Deputy Chairman of the Government of the Leningrad region, Chairman of the Committee for Economic Development and Investment.

The possible consequences of the pandemic were discussed: What will be the demand after the pandemic? What are Russians ready to give up? How to restructure the work of businesses in the face of falling demand? How should government support change in these conditions? What will be the role of business communities and associations? What will become a driver for overcoming the crisis? How will the market and working methods change in the post-pandemic period?

Product Conformity Assessment Committee

The Ministry of Industry and Trade of the Russian Federation and the Ministry of Economic Development of the Russian Federation with the participation of Rosaccreditation developed Extended Recommendations on temporary measures to carry out inspection control, sampling and other planned activities, taking into account the complex epidemiological situation associated with the spread of coronavirus infection (COVID-19).

The development of this document was carried out in an intensive mode in the framework of the work of the interdepartmental working group, with direct participation of the Chairman of the AEB Product Conformity Assessment Committee Sergei Gusev. Most of the fundamental and important proposals made on behalf of the AEB, including the renewal of certification of new mass-produced products and the remote analysis of the state of production were reflected in the new Recommendations.

Public Relations & Communications Committee



L-R: **Stuart Lawson**, AEB Board Member, Chairman of the AEB Finance & Investments Committee, Senior Advisor, EY; **Marina Tatarskaya**, Chairperson of the AEB PR & Communications Committee, PR Director, Ferrero Russia; **Luca Eszter Kadar**, Spokesperson, Head of Press & Information Section, EU Delegation to Russia; **Paul Bruck**, Deputy Chairman of the AEB Board, Deputy Chairman of the AEB SME Committee, President, MOST SERVICE, member of Bruck Consult; **Nikolaus Rexroth**, Artistic Director, International Festival of Worlds Youth Orchestras.

On 11 March 2020, the Public Relations & Communications Committee held its open meeting entitled "Cultural diplomacy as a tool for bringing people together".

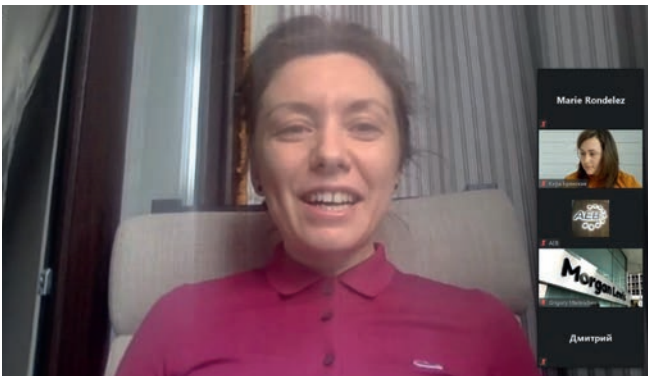
The meeting aimed to share international best practices in the implementation of cultural projects.

It provided a platform for discussion of the EU strategic ap-

proach to international cultural relations, cultural projects as a tool for promoting corporate brand, examples of cultural projects implemented by the AEB member companies.

The meeting was moderated by Marina Tatarskaya, Chairperson of the Public Relations & Communications Committee, PR Director, Ferrero Russia.

Real Estate Committee



Tatiana Kovalenko, AEB Real Estate Committee Chairperson

On 29 April 2020, the AEB Real Estate Committee held a webinar “COVID-19: key legal and tax issues in real estate”. The webi-

nar was moderated by Tatiana Kovalenko, Real Estate Committee Chairperson, Deputy Managing Director, Sandler & Company. Kira Bryanskaya, Of Counsel, Pavia e Ansaldo, spoke about the issues of deferring rental payments by companies operating in the most affected sectors of the economy, as well as ways of legal protection of the interests of the parties in connection with the impossibility of fulfilling contractual obligations that arose because of the application of measures to combat COVID-19 in the light of recent changes in legislation and trends in judicial practice. Sergey Likhachev, Associate Director, Tax Practice, Bryan Cave Leighton Paisner, provided an overview of the changes in tax regulations in connection with the pandemic and their impact on real estate and construction sector, and also shared an update on federal and regional support measures.

On 12 May 2020, the AEB Real Estate Committee organised a webinar titled “Landlord vs tenant in the realities of COVID-19”. The webinar was moderated by Tatiana Kovalenko, AEB Real Estate Committee Chairperson, Deputy Managing Director, Sandler & Company.

Ekaterina Sidenko, Associate, BEITEN BURKHARDT, shared her vision on how to build a relationship with a landlord during and after a pandemic, and namely: new legislation aimed at the tenants’ protection (Law No. 98-FZ). How can a tenant use it in its own favour the RF Civil Code lease provisions (s.4 of art.614 of the RF Civil Code and/or others). How can they help the tenant; force-majeure provision (s.3 of art.410 of the RF Civil Code). When and how is it reasonable to apply it; Art.451 of the RF Civil Code on substantial change of circumstances. When and how is it reasonable to apply it?

Sergey Vershinin, Associate Partner, Rödl & Partner, spoke about the rent from the state: new opportunities during the pandemic. He briefed about the measures of state support, who has the right to count on support and whether it is possible to get support if the



Presentation by **Ekaterina Sidenko**, BEITEN BURKHARDT

enterprise does not belong to small or medium-sized businesses. Nikita Butenko, Principal Associate, Eversheds Sutherland, presented the current situation on the rental market from the landlord’s (property owner’s) perspective, discussed possible approaches to negotiations with tenants regarding amendments to the terms of the lease agreement, and briefly described state benefits available to landlords.



Presentation by **Olga Arkhangel'skaya**, EY

On 28 May 2020, the AEB Real Estate Committee held a webinar titled “The two-meter rule: what will workplace be like after the pandemic?”. The webinar was moderated by Tatiana Kovalenko, AEB Real Estate Committee Chairperson, Deputy Managing Director, Sandler & Company.

The following experts participated in the webinar: Olga Arkhangel'skaya, EY Partner, Head of the Real Estate, Transportation, Infrastructure and Government Group in the CIS, with the presentation “Forecasts of experts for the future of offices and remote work”; Steffen Sandler, Managing Director, Sandler & Company – “International experience. How do different countries cope with

the current situation?"; Denis Kuvshinnikov, Interior Design Department Principal, ABD architects – "What do people think about remote work? Will it change the office real estate market? Survey results"; Mikhail Brodnikov, Managing Director, SOK – "How important is an office and a comfortable workplace for people? What

components are missing in the office, which ones at home? What does coworking offer for this?"; Natalia Nikitina, Partner, Head of Department Office Group, Cushman & Wakefield – "Short- and long-term future performance of the office market. How will the demand and quantity of office space change?"

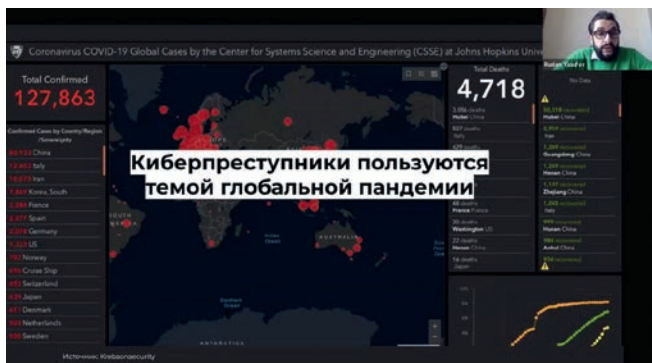
Safety, Health, Environment & Security Committee



On 23 May 2020, the online discussion on "No more garbage" took place in the framework of the ECOcup Film Festival. Experts, officials and activists discussed the reform of the solid waste management industry with the audience. Pavel Rudyakov, member of the AEB Safety, Health, Environment & Security Committee, Samsung Electronics, made a presentation entitled "Is there a problem of electronic waste disposal?"

Presentation by **Pavel Rudyakov**, Samsung Electronics

Safety, Health, Environment & Security and IT & Telecom Committees



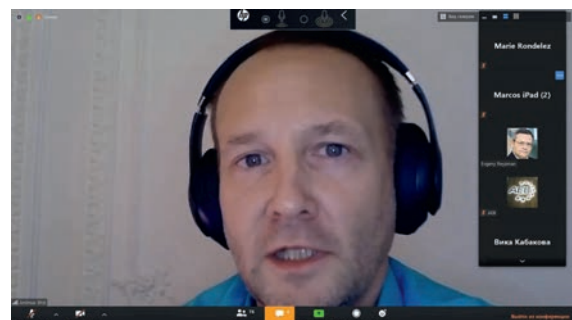
Presentation by **Ruslan Yusufov**, Mindsmith

On 10 April 2020, the Safety, Health, Environment & Security Committee jointly with the IT & Telecom Committee organ-

ized a webinar titled "Company's cyber security during remote work". Cybercrime becomes one of the current issues for companies during this period. The number of phishing attacks on organizations increased by 30% over the past two months. Communications move from the corporate to personal networks of employees. They can also use their personal devices for work tasks. As a result, control over the actions of employees may decrease, as well as the abilities for the prompt incident response. Ruslan Yusufov, Mindsmith, Andrey Timoshenko, Accenture Russia, and Marya Moysh, Egorov Puginsky Afanasiev & Partners, shared their expertise and launched the discussion.

Small & Medium-Sized Enterprises Committee

On 16 April 2020, the Small & Medium-Sized Enterprises Committee held its open event (webinar) entitled "SME fundamental challenges and support measures in view of the COVID-19 outbreak". The event provided a platform for discussion of legal implications for SMEs caused by COVID-19 outbreak, sensitive labour law issues during high-alert regime, European countries' practices in SME support measures implementation, SME support measures elaborated by the Russian Federation Government, crisis mindset and how to survive during the COVID-19 crisis.



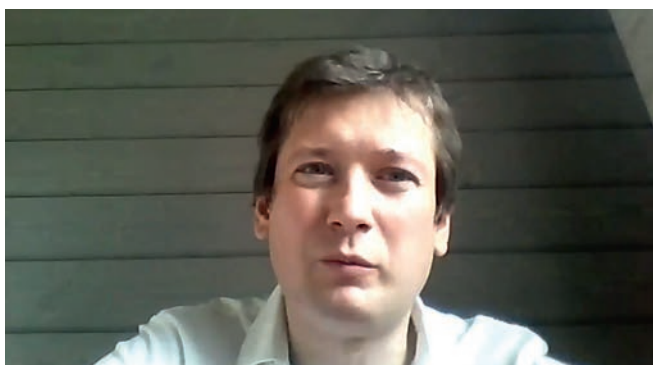
Andreas Bitzi, Chairman of the AEB Small & Medium-Sized Enterprises Committee

The presentations were delivered by: Anna Fischer, Senior Lawyer, JURALINK; Evgeny Reyzman, Deputy Chairman of the AEB Labour Law Subcommittee, Counsel, Baker McKenzie; Paul Bruck, Deputy Chairman of the AEB Board, President, MOST SERVICE, member of Bruck Consult; Aage V. Nielsen, Member of the AEB CNR, Deputy Chairman of the AEB Working Group on Modernisation & Innovations, Man-

aging Director & Senior Partner, Vitus Bering Management Ltd.; Jeroen Ketting, Founder and co-owner of Lighthouse Russia BV.

The event was moderated by Andreas Bitzi, Chairman of the AEB Small & Medium-Sized Enterprises Committee, Deputy Chairman of the AEB North-Western Regional Committee, Managing Director, quality partners.

Small & Medium-Sized Enterprises and Compliance & Ethics Committees



Alexander Bezborodov, BEITEN BURKHARDT

On 21 April 2020, the AEB Small & Medium-Sized Enterprises and Compliance & Ethics Committees held a joint meeting entitled "Compliance and corporate governance for business/SMEs in difficult times: COVID-19 challenges and evolving sanctions regime".

The meeting provided a platform for discussion of the following issues: COVID-19 and legal implications for contractual relations including liability for non-performance of obligations, compensation of losses, payment of penalties and fines, procedures for concluding new contracts, provisions on limited liability, legal qualification of sanctions and examples from practice, fundamental sanctions compliance provisions.

In accordance with the meeting agenda the presentations were delivered by: Alexander Bezborodov, LL.M., Attorney-at-law, Partner, BEITEN BURKHARDT, and Irina Saadueva, VP Legal, quality partners.

The meeting was co-moderated by Andreas Bitzi, Chairman of the AEB Small & Medium-Sized Enterprises Committee, Deputy Chairman of the AEB North-Western Regional Committee, Managing Director, quality partners, and Svetlana Makarova, Chairperson of the AEB Compliance & Ethics Committee, Lead Compliance Counsel, Europe, Nokia.

Southern Regional Committee

On 23 April 2020, students of the Kuban State Agrarian University Business School presented their business case studies. This project had been supported by AEB Southern Regional Committee member companies for more than 5 years.

This year's event was held in an online format at the MS Teams platform.

Students of the Business School presented solutions to business cases offered by Nestle Kuban, CLAAS and ANCOR companies.

Among those who assessed the projects were: Oleg Zharko, Chairman of the AEB Southern Regional Committee, Danone; Igor Brener, Chairman of the Southern Regional Committee HR Subcommittee, Cargill; Ralph Bendisch, Deputy Chairman of the Southern Regional Committee, Honorary Consul of Germany in Krasnodar, CLAAS, and mentors from Nestle Kuban and ANCOR companies.

Classes attended by the students during the year





A tour around CLAAS company in March 2020

On 27 April 2020, students of the Kuban State Technological University Business School presented their business case studies. The presentation of the business case studies was held in an online format using the MS Teams platform. This project had been supported by AEB Southern Regional Committee member companies for more than 5 years. During the 2019-2020 academic year, weekly lectures were organised for the students. They were also provided with excursion tours around Danone and CLAAS premises.

The students of the Business School presented solutions to business cases offered by Nestle Kuban, CLAAS and ANCOR.

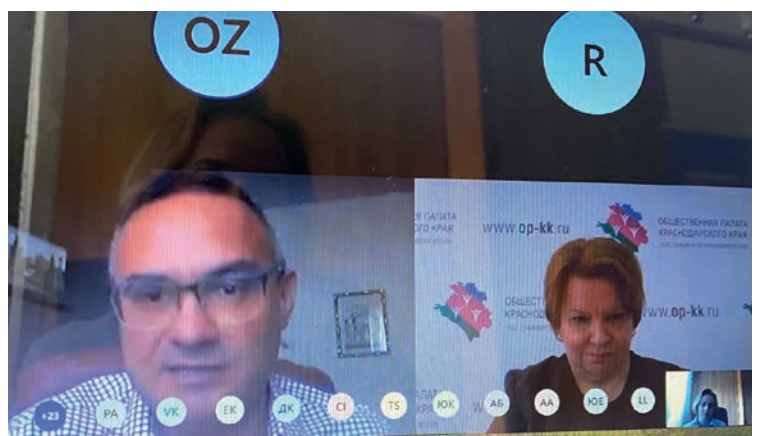
The presentations were assessed by: Igor Brener, Chairman of the AEB Southern Regional Committee HR Subcommittee, Cargill; Ralph Bendisch, Southern Regional Committee Deputy Chairman, Honorary Consul of Germany in Krasnodar, CLAAS; Tatiana Alishevich, Philip Morris, and mentors from Nestle Kuban and ANCOR companies.

On 14 May 2020, the online conference “New strategies of government and business in the face of new risks” was held in Krasnodar.

The online discussion was held within the framework of the long-term programme “Time for new strategies” organized by the Public Chamber of the Krasnodar region, the AEB Southern Regional Committee, the Russian-English weekly “YUG Times”, the Krasnodar regional branch of the Russian Union of Industrialists and Entrepreneurs.

The event was moderated by Oleg Zharko, Chairman of the AEB Southern Regional Committee, Regional Corporate Affairs Director, group of companies Danone in Russia.

Tadzio Schilling, AEB CEO, and Lyubov Popova, Chairperson of the Krasnodar region Public Chamber, addressed the participants with welcome speeches. The discussion focused on two main blocks: business strategies in the face of uncertainty, including companies’ decisions to protect employees, and meas-



L-R: **Alexander Polidy**, Chairman of the Commission, the Krasnodar region Public Chamber; **Lyubov Popova**, Chairperson of the Krasnodar region Public Chamber.

ures of state support for business during and after the quarantine. Alexander Ruppel, Minister of Economy of the Krasnodar region, Yuri Shevchenko, Deputy Head of the Department of investment and development of SME of the Krasnodar region, and Dmitry Korolev, Head of the Krasnodar region Industrial Development Fund, spoke about

the measures being implemented by the regional authorities. Alexander Polidy, Chairman of the Commission on economy, industrial and agro-industrial sector, integrated rural development, support for SME of the Public Chamber of Krasnodar region, focused on changes in consumer behaviour and the importance of forming new relations between the state and business. Business representatives spoke about the rapid adaptation to

the new working conditions: Ralf Bendisch, CLAAS, Deputy Chairman of the AEB Southern Regional Committee; Igor Brener, Cargill, Chairman of the HR Subcommittee of the AEB Southern Regional Committee; Vladislav Kalashnikov, Philip Morris Kuban. Diana Lipinskaya from Center-invest Bank and Natalia Minzhulova from Banca Intesa shared the financial support tools for businesses and the risks and concerns for banks.



Presentation by **Olga Bantsekina**, former Member of the AEB Board, Coleman Services UK

The online conference “The role of HR in non-stop business operations: preparation (past), implementation (present), future” was held on 28 May 2020 in Krasnodar.

The event was moderated by Igor Brener, Cargill GHRS Russia, Chairman of the HR Subcommittee of the AEB Southern Regional Committee, and co-moderated by Juliana Perederiy, branch Director, coordinator of the AEB Southern Regional Committee.

Tadzio Schilling, AEB CEO, Oleg Zharko, Chairman of the AEB Southern Regional Committee, Danone, Gennady Stryuk, Head of the Personnel Policy Department of the Krasnodar region Administration, addressed the conference participants. Irina Aksenova, Chairman of the AEB HR Committee, Coleman Services UK, spoke about the Committee activities.

Olga Bantsekina, Coleman Services UK, former Member of the AEB Board, shared analytical data and an overview of research on the Russian labour market that was conducted during the introduction of quarantine measures.

Alexey Mironov, ANCOR, presented a comparative analysis of the labour market in the Southern Federal district.

Heads of HR departments of the companies Bonduel, Danone, CLAAS, Nestle Kuban, Syngenta, Philip Morris shared their experience and talked about new functions of HR employees, opportunities for new digital communications.

The HR conference brought together more than 60 participants – managers and employees of HR services of Russian and foreign companies.

Taxation Committee

Вебинар ФНС России для иностранных инвесторов: налоговое администрирование в условиях пандемии

28 апреля 2020 года, 15:00–16:30



Webinar organised by the Federal Tax Service of Russia

On 28 April 2020, the Federal Tax Service of Russia (FTS of Russia) held a webinar for member companies of leading business associations representing interests of foreign investors in Russia: the AEB,

the Russian-German Chamber of Commerce, the French-Russian Chamber of Commerce and Industry, the American Chamber of Commerce in Russia (AmCham), etc.

Daniil Egorov, Head of the Federal Tax Service of Russia, discussed measures to support businesses in connection with COVID-19 and answered questions raised by the participants, having clarified companies' operations procedures during the pandemic.

The meeting was moderated by the chairpersons of tax committees of four associations.

The AEB was represented by Alina Lavrentieva, Taxation Committee Chairperson. In total, the webinar was attended by about 90 representatives of AEB member companies.

The associations were grateful for a direct dialogue with the FTS leadership.

At the AEB Board meeting on 13 May 2020, it was decided to establish a temporary Working Group on Amending International Tax Treaties within the Taxation Committee.

The recent initiatives of the Russian Government regarding the implementation of the order of the President of the Russian Federation to increase the tax rate to 15% on income in the form of dividends and interests relate to almost all AEB members as well as affect the investment climate in Russia.

Therefore, the Group's objective will be to elaborate the common approach to come into the dialogue with state authorities over the

interests in the interaction between the Federal Tax Service, Ministry of Finance and bona fide investors. The group will hold meetings with experts in international tax law of the Russian resident companies, analyse the coming changes in the legislation. Based on the information collected, the Group will work out draft amendments to the state initiatives in order to protect the interests of bona fide investors.

The Working Group will remain in force until 31 December 2020 or until the moment the amendments to international treaties are implemented.

Working Group on Modernisation & Innovations



L-R: **Aage V. Nielsen**, Deputy Chairman of the Working Group on Modernisation & Innovations, Managing Director & Senior Partner, Vitus Bering Management Ltd.; **Alexander Povalko**, CEO, Chairman of the Board, Russian Venture Company (RVC).

On 12 March 2020, the Working Group on Modernisation & Innovations held its open event "The role of Russian Venture Company (RVC) in the Russian innovation ecosystem: meeting with Alexander Povalko, CEO, Chairman of the RVC Board".

The meeting was focused on the opportunities and mechanisms for cooperation between business and RVC.

In his presentation RVC CEO covered the following topics: roles of RVC: a development institution, a fund of funds, the NTI Project Office; RVC strategy for cooperation with business; opportunities for the implementation of European technologies in the framework of the NTI; RVC's approach to the establishment of joint VC funds.

The event was moderated by Aage V. Nielsen, Deputy Chairman of the Working Group on Modernisation & Innovations, Managing Director & Senior Partner, Vitus Bering Management Ltd.

MEMBER NEWS

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

Atos

Atos

Atos and Dell Technologies strengthen cooperation in the Russian market

Atos, a global leader in digital transformation, signed a local agreement with a leading IT company Dell Technologies to strengthen cooperation in the Russian market.

Together Atos and Dell will help Russian business to accelerate the integration of new services and overcome difficulties on the way to remote work. The cooperation will allow Atos to present the following Dell solutions to its clients: ISG Storage/ISG Server, Compute & Network/CSG Commercial/CSG Consumer.

Edgars Puzo, CEO of Atos Russia and CIS, said: "Now Atos specialists have the opportunity to provide international services in Russia on better terms. This fact will contribute to entire industry development. Today the digital work environment and all related solutions for remote work are important more than ever for Russian business. A combination of global expertise of companies will provide a scalable ecosystem of technologies that support the domestic IT market, especially in relation to Digital Workplace".

"We are pleased to welcome Atos Russia among Dell Technologies partners", said Konstantin Isaakyan, Director of Department of Partnerships at Dell Technologies in Russia. "The development of our cooperation will allow Russian customers to quickly adapt to difficult external conditions and increase IT competencies for successful business processes digitalization and remote work optimization."

Atos is a global partner of Dell Technologies. The companies are expanding the geography of their cooperation and stay strong partners in the search for global digitalization solutions.

Bryan Cave Leighton Paisner

Bryan Cave Leighton Paisner top-ranked by The Legal 500 2020

Bryan Cave Leighton Paisner, formerly Goltsblat BLP in Russia, is once again named one of the best law firms on the Russian legal market by the recently released The Legal 500 2020.



The firm is top-ranked in 17 practice areas, including across all its key specialisations: Real Estate and Construction (Tier 1 for the 9th year running); Competition (Tier 1 for the 9th year running); Intellectual Property (Tier 1 for the 5th year running); Commercial, Corporate and M&A (Tier 2); Litigation (Tier 2); Arbitration and Mediation (Tier 2); Tax (Tier 2); TMT (Tier 2); Employment (Tier 2); Banking and Finance (Lender or Arranger side – Tier 2, Borrower side – Tier 3); Private Client (Tier 2); Energy & Natural Resources (Tier 2); PPP and Infrastructure Projects (Tier 2); Restructuring and Insolvency (Tier 2); White Collar Crime (Tier 2), etc. The firm has received the highest ranking for Transport (Tier 1) for the first time.

35 BCLP Russia partners and lawyers are recommended by The Legal 500 2020.

The ranking is based on client and peer feedback, and the scale and complexity of the projects completed during the preceding year. It also names lawyers providing consistently excellent advice in their focus areas and assesses their performance and stand-out instructions.

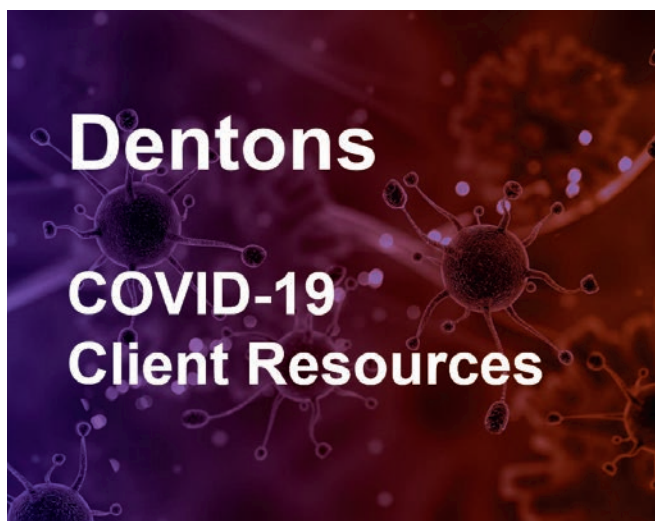
Dentons

Dentons COVID-19 Client Resources

As the world’s largest law firm, Dentons works in most of the countries seriously impacted by COVID-19. The Firm brings to bear its experience of dealing with the impact of COVID-19 in each of our markets, coupled with local knowledge and legal solutions, to help companies fully assess and address its ramifications across countries.

Dentons has created legal resources to support charities, NGOs and other not-for-profit organizations, across the world. Dentons professionals have been engaged in a wide variety of pro bono legal matters related to COVID-19. Dentons offices are also proud to be involved in Legal Solidarity to provide free legal advice to people in need, non-profits, social enterprises, and charities.

To help employers track their responsibilities in relation to COVID-19, Dentons has produced a comprehensive interactive guide covering over 60 countries. The Firm has leveraged its global footprint to provide clients with an overview of their obligations across multiple markets. Dentons lawyers answer the typical questions the employers might have, and provide guidance around the following key themes: employer protection responsibilities; travel protocols; employee compensation in quarantine/if unable to perform functions; employees diagnosed with COVID-19; employee data privacy; employment terms adjustment in the event of operational difficulties.

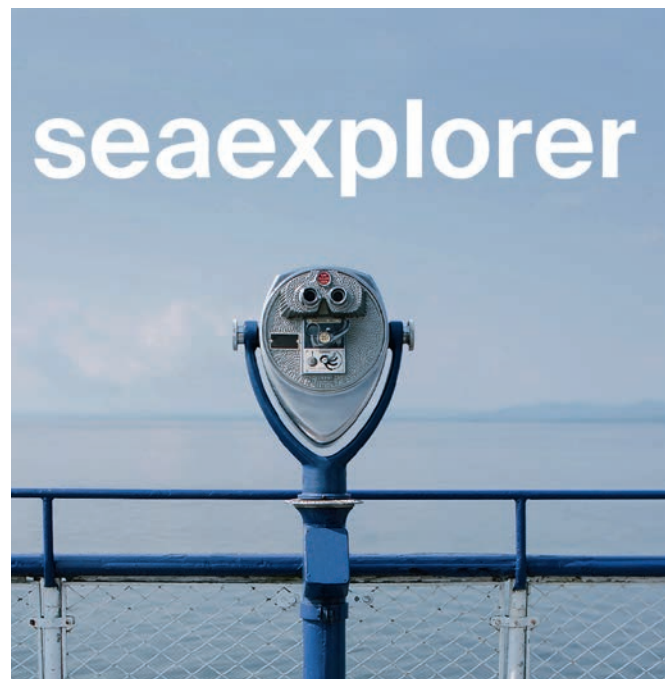


Kuehne + Nagel

Kuehne + Nagel’s SeaExplorer keeps supply chains running

Kuehne + Nagel has launched an enhanced version of its SeaExplorer online platform. Especially in the current volatile market environment, transparency is crucial for companies requiring sea freight services. Industry sources predict a high rate of cancelled sailings in various trades in the coming weeks. Schedule reliability is currently at 65%, the lowest level in the past ten years.

The new SeaExplorer features come just in time to mitigate these disruptions. In one single digital platform, it is now possible to find the best option for container shipping needs, including transparency on alternative routings and sailings. SeaExplorer customers can improve their shipment planning and inventory management with the help of artificial intelligence and the access to big data.



Otto Schacht, Member of the Management Board of Kuehne + Nagel International AG, responsible for sea freight, says: “Given the challenges of COVID-19, the enhanced SeaExplorer supports shippers not only with realistic lead times for routings, but also with service updates and up-to-date sailing schedules showing alternative departures for blanked sailings. This allows customers to quickly and efficiently compare options across all liner services to easily adjust routings according to their requirements for speed and reliability.”

Merck

Joint forces on World Multiple Sclerosis Day

Merck, a leading science and technology company, took part in a press conference with representatives of the medical community and patient organizations to launch 'Live a Full Life' project, aimed at raising awareness among the general public about multiple sclerosis (MS). As part of the project it is planned to conduct a series of online activities designed to spread information about multiple sclerosis.

World MS Day is officially marked on May 30 each year. Events and campaigns take place throughout the month of May, and it brings the global MS community together to share stories, raise awareness and campaign with and for everyone affected by multiple sclerosis.

Multiple sclerosis is a chronic, inflammatory condition of the central nervous system and is the most common non-traumatic, disabling neurological disease in young adults. It is estimated that approximately 2.3 million people have MS worldwide. While symptoms can vary, the most common symptoms of MS include blurred vision, numbness or tingling in the limbs and problems with strength and coordination. The relapsing forms of MS are the most common.



Servier

Mayor of Troitsk visited Servier RUS industrial complex



Vladimir Dudochkin, Mayor of Troitsk town (New Moscow), visited Servier pharmaceutical plant in Russia on the invitation of Christophe Wlodarczyk, General Manager of Servier RUS. The delegation accompanying the Mayor comprised deputy of the Moscow City Duma, Head of the Department of Social Affairs of Troitsk and Director of the Troitsk Social Security Center.

The delegation had an opportunity to be acquainted with modern technologies of pharmaceuticals production, visit quality control laboratories, see production process and the Track & Trace system introduced at the plant recently.

During the visit Servier presented to the Mayor of Troitsk its current projects with a particular focus on production and quality issues as well as social and environmental protection. Participants also discussed the results of the past and ongoing joint initiatives and confirmed their mutual interest to further develop partner projects.

Servier has been actively supporting the initiatives held on the territory of New Moscow, where its production is located. The company will continue contributing to the sustainable development of Troisk and surrounded territories in partnership with local administration and engaging local community.

NEW MEMBERS



assmann
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ASSMANN Beraten + Planen

The ASSMANN Beraten + Planen company was founded in Germany more than 65 years ago and has been successfully operating in Russia since 1998.

During this time, our company has successfully implemented more than 200 large projects as a general designer and technical customer, including:

- Siemens Gas Turbine Plant, St. Petersburg;
- Continental tire manufacturing plant, Kaluga;
- Volkswagen Automobile Plant, Kaluga;
- plant for the production of agricultural machinery "CLAAS", Krasnodar;
- factory for the production of paints and varnishes "Hempel", Ulyanovsk;
- woodworking plant Egger, Smolensk region;
- the airport complex of the "Noviy" international airport, Khabarovsk;
- international airport complex "Platov", Rostov-on-Don;
- Sheremetyevo International Airport Terminal C, Terminal E, Moscow;
- Robert BOSCH Headquarters, Moscow Region, Khimki;
- hotel and business complex, Khabarovsk;
- multifunctional exhibition complex, Khabarovsk;
- ethylene cracking complex in Tobolsk (customer: Linde Gas Rus);
- gas turbine production plant, St. Petersburg (customer: Siemens LLC);
- cement plant, Tula (customer: HeidelbergCement Rus LLC).

The main focus in our work is industrial and public facilities, sports complexes, transport infrastructure facilities, etc. Our activities include in addition to general design and construction support, project management, technical customer functions and engineering.

Our company is a responsible executor and a reliable partner for Western European and Russian customers.

www.assmann.ru

HEROES
BUSINESS DEVELOPMENT FORCE

Heroes S.r.l

Heroes is an international business consulting agency.

Our mission is to encourage companies and start-ups to develop their best potential thus achieving great business results and changing this world to the better.

If you and your company: want to enter new markets, want to grow or transform your business, want to create a strong brand, face a challenging task, have to manage an extraordinary project or process, want to increase the purpose of your business, then Heroes are here to help you!

Our principal activities are: support in internationalization and foreign markets development: from market strategy and partner search to establishing of representation in the foreign country; marketing strategies, positioning, branding; turnaround services; search for technology partners and investors for start-ups.

Our representative offices are located in Milan, Florence, Moscow, St. Petersburg and Belgrade. We have a strong partnership network of professionals in different countries: France, Germany, Turkey, the Gulf countries, North Africa and other regions.

Heroes is not only about us, it is more about our clients, to whom we help to discover their potential.

HEROES. DISCOVER YOUR FORCE.

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INGKA
CENTRES

Ingka

Ingka Group consists of three business areas.

Our core business is IKEA Retail, which consists of 374 IKEA stores across 30 markets, and counting. Each year, we welcome 839 million visitors to these stores, and we have more than 2.6 billion visits to IKEA.com.

Ingka Centres develops and operates meeting places – sustainable mixed-use destinations anchored by IKEA store.

So far, we've established 45 Ingka Centres across Europe, Russia and China with 480 mln visitors per year – and more are on the way.

We make responsible investments in our core business, or in areas that add value for our customers. Ingka Investments allows us to grow our IKEA Retail business, by partnering with companies that share our values.

In Russia, Ingka is represented by 15 IKEA stores in major Russian cities and 3 IKEA design studios. Most IKEA products can be purchased at the IKEA online store. Ingka Centres in Russia is responsible for real estate development and management of 14 MEGA shopping centres with 850 brands in 12 Russian regions and the Khimki Business Park. Ingka Russia operates the Distribution Centre in Espipovo, which is one of the largest warehouses in Russia and Europe, fully meeting the needs of all our stores in Russia and the e-commerce.

All the divisions of Ingka Russia employ more than 10,000 co-workers.

www.ingka.com



METAPro

METAPro is an EPCM (abbreviation from Engineering Procurement Construction Management) type company.

Our company has 3 major focuses: project management, procurement management, aftersales & aftermarket services. Within our projects we are committed to deliver the high quality products, such as complete packages of industrial equipment: compressors, pumps, power stations, heat exchangers, ozone generation stations and many other operation units.

We provide multibrand aftersales services, aftermarket solutions and Client support. Our major Clients are general industrial and oil & gas enterprises. METAPro provides support for individual projects or assistance in managing entire industrial programs. METAPro has resources and great experience to cover our Clients' procurement needs and to ensure their constant business growth. Our procurement services involve these operations: market assessments & benchmarking; manufacture and supplier identification; strategic sourcing & category management; manufacture & supplier risk management; compliance management; contract implementation; event factory; analysis on spending; supplier and manufacturer relationship management.

One of our new developing business lines is manufacturing processes optimization by additive technologies integration and manufacturing localization. Currently we are working on a great input in this business line. Our aim is to integrate additive technologies as one of the key solutions for general procurement processes as well as aftermarket solution. This integration can significantly optimize regular operation and extend lifetime of industrial equipment, which we believe at the end leads to a valuable operations cost effectivity for our Clients.

www.meta-pro.eu

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