



## EXTENSION (until 31 December 2015) OF THE TERM OF THE INDUSTRY TARIFF AGREEMENT FOR COMPANIES IN THE CHEMICAL, PETRO-CHEMICAL, BIOTECHNOLOGICAL AND CHEMICAL AND - PHARMACEUTICAL INDUSTRIES IN RUSSIA

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*FAO: CEOs of companies, employees in legal departments, and HR departments of companies in the chemical, petrochemical, biotechnological and chemical and pharmaceutical industries*

**At the federal level in Russia, an Industry Tariff Agreement (the "Agreement") was adopted for 2012-2014 for companies in the chemical, petrochemical, biotechnological and chemical and pharmaceutical industries in Russia. The Agreement sets additional obligations and automatically extends to companies in Russia's chemical industry.**

**An Agreement to extend the term of the Agreement until 31 December 2015 was signed on 26 November 2014 (the "Extension Agreement").**

On 4 February 2015, Rossiyskaya Gazeta published a Letter of the Russian Ministry of Labour and Social Protection (the "**Ministry of Labour**") in relation to joining the Extension Agreement. To refuse to join the Extension Agreement, a well-grounded refusal should be submitted to the Russian Ministry of Labour **by 5 March 2015**.

The Extension Agreement has effect in relation to:

- Russian chemical companies that are members of the All-Russian Industrial Association of Employers "Russian Union of Chemists" (the "**Union**");
- companies which are not members of the Union but have authorised the Union to enter into the Agreement on their behalf; and
- other companies in the Russian chemical industry, unless such companies submit to the Ministry of Labour a well-grounded refusal to join the Extension Agreement by 5 March 2015.

Below we set out some of the provisions of the Agreement which lay down additional requirements for employers:

- The minimum basic rates (salaries) must be indexed at least once a year. This should be done in proportion to the actual change of in the minimum subsistence level of the working population in the relevant constituent entity of the Russian Federation based on the information from the Federal State Statistics Service (Rosstat) in a commutative amount from the time of the previous indexation (clause 5.7);
- Extra payments for night and evening shifts must be provided for by the collective agreements or local regulations of a company. These payments must amount to at least 40 and 20 percent of the tariff rate (salary) respectively (clause 5.15)
- To provide the employees with borrowed funds for the purchase and construction of residential premises, expensive property from the accumulated funds of the company, or to implement joint programmes with credit institutions to provide mortgages to employees on beneficial conditions (clause 6.14);
- Where an employee who has been duly warned about termination in connection with a reduction in the number of employees or a reorganisation of staff positions, such employee must be given 1 working day per week at his/her own discretion to search for work. without his/her average monthly wage being reduced (clause 7.1.5);
- To spend at least 0.3% of the payroll fund on holding sports and recreation, social and cultural works and other socially significant events, partially transferring these funds to the settlement account of the primary trade union organisations (clause 11.7.3).

### Implications for companies

For companies which were not involved in the Extension Agreement being concluded (i.e. which are not members of the Union and did not authorise the Union to enter into the Extension Agreement), the only option for refusing to join is to file a well-grounded refusal with the Ministry of Labour, accompanied by the minutes of the discussions with the elected body of the primary trade union organisation which represents the company's employees (article 48(8) of the Russian Labour Code).

We recommend considering whether it is prudent to join the Extension Agreement, and, if the decision is taken to refuse to join, filing a well-grounded refusal with the Ministry of Labour. It is also necessary for the Ministry of Labour to receive a well-grounded refusal within 30 calendar days from the publication date, that is, **by 5 March 2015 inclusive**.

If such well-grounded refusal is not filed or is filed after the deadline, the employees of the relevant company will have the right to claim (including by going to court) for guarantees, compensations and benefits to be granted to them in accordance with the Agreement. State Labour Inspectorate bodies will have grounds to hold the company administratively liable for not complying with the Agreement.

### Help from your adviser

Pepeliaev Group's experts will readily provide the necessary legal support when the documents are prepared which are required to refuse to join the Extension Agreement, and on any other issues which relate to the Agreement being in effect.

## Contact details

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