



JOINING THE AGREEMENT REGARDING THE EXTENSION OF THE SECTOR-BASED AGREEMENT FOR 2014-2016 FOR COMPANIES IN THE OIL AND GAS INDUSTRIES AND CONSTRUCTION COMPANIES THAT BUILD OIL AND GAS FACILITIES FOR 2017-2019

FAO: CEOs of companies, specialists in legal departments and HR departments of companies in the oil and gas industries and of construction companies that build oil and gas facilities

At the federal level, an agreement has been adopted to extend the sector-based agreement. The extension agreement sets additional obligations and automatically applies to companies in the oil and gas industries and to construction companies that build oil and gas facilities. To refuse to join the agreement, a well-grounded refusal in writing should be submitted to the Russian Ministry of Labour by 17 March 2017.

On 17 February 2017, Rossiiskaya Gazeta published a Letter of the Russian Ministry Labour and Social Welfare (the '**Ministry**') about joining the Agreement for the extension of the sector-based agreement for companies in the oil and gas industries and construction companies that build oil and gas facilities in Russia from 2014-2016 for the period from 2017 to 2019 (the '**Agreement**').

The Agreement has effect in relation to:

- companies that are members of the All-Russian Association of Employers in the Oil and Gas Industries (the '**Association**'),
- companies that are not members of the Association but have authorised the Association to enter into the Agreement on their behalf;
- other companies in the Russian oil and gas industry and construction companies that build oil and gas facilities in Russia, unless such companies submit to the Ministry a well-grounded refusal to join the Agreement by **17 March 2017**.

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

- The supplemental payment for night work should be no less than 40% of the hourly base rate (clause 3.6);
- The elected body of a trade union organisation should be provided, free of charge, with premises along with all equipment, heating, lighting, cleaning services and security, vehicles, means of communication (including Internet access), office equipment and other technology, and the servicing of these items should be guaranteed (clause 12.1.2).
- Payments should be made to the trade union organisation in the amount of at least 0.3% of the payroll fund for cultural and recreational activities (clause 12.1.3).

Implications for companies

For companies which did not play a part in the Agreement being concluded (i.e. those which are not members of the Association of Employers and did not authorise it to enter into the Agreement), the only option for refusing to join is to file a well-grounded refusal with the Ministry. This should be accompanied by the minutes of discussions with the elective 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 Agreement, and, if the decision is taken to refuse to join, filing a well-grounded refusal with the Ministry. The time period for filing a well-grounded refusal is 30 calendar days after the agreement is published. To rule out disputes over whether the refusal to join the agreement was filed in due time, we recommend that you ensure that the refusal is filed with the Ministry **on or before 17 March 2017**.

If such well-grounded refusal is filed in breach of the deadline, the employees will have the right to claim (including through the court) that guarantees, compensations and benefits be granted to them in accordance with the Agreement. Labour inspectorates will have grounds to hold the company administratively liable for not complying with the Agreement.

Help from your advisers

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

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