

Spring 2019



BUSINESS QUARTERLY

Association of European Businesses Quarterly Magazine

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Modernisation and Innovations

With AEB updates on: technologies to improve business efficiency and labour productivity; value of digitally proficient personnel.

**Dear readers,**

I would like to present the Spring 2019 Business Quarterly to you.

It covers a variety of topics related to modernisation and innovations from the perspective of a strong relation between the application of digital technologies and efficiency of businesses. In order not to be left on the periphery of the global competitive market nowadays, it is imperative to reap the benefits of the technological progress and be ready to embrace just opened up opportunities.

The ideas articulated in the magazine are diverse. For instance, one article refers to difficulties in terms of management culture and style which Russian companies need to surmount to improve productivity. Another article reviews automation and robotics tools essential for sustainable development. One of the authors describes the Russian government endeavor to increase labour productivity in the non-oil and gas sector, so that it could be a driver for the whole economy growth.

In other articles you will find responses to the following questions: What are the science-based foresight methods for a proactive business strategy? Why is the Internet of Things one of the most progressive and advanced solutions for companies? How crucial is quality control at the enterprises to reach out external markets? What other services apart from retail industries need to get automated and user friendly?

Several articles deal with modern trends in human resources transformation. To be more specific, they explore virtual experience platforms used by employers to enable continuous learning of the workforce, impact of IT on the Russian labour market and the countrywide staffing shortage in the IT professions, as well as the value of digitally proficient talent to drive business growth.

Let me offer special thanks to all authors and contributors who made the publication possible. I also express appreciation to members of the Working Group on Modernisation & Innovations for a broad range of activities within the AEB.

I am grateful to Grigory Trubnikov, First Deputy Minister of Science and Higher Education of the Russian Federation, and to Arkady Dvorkovich, Chairman of the Skolkovo Foundation, for providing substantial introductory notes to the current issue.

Traditionally, information about AEB most recent developments is shared in the publication. A separate part covers updates on members' accomplishments and appointments. Brief description of the companies which joined the Association for 2019 is presented as usual. I am pleased to welcome new members on board and wish them all the best in their work.

Enjoy your reading!

Frank Schauff

Chief Executive Officer,
Association of European Businesses



Dear readers,

This issue is devoted to a highly relevant and important subject. One of the priorities of the Strategy for the Scientific and Technological Development of the Russian Federation is the transition towards innovative digital, intellectual manufacturing technologies, robotic systems, new materials and design methods, as well as creation of systems of Big Data processing, machine learning and artificial intelligence. The Decree of the President of the Russian Federation in May 2018 sets the country's key development objectives in the field of science and technology. To achieve them, the Ministry of Science and Higher Education of the Russian Federation is developing a number of mechanisms and tools for implementation of science, technology and innovation (STI) policy. These tools will help to unite the efforts of higher educational institutions, scientific organisations and companies of real economy sector to meet the society's needs for knowledge-based products and services.

The National Project "Science" is currently under development. This mechanism is aimed at fostering freedom of Research and Development, providing opportunities for modernisation of research infrastructure, attracting young people and well-known foreign scientists to build careers in science and technology (S&T) sector in Russia as well as within the new world-class research and educational centres (REC).

We hope that the introduced changes will not effect the existing S&T system negatively. Indeed they will spur evolutionary development of the accumulated scientific potential and create competitive advantages that will bring Russia to the forefront of research and development.

There are various mechanisms to consolidate the efforts of the government, academia and business. In the current environment where Big Data analysis techniques are developing rapidly and blockchain principles are introduced into management across various areas, digital platforms start to play a crucial role in the interaction of various economic, scientific and public administration entities. The Ministry of Science and Higher Education of the Russian Federation is also developing such digital platforms.

The "Digital Economy of the Russian Federation" Programme was approved in 2017. The Programme is aimed at the implementation of the Strategy of the Information Society Development in Russia. The Programme sets the main principles of the development of digital society through the development of digital platforms and cross-cutting technologies. It outlines the principles of the creation of the environment that is necessary for this transformation. It provides the basis for effective interaction between market entities and various branches of the economy, including regulatory control, information infrastructure, human resources and information security. Two platforms are currently under development: the first one (digital platform for S&T cooperation) will serve as the mechanism for conducting joint research. The second is aimed at overall management of research infrastructure to facilitate joint and effective usage. There is an issue of isolation, duplication and partial discrepancy of data from several information and analytical systems. Unification and development of interaction interfaces will enable systems to connect and coordinate. It is also important to provide open data access for all entities in S&T sector.

The important goal in Russia today is to provide conditions for close cooperation of academia and business. The establishment of REC is part of the National Project "Science". These centres will perform breakthrough research to realise applied tasks of the Strategy for Scientific and Technological Development of the Russian Federation for both innovative and digital economy. REC will also provide training for qualified professionals to enable them to address grand challenges of the modern economy in a new format. Moreover, the National Project "Science" foresees strong ties between the REC and integrated S&T projects and programmes with the National Technology Initiative (NTI). NTI in turn is supposed to become an instrument that will encourage transformation of fundamental knowledge, basic and applied research into the goods and services. Hence, this shall allow Russian companies to achieve leadership on the prospective markets within current and forthcoming (including after 2030) priorities.

Within NTI itself, an information system has been formed. It supports high-tech enterprises in developing cross-cutting technologies and managing digital platforms. Such companies operate on the global market and generate a system of start-ups, research teams and industrial companies that are capable of the development of the digital economy. University-based centres of NTI competences on cross-cutting technologies have been established to perform research and educational programmes in priority areas.

The role of the State is to create an environment for interaction of all the R&D sector participants, namely:

- the creation of unified rules and standards, i.e. formation and development of the required regulatory framework for the interaction between the digital economy entities;
- reasonable data protectionism (localisation and protection of personal data, online censorship, protection of copyright and intellectual property rights, etc.);
- the provision of state guarantees and preferences to increase consumer trust in digital data;
- anti-monopoly regulation of the digital market infrastructure.

All the initiatives, both top-down or initiated by the State, and bottom-up, should be carefully investigated by the experts and the society before the implementation. This publication is one of the steps towards this process, and thus can be considered as a significant contribution to the modern positive development trends in the science and technology.

Grigory Trubnikov

First Deputy Minister of Science and Higher Education of the Russian Federation



Dear readers,

I am pleased and honoured to have the opportunity to share with you some of the conclusions and recommendations of our Working Group on Modernisation & Innovations.

Three major pillars could be designated as crucial. It is necessary to expand engineering competencies, especially in the Russian regions (outside of Moscow and St. Petersburg) to achieve its objective of becoming an export-oriented, digitally-driven economy. Eliminating regulatory restrictions which inhibit the introduction of new high-tech products and easing the integration of international companies into Russia's digital industrial environment would contribute to an expansion of the manufacturing base in Russia.

At present, there are only a limited number of universities in Russia capable of providing the highly specialised training, particularly in engineering, that is required for the digital economy. These are mainly located in Moscow and the Moscow region, St. Petersburg and the Tomsk region. Universities and employers in Russia's regions have difficulty attracting graduates from Moscow universities, who have little incentive to work in the regions, where wages are lower.

This year, our company succeeded in opening an engineering centre, focused on automation, electrification and the digitalization of industrial facilities. This centre would service clients globally, therefore it requires not just European engineering quality, but cost, comparable to the best global benchmarks, such as India and the Czech Republic. To define the best location for this centre, representatives of the company visited dozens of cities and universities in the regions but were unable to find a location with sufficiently qualified personnel for all of those specialties. The company therefore decided to create an inter-university educational consortium, engaging regional universities, federal leaders and foreign universities. Applying such a model would require a mechanism to define the terms of engagement between the industry and the education sector. It would also need to be easier for highly qualified people to move around from university to university and from region to region.

In this regard, it is important to improve the mobility of Russian specialists and to receive state support to move them from one region to another. Cross-border labour migration is not very common, but, based on international experience, also beneficial, i.e. it could be "country to country and region to region".

Shrinkage in the size of the workforce caused by low birth rates is expected to dampen economic growth, particularly in the regions. A new digital industrial revolution, automation and robotics is the key for improved productivity, increased speed, better quality and increased flexibility in manufacturing. European business is in the lead of a new industrial revolution, Industry 4.0. Transforming industry in Europe means the pervasive use of more affordable sensors, affordable means of data storage and transmission, increased computing power at lower cost and the development of Big Data analytics, the expansion of wireless communication, as well as the deployment of increasingly intelligent robots and machines. However, to capture these benefits in Russia to the full extent, enterprises must have unrestricted access to the global value chain for the best quality and lowest cost of supply.

There are many discussions about the connection between carbon dioxide, the Earth's atmosphere, the greenhouse effect, global temperatures, ocean acidification and the rise of the sea level. Conventional means of extracting energy from the environment always involves some type of impact on the environment. The historical, scientific, and technical background sets the stage for discussions on a wide range of energy sources, including conventional fossil fuels like oil, gas and coal, as well as emerging renewable sources like solar, wind, geothermal and biofuels. There are still no truly "green" energy sources as all energy usage involves some tradeoffs. It is very important to understand these tradeoffs and other issues involved in using each energy source. The exploitation of each potential energy source includes tradeoffs in economics, environmental and policy implications. Those and other crucial topics of education, science, technology development and industrial modernisation were addressed during meetings and events of our Working Group on Modernisation & Innovations.

This magazine addresses the innovations, technologies and tradeoffs involved in meeting the needs of modern economy; we welcomed discussions on technical, legal and business implications that should support sustainable economy growth.

Michael Akim

Chairman of the AEB Working Group on Modernisation & Innovations,
Vice President on Strategic Development, ABB Russia

**Dear friends,**

Let me welcome the readers of the "Business Quarterly"!

The initiative of the Association of European Businesses to dedicate this quarter's publication to digitalization and the successful practices of innovative European businesses operating in Russia is as well-timed as it is significant.

Indeed, the development of the digital economy is a top priority task in Russia. The Skolkovo Innovation Center is one of the key and most driven participants in the complicated yet exciting process of achieving this goal.

Since the very establishment of the Skolkovo Foundation, one of its main tasks has been to create a basis for the innovative development of the Russian economy. We have always understood the risks stemming from the transition from the idea and R&D stage to rolling out products in high demand among large businesses and the market. We do everything we can to get large companies motivated and interested in the solutions created here at Skolkovo and throughout the country, whether by domestic or foreign developers.

The most intriguing new technologies being born at Skolkovo relate to the Internet of Things, artificial intelligence, machine learning, and Big Data. They are used in such fields as medicine, new drug development, the entire spectrum of biotechnologies, agriculture, and energy efficiency.

Today, Skolkovo is at once an epicenter for new technological developments from different parts of the country, and a powerful educational cluster headed by the Skolkovo Institute of Science and Technology (Skoltech). It is an open, newly established university where new standards and modes of cooperation between academic researchers, economists, and managers come to life to drive the modern world forward. Innovation infrastructure is built upwards from a foundation of ideas, research and development, to final products in high demand among large companies. Skolkovo's goal is to make this progression as smooth as possible for today's innovators.

I believe that the committed and multifaceted discussion of the digital agenda on the pages of such a respected business magazine will be useful, productive, and help facilitate the open exchange of opinions and ideas.

Arkady Dvorkovich

Chairman of the Skolkovo Foundation

AEB BUSINESS QUARTERLY, Spring 2019

Modernisation and Innovations

Improving productivity in Russian-based companies: challenges and barriers

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Improving productivity in Russian-based companies: challenges and barriers



AAGE V. NIELSEN

Member of the AEB CNR; Deputy Chairman of the AEB Working Group on Modernisation & Innovations; Managing Director & Senior Partner, Vitus Bering Management Ltd.

Achieving the national goals and objectives as defined by the Russian President in May 2018 and achieving economic growth above the global growth level until 2024 is quite ambitious, but also a challenge.

Russian authorities, economists, the World Bank, IMF, etc. have stressed Russia's possibilities for sustainable domestic-driven growth via increased productivity. In 2016, Russia's productivity gap was estimated to be approximately 3 times the OECD average, i.e. Russia uses 3 times more

resources to produce 1 GDP unit. The energy efficiency gap was estimated to be approximately 2.7 times the IEA/OECD average. These figures represent substantial improvements compared to the early 1990s.

I will focus on the challenges and barriers for increasing productivity among companies in industry, agriculture and services. I will not look into possible macro political and economic initiatives which promote or drive productivity improvement, such as: increasing competition, improving the judiciary, protecting private ownership, investing in infrastructure, fighting corruption, etc.

Since November 1989, our company and I have been involved in a number of business performance improvement projects with Soviet, Russian and Scandinavian controlled companies, including a few Russian companies taken over by Scandinavian companies. We have also been involved in a number of Scandinavian production foreign direct investments (FDIs) into Russia. These projects have given us a good understanding of the productivity issues that faced companies in the USSR, how company productivity has developed since then and what issues companies are facing in Russia today.

The fundamental idea and concept of our 'Business Performance Improve-

ment' process is 'Start improving from what you have' and 'Start from tomorrow'. In other words, change for the better now and do it quickly, and also improve cash flow from day one in order to generate cash for further improvements and investments.

This goes by many names, and the expressions Productivity, Efficiency, Total Quality Management, Toyota Model, Lean Management, Business Performance Improvement, etc. are all part of the same.

Through the 1990s, low quality and/or efficiency could easily represent lost revenue and/or increased costs amounting to 30% or more of revenue in a Russian company. Overall productivity could be just 20-35% (or even lower) of that of comparable international companies. There could be many reasons for this, e.g. design and design capability, organisational structure, management and operational management skills or culture, insufficient service and maintenance of production facilities, low-quality supplies, lack of timely deliveries, etc.

Until the early 1990s, production with negative added value was not uncommon.

The great inflow of FDI that began in 1992 and brought new technologies, management skills, middle and opera-

tional management skills, know-how, acceptance of learning from mistakes, business processes, etc. inspired many Russian companies and their managers. In turn, they started to change and do things differently and adopt Western technologies (CAD and state-of-the-art production) and know-how, including hiring newly trained Russian managers from international companies.

Since the 1990s, the productivity of companies in Russia has greatly improved, but there is still a large productivity gap in many companies and sectors.

According to our observations, the main challenges and barriers for improving productivity in Russian-based companies are:

- The roles of 'Russian Owners' versus 'Executive Management' are not always clear and respected in daily operations, leading to conflicts and lower management efficiency.
- There is a Russian 'tradition' of new General Directors 'cleaning house' and hiring new (loyal) directors. This often leads to a loss of knowledge and experience, which reduces performance.
- Concerning organisation, management culture and style:
 - Russian companies often have 1-2 management layers more than Scandinavian companies due to the tradition of a Manager, Deputy Manager and Operational Managers being present at each organisational level. In fact, Scandinavian companies had the same structure back in the 1960s and 1970s. Just 2

years ago we asked approximately 25 Scandinavian top managers in Russia how many employees they would typically see in Russian companies in their industries compared to Western Europe. With a few exceptions, all stated 2.5 to 3 times more staff in Russian companies.

- A holdover from Soviet times is the culture or tradition of a strong hierarchy with a top-down management style and culture characterised by low delegation of responsibilities and low cross-functional communication and cooperation, which all reduce efficiency. Sometimes this culture or tradition 'sneaks into' the Russian subsidiaries of Scandinavian companies, where we have observed efficiency losses of up to 30% in areas such as production,

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Реклама

sales, marketing and customer service.

- Scandinavian companies usually accept mistakes subject to employees learning from the mistake and preventing it from happening again. There are still Russian companies where mistakes are not accepted and one is penalised in terms of salary and/or discretionary bonuses, which is demotivating for performance.

- Some efficiency issues are common for Russian and international companies in Russia, such as business processes not being well-defined or executed, and/or insufficient support systems leading to efficiency losses related to sales, marketing, customer service, production and the supply chain.

For many years, middle and operational management has been a quality and efficiency issue for companies producing goods in Russia. This is partly connected to the many management layers and low delegation of responsibilities mentioned above. But it is also linked to a very different tradition in Soviet enterprises, where foremen and team leaders were oftentimes young engineers managing (senior) workers and operators, whereas in Scandinavian and German enterprises they were usually the best skilled workers and operators, often trained in quality awareness, standard processes, troubleshooting, operational skills, etc. in order to ensure high quality and efficiency.

Western corporations establishing production in Russia – industry, agriculture and services – brought a new middle and operational management

culture to Russia, making significant contributions to assuring improvements in quality and productivity. In production, for example, pig farming, where it is possible to compare production processes and productivity, it is not uncommon for Western producers and Russian producers who have adopted state-of-the-art middle and operational management skills to have productivity levels comparable to the best Western European levels. This is in contrast to other pig farmers in Russia, who have invested in state-of-the-art stables, equipment, genetics, etc., but have underinvested in middle and operational management skills and

Several Western OEMs are advising Russian suppliers on quality, production technologies, processes, etc. to develop them into qualified suppliers. However, many Western OEMs are trying to attract and convince their foreign suppliers to establish themselves in Russia because the Russian alternatives are not able to deliver the proper quality every time, on time and/or in many cases also cannot deliver at competitive prices.

Investments in technology, production facilities, support systems, etc. are one side of the coin, but the success of these investments depends on the

In 2016, Russia's productivity gap was estimated to be approximately three times the OECD average, i.e. Russia uses three times more resources to produce one GDP unit.

therefore perform below achievable productivity levels.

At the moment, the supply side seems to represent a major quality and productivity issue in several sectors. Fortunately, a number of very good Russian suppliers have appeared, but many OEMs – Western and Russian – complain that there is still a lack of good Russian suppliers who can deliver the correct quality, every time and on time. The decline in the rouble's exchange rate in 2014 accelerated the need and desire to localise more of the value chain and supplies, including processed components, but this has turned out to be a real challenge.

'soft' side of the coin, i.e. the ability to adapt management, middle and operational management, and other employees' skills and culture in order to ensure improved productivity.

Over the years I have been involved in a number of FDI projects to establish production in Russia for international business groups. It is worth mentioning that without a single exception within 3 years all productions have seen higher productivity than their foreign 'sisters' in Europe. As I have said many times: Combine Russian engineers with Western management skills, culture and habits, and you have a winner! |



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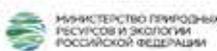
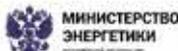
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Innovation in automation and robotics for sustainable economy



MICHAEL AKIM

Chairman of the AEB Working Group on Modernisation & Innovations; Vice President on Strategic Development, ABB Russia

Industrial digitalization

Russia is Europe's largest internet market. Russia has 90 million internet users, according to the consulting agency. In 2011, when Russia overtook Germany, the number of internet users was 50.81 mln.

The digitalization level of various markets is a function of how long they have been pursuing it. Certain markets are naturally faster to adopt or to be disrupted by new digital technologies. And now it is time for industrial markets to dramatically accelerate their adoption of digital technologies. They are in a fortunate situation to learn from fast adopters.

In conjunction with industry consultants, ABB has estimated the "level of digitalization" of various industries as a function of how long they have been pursuing it. In the 1990s, the Information & Communication Technology (ICT) companies embraced e-business and digitized most of their products (e.g. computers, routers, switches). Media industries are increasingly moving away from traditional print media to digital formats. Banks and investment companies increasingly operate as online companies (e.g. online brokerages) where customers rarely visit a branch, but conduct most of their business via their computers or phones. However, many industrial companies have refrained from embracing digital transformation because the digital technologies to unlock value were too expensive or simply unavailable. What the consumer technology revolution has done is leverage the cloud to make massive quantities of computing and storage available as a way of dramatically lower costs. 3D printing, virtual reality (enabled by innovations in mobile phones) are all finding applications in the industrial space. For this reason, we believe that many of our markets are currently primed for a dramatic acceleration in their adoption of digital technologies. Two examples of this are the energy revolution (adoption of renewables and the electrification of transportation) and industry 4.0 (the digitalization of manufacturing).

ABB Ability™ refers to both a set of industry digital solutions and the platform that they are built on. We deliver these industry solutions in our 3 key markets: utilities, industry, and transportation & infrastructure. The ABB Ability™ platform is a set of enabling technologies that lets ABB build these solutions more quickly and efficiently. We are building the platform from the best-in-class industry technologies, such as Microsoft's Azure cloud services, IBM Watson's machine learning and AI and digital twins developed with Dassault Systèmes.

Automation and robotics for better productivity

The industrial sector is important both to the EU as well as the Russian economy and remains a driver of growth and employment. The United States has established a National Network for Manufacturing Innovation with a proposed USD 1 billion of public funding to bring together national research centres which investigate topics such as digital manufacturing and design. Companies in the Asia/Pacific region are expected to invest almost USD 60 billion by 2020 in the industrial Internet of Things.

A productivity programme dedicated to Russia started in late 2017, which was officially implemented in line with "presidential decrees". Improvement is also needed to ensure the safety of human operators as well as to reduce

pollution and wastage. More than 10,000 enterprises from 85 regions of the Russian Federation are slated for inclusion in the national "Increasing Labor Productivity and Employment Support" programme. The programme addresses non-extractive (i.e. except O&G and mining) sectors of the economy. The programme provides state support, inter alia, for preferential lending.

Industry (which in this context means manufacturing and excludes mining, construction and energy) provides added value through the transformation of materials into products. The challenges of industrial development and the possibilities of the national

economy are closely tied to the development outlook for production systems and increase of their operational efficiency as well as business performance improvement.

The main issues of state politics under the "Productivity and Efficiency" programme are increasing labour efficiency, introducing lean production technology, bridging the gap between theoretical training of management of production system and business practice in modern conditions.

Currently, the programme of productivity improvement focuses mostly on organisational and educational activities, particularly on building a federal

network of centres for improving labour productivity improvement based on lean production tools and technologies. While coaching, training & development in the area of quality & lean management is extremely important, another part that should be equally important is the implementation of best technologies in regards to automation and robotics, products and energy efficiency technologies.

Our approach

Lean manufacturing has two main purposes, namely customer satisfaction and profitability. Everything within the Lean process focuses on these main points, with customer satisfaction always at the forefront, while

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constantly striving for efficiency and waste reduction.

Lean manufacturing means thinking “out of the box”. Removing time, effort and cost from the manufacturing processes is the solution to Lean manufacturing and competitiveness, where robots and automation help. The future of manufacturing ultimately rewards the companies that most effectively adopt the best practices such as robotic automation in Lean manufacturing, not necessarily those with the lowest labour costs. Robots can consistently produce high-quality products, thereby reducing scrap material. Their speed increases the production rate and minimises standby time.

Global trends like Industry 4.0, Industrial IoT and digitalization finally leading to smart manufacturing are already proving their benefits in applications for productivity and efficiency. ABB provides solutions for tomorrow’s needs resulting in a significant competitive edge in the area of smart manufacturing and production effectiveness, in a unique combination of robotics & automation.

This is where robots can aid the automated process and Lean manufacturing. Robots can move product more efficiently without excessive movement during the process, remove the possibility of defects common to human manufacturing. We seek higher throughput, less downtime, lower energy consumption and higher product quality. The switch to smart efficient manufacturing aims to achieve these objectives by applying the latest developments in open communication along with ever-increasing intelligence in the sensors, actuators and automation systems.

As manufacturers strive to meet new and more challenging consumer demands, machine builders must keep pace with new and more efficient designs. Today’s consumers expect the option to have personalised products.

To make individualisation profitable, OEMs must design their machines to provide flexible manufacturing and batch-of-one production as cost efficiently as mass production. We know the challenges faced by machine builders in designing such flexible and scalable machines which facilitate the

efficient production of small batches and benefit from the higher margins of personalised products.

This combination of our Robotics & Automation is a revolution in adaptive manufacturing that extends the economy of mass production down to batches of one. The most advanced form of integration features robots incorporated seamlessly into the machine control logic, with any manufacturing system, the machinery and robots to utilise the same processor, memory and timing.

There are the benefits for robot integration to improve productivity due to robot-machine synchronisation Web-based diagnostics and remote maintenance.

A company can expect a return on investment (ROI) on an industrial manufacturing robot in six months to a year, but it requires a lot of knowledge to justify its implementation: thus, the level of robotics automation in Russia is very low, particularly negligible at SME.

Using robots, manufacturing will remain and develop in Russia, as costs

will be reduced. Workplaces will remain, keeping jobs in this country with a high quality. With robotic work cells, humans are still needed to operate the robots.

Robotic applications mean flexibility in design and capabilities. Designing Lean robotic applications is important to achieve ground-breaking solutions for ordinary manufacturing tasks.

Robotics in Lean manufacturing

In a Lean motion system, two or more robots could be controlled by a single controller allowing for communication between robots to simultaneously perform coordinated operations on a single large part, significantly reduc-

ing the time of the manufacturing process.

In a Lean manufacturing environment, robots would influence the development of highly efficient jobs in Russia. The global market is becoming more competitive, and Russian manufacturers need to keep costs low while increasing efficiency, whereby robots can play a crucial role. By including industrial robots and automation into the programme, Russian manufacturers will be able to maximise the productivity and ROI.

Advanced Process Control (APC) and Analytics are new tools which revolutionise data analysis and reduce modeling effort. Advanced controllers

and analytic models used for monitoring, predictive analytics and closed-loop control optimise operations in real-time and make predictions and estimations even in the absence of reliable measurements. The new technology has the potential to take software-as-a-service business model to an entirely new level.

Traditionally, APC relies on model predictive control and moving horizon estimation strategies that use either a linear or non-linear mathematical model of the industrial plant and smart algorithms to estimate unmeasured states and control process variables. APC helps industries attain operational and financial targets by increasing throughput and reducing energy use.

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Typically, process industries and energy companies integrate APC in distributed control systems such as ABB Ability™ 800xA and ABB Ability™ Symphony Plus, which allows industry users to benefit from distributed resource allocation, redundancy and communication as well as the intrinsic cybersecurity infrastructure of these modern DCSs.

As APC technology continues to evolve with new components and features, ABB scientists and engineers are exploring the potential of artificial intelligence (AI) with the use of reinforcement learning neural networks as well as edge and cloud technologies for

allow users to connect to a plant, create or configure tags and map them to imported controller variables. Security is established with authentication and encryption techniques; usually, secure web socket communications (HTTPS), certificate-based security (SSL) and transport layer security (TLS) are used.

When control engineers face the need to infer data from missing measurements or infer backup data for unreliable measurements, analytic models can be deduced from either first principles or process data and deployed in the APCA Run-time system.

The global market is becoming more competitive and Russian manufacturers should keep costs low while increasing efficiency, with robots playing an important part.

digital analytics and optimisation for operational services in the process and power industries.

ABB Ability™ Platform is a digitally enabling technology that can reside at the device, edge and cloud levels. Currently, it allows the implementation of APC solutions. The ABB Ability APCA Suite comprises a set of tools that make the deployment of advanced controllers and analytical models a fully streamlined process. Security is one of the greatest challenges for industries reliant on data analytics and control.

A key feature of the online system is the ability to include industrial communication standards (e.g. OPC) that

Energy modernisation

Another key pillar of innovation development is the modernisation of the energy sector. Even if we ignored the CO2-global climate change problem, fossil fuels are limited in the amount contained in the Earth; moreover, their extraction, transportation, refining and combustion causes large amounts of pollution. The burning of fossil fuels generates pollution, since these carbon-based fuel sources contain a lot more than just carbon and hydrogen in their chemical makeup; they also contain impurities which are released into the air during the combustion process.

Wind farms, like many other sources of renewable energy are inconsistent,

even at their best, are dependent on the environment. At the same time, there are pollution effects associated with creating solar panels and manufacturing wind or hydroelectric turbines; also, the materials needed to store large amounts of energy are tremendous. Literally, every mean of energy, even what's touted as "green energy" has its own drawbacks and should be carefully analysed over the entire lifecycle for the future needs of modernisation.

The global trend is that the production of hydrogen-fueled cars is limited because people will not buy those cars if hydrogen refueling stations are not easily accessible. Yet, companies will not build refueling stations if they do not have customers with hydrogen-fueled vehicles. It is a typical "Catch-22" situation relating to developing a new market, and we are witnessing a similar situation in Russia for electric vehicles: consumption of electric vehicles is limited because people will not buy those cars if charging stations are not easily accessible, and companies won't build charging stations if they don't have customers with electric vehicles.

Conclusion

The challenge of implementing new technologies raises some important questions: is it possible for any entity to acquire competence in diverse areas like data processing, communication, safety, reliability, batch size, mass customisation, automation and robotics? Perhaps, state support is urgently needed to support application of those technologies and to build financial justifications on implementing new automation technologies in new areas. The integration of new technologies is essential for sustainable development, particularly export-oriented economy. |

Russia has headed for the world leadership in the labour productivity growth



NIKOLAI SOLOMON

Chief Executive Officer, Autonomous Non-profit Organisation Federal Competence Centre for Labour Productivity (FCC)

Russia is increasing its labour productivity. By 2024, in the country's core non-oil and gas industries, it is expected to grow by at least 5% a year. The quantum leap will be ensured by 10,000 enterprises that will enjoy targeted support. An increase in process efficiency will allow them to improve their performance by 10%, 15%, and 30% within 3 years.

For the past 5 years, in Russia, average labour productivity growth has amounted to 1.2% per annum, mostly owing to oil and gas producers. Only 2% of the employed, i.e.

1.1 million people, work in the extractive industries. The core non-oil and gas industries account for 56% of the employed population, i.e. over 40 million people. Increased labour productivity in this segment may become a good driver for the growth of the economy in general.

In his May Orders, Russia's President Vladimir Putin set an objective for large and medium-sized enterprises of the core non-oil and gas industries to achieve one of the world's highest labour productivity growth rates. Presently, China is the only country to demonstrate such trends. The national Labour Productivity and Employment Support project, aimed at the fulfilment of the May Order, includes 3 federal projects:

- "system-wide measures" (all that the state is doing in order to provide business with the necessary infrastructure and regulatory framework);
- "employment support" (the creation of an environment allowing employees becoming available to remain employed);
- "targeted enterprise support", the project for which Federal Competence Centre I head is responsible.

Our enterprises have good potential for increasing efficiency. In the process of product manufacture and ser-

vice delivery, a substantial portion of resources is wasted. The key priority is to identify those losses and implement improvements that will enable their elimination.

According to our estimates, at the start of the project, the number of specialists capable of building the manufacturing system required for this in Russia numbered as few as 2,000. Over 1,400 of them were employed by large corporations. As the operator of a national project, our key priority is to make such experts available to a large number of companies. The FCC employs unique specialists coming from companies that implement best practices in the field of increasing the efficiency of processes, such as Rosatom, Sberbank, GAZ, Severstal, etc. They visit the production facilities of the enterprises participating in the project, identify bottlenecks (troubled areas), and improve the performance of individual sample sections by eliminating losses and identifying the enterprise's reserves. Subsequently, under their supervision, employees continue to implement improvements independently, expanding them to other areas. At the same time, specialists are trained in lean production on-site – the training covers enterprises' and regional competence centres' employees who will continue their work after



our experts leave. There are plans to train 23,000 such employees by 2024.

The project is being executed with no lag behind the schedule. Over 70% of the first- and second-wave enterprises have already managed to increase their productivity by 10% or more. Manufacturing enterprises that demonstrate high results in their participation in the programme, which will be confirmed by the FCC, will gain access to financing from the Industrial Development Fund on favourable terms: they will be able to raise a loan of RUB 50-300 million at 1% per annum for a 5-year term. But what is most important is that they

will get a chance to increase their profit without investing in key assets, raise their employees' salaries, and invest in the development of their manufacturing. For example, in less than a year, Srednevolzhsky Mechanical Plant JSC, Samara, has managed to raise this parameter by 19%. As a result, the prime cost of its products has decreased by 5%, and the company has got an opportunity to raise the salaries of its production line operators.

About FCC

The Federal Competence Centre for Labour Productivity (FCC) is an organisation serving as an operator of

the national Labour Productivity and Employment Support project (headed by Maxim Oreshkin, Minister of Economic Development of the Russian Federation). The key goal of the project is to ensure the growth of labour productivity at large and medium-sized enterprises of the core non-oil and gas industries of Russia at a level not lower than 5% per annum by 2024 by means of implementing lean production technologies. Another goal of the project is to determine how interested businesses are in increasing their labour productivity and in the formation of the product and the market for labour productivity improvement services in the Russian Federation. |



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Big Data-based foresight for a proactive strategy: a must-have tool for business in the era of digitalization



ALEXANDER CHULOK

Director, Centre for S&T Foresight, Institute for Statistical Studies and Economics of Knowledge, National Research University – Higher School of Economics

Over the past decade, developed and emerging economies alike have faced a number of global challenges that can hardly be addressed with traditional strategic analytics instruments. Many current economic models and the management practices they are based on have ceased to be relevant because their underlying assumptions are now outdated. In reality, the rate of technological growth is higher than expected, and we can observe how technologi-

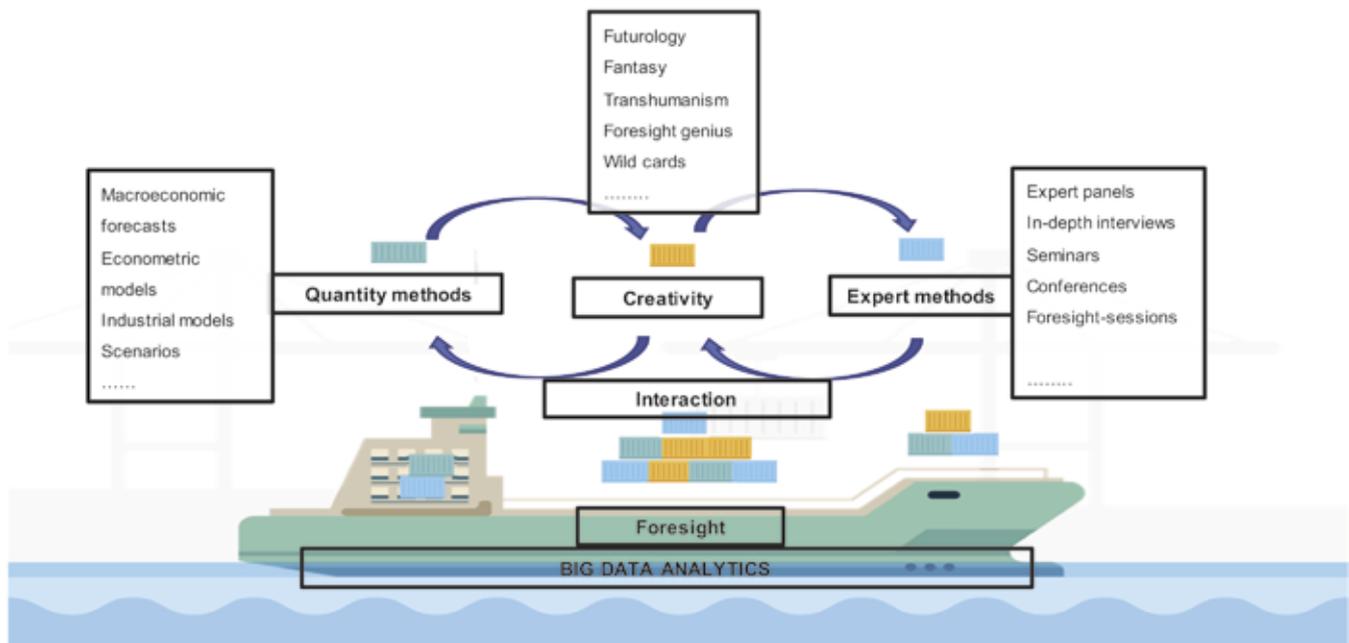
cally enhanced newcomers are pushing traditional companies out of business. Consumer behaviour (on b2c and b2b markets alike) is difficult not only to predict, but also foresee. Numerous “semi-fixed” factors now play an important and independent role, such as ethical and environmental issues. Radically changing sources of company competitiveness can turn Big Data into the new oil. Intuitive decisions do not always turn out to be correct (should we go with the flow, or invest in wild cards?). As a result, even the most advanced quantitative techniques fail to guarantee results. We need a smart, agile and comprehensive methodology to ensure the sustainable competitiveness of a business.

Foresight is a science-based systematic method for the identification of potential windows of opportunities and coming threats. It is widely discussed as a new “cure” for a proactive business strategy, and its roots go back to the 1960s when forecast methods just started to be a must-have for big corporations. Today, modern foresight toolkits include more than eighty instruments from various disciplines, including marketing, management,

econometrics, statistics, and even psychology (Fig. 1).

Employing different techniques and methods of foresight deeply penetrates into the decision-making process and becomes an everyday routine for thousands corporations, industries and countries. For example, IBM and Hitachi use science and technological foresight to identify prospective market niches, Shell develops its own foresight for the energy sector through 2050 using scenario methods, and Google’s Chief Futurologist Raymond Kurzweil predicts key future trends through 2100. The European Commission distributed more than EUR 84 billion to priority areas selected during foresight investigations in agro, space, nano, health, urban, transport and other sectors. China developed its national roadmap through 2050 for eight priority “systems”, Japan produces 11th foresight made by the Delphi method (large expert survey), Brazil makes agro and industrial foresight exercise, and Russia has a national S&T Foresight through 2030 approved by the state and including more than one thousand R&D priority areas clustered by 50 topics, including

Figure 1. Modern foresight methods, a balanced toolkit



new construction materials, quantum computing and biotechnologies.

A few years ago, a major revision of foresight methods was completed by a global society of experts. It was driven by rising demand from policy and decision-makers for a higher quality of strategic analytics that were evidence-based, proactive and provide the “user” a full-fledged view: from eagle-eyed to a deep dive into all the details. Moreover, the most interesting and powerful issues for business are becoming increasingly “multi”: multi-disciplinary, multiministerial and multicultural, whereas only a few experts could provide such a systemic view and not many models could operate with such complexity. New information technologies, AI algorithms and Big Data ensure the fundamental possibilities for a revolution in analytics.

One of the most powerful systems is intelligent Foresight Analytics (iFORA), which was created in National Re-

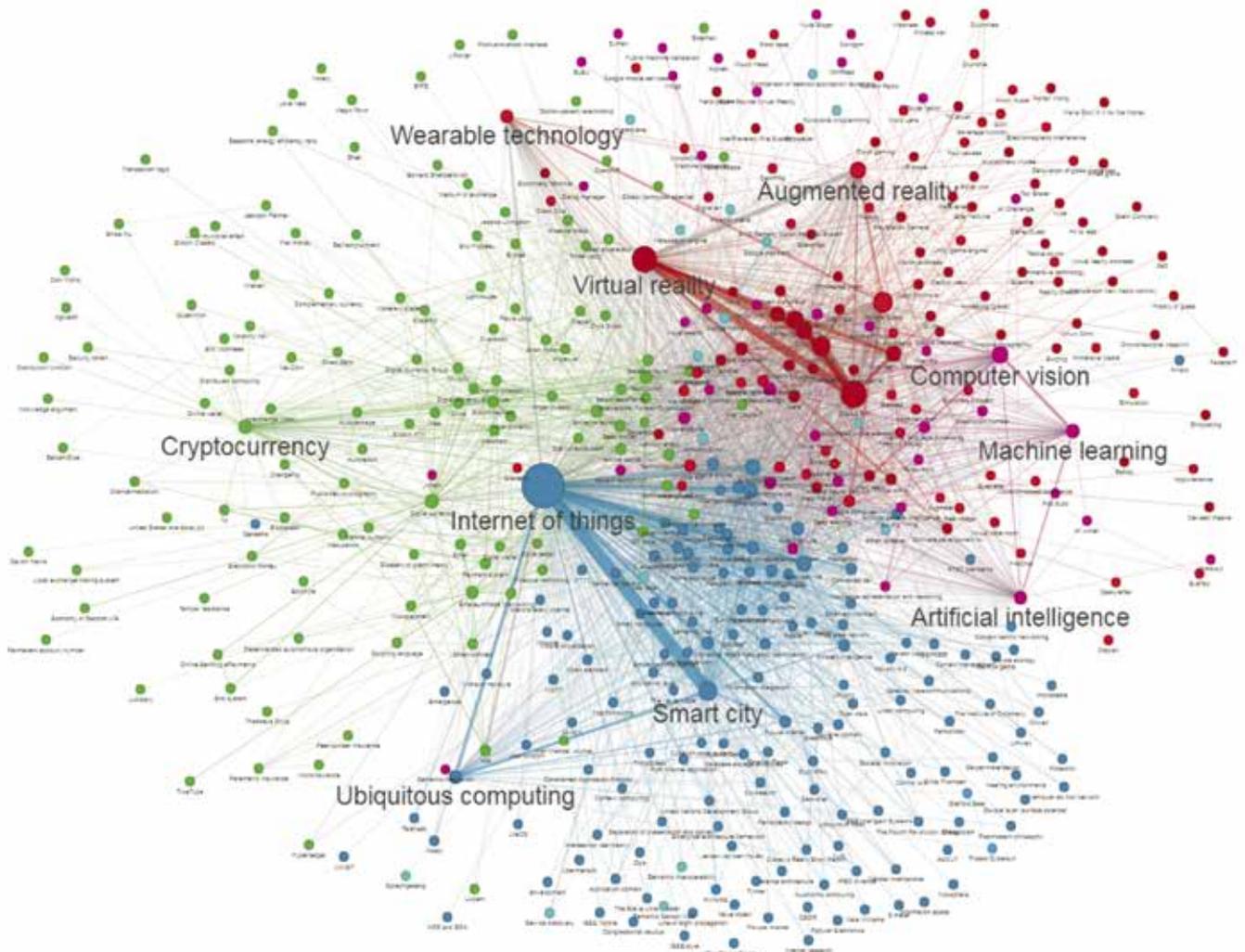
Foresight is a science-based systematic method for the identification of potential windows of opportunities and coming threats.

search University Higher School of Economics and mentioned by OECD among the world’s top analytical software in 2018. It includes more than 300 million documents, including business and analytical reports, scientific publications, patents and grants, information from market aggregators and top conferences, HR descriptions and vacancies. Using AI technologies such as machine learning and neuronetworks, it constructs what are known as semantic maps for global trends and drivers, patent landscapes, and also reveals various market niches, benchmarks for technologies, perspective professions and even a digital portfolio and networks for individual employees. For example, iFORA shows

how such a relevant topic today as IoT is linked with other areas and possible business implementations (Fig. 2).

We are currently observing how a new industrial revolution is taking over more and more spheres and areas. It is disrupting traditional sources of business competitiveness and installing its “code” in the core of economics. All companies are going digital, smart, agile, ethical and environmentally friendly. These changes could be a wild card for those who could not adjust to them, and a boost for new companies. Could we have predicted such changes in the past? Certainly yes, if we listened to the weak signal of future global trends and drivers.

Figure 2. Internet of Things: a view from the iFORA Big Data semantic map



Foresight could not give us a 100% guarantee, but it does make the future more structured and investigated.

Generally speaking, there are several groups of foresight results that could be useful for companies. Firstly, this includes all information about global trends in social, science, technological, environmental, ethical and political areas. For some businesses, they could turn out to be a threat, and for others – windows of opportunities (like renewables or the uberisation

of the economy). The second group deals with markets, products and services, where we can identify how traditional market niches are changing and what specific characteristics will be in high demand by a customer (for example, products with a high ethical focus). The third group reveals R&D and technologies that could be breakthrough, such as new energy sources or cell editing. By matching the current technological portfolio of a company with the global landscape, we can identify gaps and niches for

improving the technological strategy. The last group shows what portfolio of competences and skills should be applied to create certain technologies and penetrate markets.

Nevertheless the “last word” in the decision-making process is still reserved for humans, as Big Data-based foresight methods can make it more proactive, profound, evidence-based and truly strategically oriented for business needs and the prosperity of society. |

Automation without losses and with minimum risks



EDGARS PUZO

Chairman of the AEB IT & Telecom Committee; Atos Russia & CIS CEO

Companies across the globe are launching digital transformation of their business, with 33% of them scaling from smaller, targeted projects to major ones. Nevertheless only 17% of companies succeeded in this process last year according to Gartner's survey¹ published in early 2019. Automation of business and production processes is a key development trend in all the industries for now. And Russia is no exclusion in this sphere.

The term 'digital transformation' is interpreted in a variety of ways but one common definition about all of them is the process of transforming the old organisational structure with the most cutting-edge technology. Clouds, analytics, mobility, social me-

dia, blockchain, and smart devices can revolutionise the current technology as well as change interactions at all levels between the state, business, and people. For companies undergoing digital transformation it opens up real opportunities to develop their business and implement large projects, on one part, and on the other, these are risks related to lack of experience in innovative solutions implementation in traditional Russian production processes.

State regulation of IT industry

Information which is assigned to serve the processes of production, distribu-

ber attacks. That is why it is critical to securely store and process data 24/7 and regulate data processing. The government regularly takes new legal, organisational and technical measures to protect data. IT legislation is updating, norms and regulations are amending, and new paragraphs are about to be added to reflect changes in the market situation and prevent new hazards and risks.

Transformation for business is never a simple and easy thing to do: it is a complex labour-intensive step-by-step process, especially in conditions of constant legal changes related to data

Digital transformation is, by common definition, the process of transforming the old organisational structure with the most cutting-edge technology.

tion, exchange and consumption of material assets and facilitates business management problem solving, includes various economic, technological, social, legal, demographic and other types of data. So, information is one of the most important resources along with energetic, material, labour and financial resources, and it becomes potentially vulnerable to cy-

storage and protection. That is why it is important to find a reliable integrator partner that can provide you with high quality support in the world of digital technology, help do the planning and implement digital technologies safely and with minimum risks. System integrators track changes in legislation to efficiently introduce new standards and offer top quality services.

¹ CIO Agenda 2019: Digital Maturity Reaches a Tipping Point, a survey which gathered data from more than 3,000 CIO respondents.



Among the new approaches to business transformation there is the Internet of Things (IoT) concept which will change the users' conventional view on interactions opportunities between humans and physical objects. The concept is based on building networks to connect objects ("things") embedded with technology to connect and interact with each other and the external environment.

From the business point of view, once integrated IoT technologies allow getting the full picture of the production status as detailed information is collected in Big Data massive which is processed and analysed in real-time. Handling large amounts of data on a regular basis opens new opportunities and allows to increase efficiency and

effectiveness, as well as automate the processes and make ad-hoc forecasts.

Today many companies across the globe aim to develop IoT; also it is one of the focus directions for Atos in Russia and on global level in 2019. Besides the Internet of Things promises to become one of the most progressive and advanced IT trends in accordance with researches by several analytics agencies. The IoT market is expected to grow by an average of 18% per year until 2022 according to a study from IDC.

IoT goes beyond experiments and is ready for real business transformation

The IoT concept is not widely spread in Russia yet; however, leading Rus-

sian production and transportation companies are already interested in IoT solutions. System integrators, from their side, are ready to invest resources to build their expertise of innovative IoT technologies implementation. Presently only few Russian companies have enough relevant experience and expertise while their international competitors can use best practices of their colleagues from all over the world.

Since recently there have been several IoT platforms in Russia offered by international industry suppliers, including cloud platforms featuring intelligent technologies. System integrators build partnerships with the suppliers of such solutions both globally and locally. Strategic partnerships are one of

the key factors to enhance development of innovations, including in IoT technologies. In Atos Russia we are now developing our expertise within partnership with Siemens MindSphere and SAP Leonardo.

IoT platforms offer ways to develop, use and deliver digital services and applications as well as allow connecting machinery, equipment and physical infrastructure with the digital world. In 2018 Atos in cooperation with Industry 4.0 Service Integrator launched an innovative pilot project to deliver Siemens MindSphere open cloud-based solution for Russia's largest railway transport manufacturer. According to

the contract Atos will deliver a powerful On-premise IoT solution and will be responsible to manage all aspects of the project's cloud infrastructure, ensure efficiency, security and transparency of reports and scalability of the service if necessary.

Combination of intelligent technologies and services helps streamline processes and resources inside company. SAP Leonardo combines intelligent technologies, like machine learning, IoT and blockchain, opening new opportunities for business. However, integration of innovations requires special skills. Atos experts are building up their expertise now: we are testing software features

and working on various technology implementation scenarios to integrate them into real projects.

Business transformation is a long, complicated and investment requiring process. Nevertheless its results definitely are going to meet all expectations, boost efficiency and optimise resources. It is extremely important to choose a reliable and trusted partner for your digital journey to succeed. It is of strategic importance for companies to track changes in data management and processing and promptly integrate cutting-edge solutions to drive success in their industry. |

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Реклама

The quality imperative: how improved quality management can enhance Russia's export initiative



ART FRANCKEK

President of AIBEC,
Director of Accounting Programme

In the early 1950s, W. Edwards Deming (the father of quality control) presented the Statistical Process Control System to several U.S. companies. They expressed little interest, citing the fact that the U.S. already produced 50% of the world's manufactured goods. Deming was then invited by General MacArthur to Japan to help rebuild the war-damaged industry.

Deming made a significant contribution to developing Japan's reputation for innovative, high-quality products and for its economic power. By the 1970s, Japanese autos were surpassing U.S. autos in terms of quality. Ford was simultaneously manufacturing a car model with transmissions made in Japan and in the U.S. Soon after the car was on the market, Ford customers were requesting the model

with Japanese transmissions. As both transmissions were made to the same specifications, Ford engineers could not understand the customers' preference for the Japanese version. Finally, Ford engineers decided to take apart the two different transmissions. The American-made cars were all within specified tolerance levels. However, the Japanese car parts were virtually identical to each other, and much closer to the nominal values for the parts: e.g. if a part was supposed to be one foot long plus or minus 1/8 of an inch, the Japanese parts were all within 1/16 of an inch. This made the Japanese cars run more smoothly and customers experienced fewer problems.

Deming believed that by adopting appropriate principles of management, organisations can increase quality and simultaneously reduce costs (by reducing waste, rework, staff attrition and litigation while increasing customer loyalty). The key is to practise continuous improvement (Kaizen) and think of manufacturing as a system, not as bits and pieces.

The American Society for Quality defines quality as the total features and characteristics of a product or service made or performed according to specifications to satisfy customers at the time of purchase and during use. Many international companies have discovered that focusing on the quality of a product or service generally builds expertise in producing it, lowers the costs (increas-

ing profits) of providing it and creates higher satisfaction for customers.

The costs of quality under the Deming system of Total Quality Management (TQM) are:

- Prevention costs, such as design.
- Appraisal costs, such as inspection before production.
- Internal failure costs, such as the need to rework a defective product.
- External failure costs, such as warranty costs and damage to reputation.

Several years ago, Toyota, a company known for its high quality, suffered significant damage to its reputation and had to recall 9 million vehicles because cars were produced with a defective accelerator.

Deming's Statistical Process Control system uses a number of charts to analyse quality problems:

- control chart (to determine the rate of defects);
- Pareto diagram (to determine the type of defect);
- cause and effect diagram.

Productivity is measured by the quantity of good output generated from a specific amount of input during a time period. Any factor that either slows down (or stops) the production process or causes unnecessary work (redundancy) hinders productivity. Production technology and workers' skill and training, along with

management programmes, can help significantly to control production process quality. If the impediments to good production are reduced or eliminated, an increase in productivity and higher quality products can be expected. The most effective way to produce quality products is to apply the Statistical Process Control (SPC) techniques that are used during production and with the participation of production workers, rather than relying on the inspection of the product after it is completed.

The ultimate goal of quality programmes at companies such as Motorola, Honeywell, and General Electric is to achieve Six Sigma quality. This means that the process is so well understood and tightly controlled that the mean standard deviation and defect rate are both very small. As a result, the upper and lower control limits can be set at a distance of Six Sigmas; the implication of controlling a process at Six Sigma level is that the process produces only 3.4 defects per million products produced. Six Sigma standards are implemented with the use of Statistical Process Control (SPC).

ISO 9000, developed by the International Organization for Standardization, is a set of five international standards (essentially Deming's TQM) for quality management adopted by more than 85 countries. ISO 9000 enables companies to effectively document and certify the elements of their production processes that lead to quality. An essential requirement of ISO is that a company's quality system be audited by a qualified third-party organisation to ensure compliance.

During the Soviet period, the state planned and controlled the entire process of production. A Soviet enterprise's primary interest was fulfilling its economic plan by producing, distributing and selling whatever the plan dictated.

The Soviet accounting system was used to determine the statistics of the number of items, metres and kilogrammes of production so that workers and managers could be compensated based on how these figures fulfilled the state plan.

For many years after the fall of communism, traditional Soviet management practices were widely used. Bonuses in Russian industries were still largely based on the number of units a worker produced, while paying little attention to quality. The primary criterion for quality was the final inspection of the finished product.

Despite the high technical level of Soviet production and quality standards, Soviet enterprises failed to comply with these standards and achieve a level of quality comparable with capitalist enterprises. One explanation is the domination of production by strict production targets and a seller's market. Due to the clear distinction between the quantitative and qualitative sides of labour remuneration, workers could get a bonus for output (which as a rule was higher than the bonus for quality) and neglect quality. Formal separation of quality control and other indirect functions from the area of production was recognised as the best practice at a socialist enterprise. Quality control was limited to product quality inspection and attempts to avoid responsibility, which caused non-reporting of defects, which was common. The Socialist enterprise was characterised by elaborate standards for production and work that met the technical level of Western standards at that time. However, it was difficult for firms to live up to these standards.

In Europe there are strict requirements for all certification (ISO 9000) bodies: those who help to create an OM system are prohibited from auditing it. In Russia there is no such standard, and it does not matter who performs the audit. Compli-

ance with ISO standards show significant weaknesses in Russia, and third-party audits are particularly unreliable.

For the past 25 years Russia has been transitioning to a market economy and away from Soviet traditions in the area of Quality Management. Many Russian companies, such as AvtoVAZ, Gazprom and Rostec, have adopted international quality standards. Recent research by the Higher School of Economics concludes that adherence to ISO 9001 by a Russian manufacturing company stimulates its profitability and reduces costs. However, Russia's reputation for high-quality manufactured products is not high.

The future of quality management may well be tied to technology. General Electric has developed sensors that utilise Big Data and predictive analytics to determine when equipment needs to be maintained, thus avoiding costly breakdowns. Other international companies, such as Daimler and Caterpillar, are doing similar things at great savings in cost. Sovcomflot uses sensors on its ships to monitor maintenance and fuel usage. These types of activities may be expanded in the near future with the development of the 5G wireless network, which will greatly increase the speed of data movement.

Last year president Putin made the following comments: "The idea of import substitution is not, in and of itself, universal and is not what we should be aiming for in the long run; import substitution must not disrupt competition. This is extremely important. We should understand that all this import substitution is a temporary phenomenon... We should be aiming to produce goods that are of a quality competitive not only in Russia, but in the global market".

It is in Russia's self-interest to make the implementation of International Quality Standards a high priority. |

A critical view on digitalization: a trend, fashion or what?



PAUL BRUCK

Deputy Chairman of the AEB Board;
Management Partner, Most Service

I am not sure I understand what “digitalization” means. Why now? What have we done in the last 30 years? I run around with a laptop, a smart phone and a tablet. I work wherever I am, and I am available to my clients during vacation, on the plane and even when travelling from Moscow to Vladivostok during my big project. The 4G network is available nearly all along the Trans-Siberian railways.

I got my first electronic calculator in school and I typed my thesis at university on a type writer. And now: I am digitalized! So, what is this new trend (or fashion) that all the politicians are talking about? Isn’t digitalization a permanent process and a target to increase efficiency and reduce costs?

The automotive and retail industries were the drivers in optimising their processes. The automotive industry was forced to get the supply chain right in order to produce vehicles where every

vehicle has a different colour and configuration. Retail had to automate warehouse management, the supply chain, the ordering system and checkouts in supermarkets.

The revolution in “data management” and automation was computerisation in the 1980s and the introduction of barcode and RFID technologies. The automotive industry standardised transport labels throughout the supply chain and was able to efficiently plan “just in time” delivery and production on their assembly lines. Parallel to that, improved robotics made it possible to increase the output of vehicles and reduce the assembly time. In highly automated assembling factories, a vehicle leaves the line every 20 seconds. Fully automated!

I can talk about my own two experiences in retail. In 1993, Billa Austria built the most state-of-the-art, fully automated warehouse at the time and was one of the first companies in Europe to use the GS123 barcode. We supplied barcode scanners for the palette scan and the sorter. Suppliers tried to refuse. But those who refused to invest in label printing were removed from the suppliers list. Billa reduced the number of suppliers from almost 1,000 to less than 500. The warehouse sorts 300,000 pieces/packages per day, or more than EUR 25 million per week. I visit the warehouse every year with my students from “Safety in the Food Chain,” a master study at the University of Natural Resources and Life Sciences in Vienna. There has been no change since then. The warehouse built in 1993 is still one of the most sophisticated

in Europe. But Billa introduced many more tools and process optimisation tools over the years. It is an ongoing process to stay competitive, increase profitability, reduce costs and optimise product supply to the shops. In this respect they cooperate closely with the suppliers to increase end customer satisfaction.

Aldi Germany operated checkouts for many years without barcode scanners because the product groups were so simply structured that the cashier could manually enter a price faster than scanning a barcode. Aldi introduced barcode scanners when the euro was introduced, and double “currency” checkout was needed for some time afterward.

When I sit in my office signing hundreds of invoices and papers, yes, accounting processes need get automated. Many bureaucratic services from government institutions are very delayed in development and urgently need to become automated and user friendly. And this is true in many areas, especially in health care.

In 2018, the Russian digital market for the first time was bigger than the agricultural sector. Mobile communications and the use of messaging services is booming everywhere, in Russia more than in Germany, for example. And the reason is simple: mobile internet in Russia is cheap, around 10 times cheaper than in Germany. Russia plans to invest in a 5G network. Investing in 5G is not only for high speed internet but is the foundation of the economy of the future. Digitalization is an ongoing process, and if a company does not get on board, it will disappear. |

Continuous learning is key to the success in Industry Renaissance



ALEXEY RYZHOV

Managing Director, Dassault Systèmes, Russia GEO

We are experiencing a global Industry Renaissance, bringing new ways, real and virtual, of inventing, learning, producing and trading. Virtual experience platforms are the infrastructures of this new world. Industry is not seen as a “means of production”, but rather as a vision of the world and a value creation process. The industry of the 21st century is a network of creation, production and exchange of experiences. Tomorrow’s leaders will not be those with the most automated production systems, but those empowering their workforces and value networks with knowledge and know-how to deliver new categories of sustainable solutions. With the rapid evolu-

tion of workplace roles, learning how to learn is now essential, and virtual platforms support people as they innovate, produce, share and learn.

Retraining or continuing development of employees is important, because having high-performing and experienced employees is better than integrating new employees into the organisation. Workers will have to have more knowledge in their fields, because all kinds of work will require more information, and, at the same time, they will need to learn to work alongside digital co-workers powered by artificial intelligence. Freed from routine tasks, they will learn by doing, augmenting their knowledge.

Employers should use their virtual experience platforms to connect their operations inside the enterprise and beyond with academic partners, customers and end users, leveraging collective intelligence and an entrepreneurial mind-set to enable continuous learning and innovation.

Cooperation among industries, universities and employees is necessary. For example, the executive director of the National Institute for Aviation Research at Wichita State University in the USA heard an aerospace executive’s com-

plaint that his firm was investing two full years in training new engineering graduates in computer-aided design, engineering and manufacturing, while they wanted to reduce it to zero.

The university responded by creating an experience-based learning programme that trains students on a virtual experience platform, then puts them to work at multiple aircraft manufacturing sites. It applies learning for 3D design experience and knowledge of digital transformation software. The cooperation between the university and employers not only empowers the workforce of the future, but also accelerates the digital transformation of companies and the up-scaling of their employees. It makes it possible to reduce production time from 18 to 3 months.

The transfer of new industrial practices should accelerate for both general and vocational education. The creation of centres of excellence such as in Wichita in every country gives students and employees an opportunity to imagine, test, and create holistic experiences, first in the virtual world and then in the real world. Thus, the consumer will enjoy a never-before-imagined experience and, in the process, entirely new industries will emerge. |

Qualified personnel for the digital breakthrough: who, where and when



TATIANA BASKINA

Deputy General Manager, Professional Community Affairs, ANCOR



KSENIA IVANOVA

Senior Consultant, ANCOR FinTech

We live in an era of constant change and continuous technological acceleration. Innovations, digitalization, robotization and AI-based solutions are developing quickly and aggressively. Their impact on humans' private and professional lives speeds up daily. Among the most tangible factors of the impact of IT on the Russian labour market are the following:

- Formats of interaction, ways of processing and attitudes towards information in the labour market are changing. In 2018, more than 70% of candidates use mobile devices for job hunting and various messengers for online communication with recruiters.
- Regardless of one's area of professional expertise, everyone must be savvy in digital technology. Many of the HR professions, historically clas-

sified as being in the humanities, now require strong IT awareness and hands-on experience in relevant technologies. Robots and AI-based tools are used in recruitment, assessment, adaptation, training and development.

- The growth of demand for high-tech professionals from both high-tech companies and non-tech business, as well as state and governmental enterprises.

The third factor deserves special attention. The imbalance of supply and demand and even staffing shortage in the IT professions will continue in 2019.

We observe a continuous shortage of highly-qualified specialists in the IT sphere: growing demand accompa-

nied by an ongoing lack of candidates. At the same time, the Russian labour market is oversaturated with freelancers and project specialists who often have no relevant education and experience. This is particularly noticeable in the areas of mobile technologies development (iOs/Android), web (Python, JS, Java), data science and UI/UX.

The features of the "personnel gap" differ significantly between Moscow and other regions. The capital's labour market has already been overheated for several years. Located mostly in Moscow, the headquarters of international brand-name companies offer a competitive starting package, including salaries above market level, social and corporate guarantees, education programmes and great opportunities for career growth. Highly-qualified IT specialists, even those who are not actively looking for a new job, usually have several job offers and the opportunity to choose the most interesting and highly-paid vacancy. An experienced Java developer interested in changing his current employer receives an average of 5-6 job offers. As to the Russian regions, the level of candidates' experience is significantly lower, as is the level of relevant education. The leading technical universities are concentrated just in a few cities – Novosibirsk, Tomsk, and Nizhny Novgorod.



Many brand-name IT and financial companies (FinTech sector) such as Yandex, Mail.Ru, Kaspersky Lab, Sberbank and others implement their own educational programmes to improve on the insufficiency of university educational programmes, which are constantly lagging behind the market demand for qualified professionals. For example, Yandex not only implements professional retraining and advanced educational programmes, but also organises a number of courses for students, many of which are developed jointly with universities (MIPT, HSE, etc.). On the one hand, these are great initiatives, an example to follow. On the other hand, even such impressive educational investments do not solve the main problem of the countrywide personnel shortage for the digital economy. After all, most of the corporate programme graduates remain

within these companies, leaving the labour market still “unfilled”.

Presently, very few technical universities can produce qualified and business-oriented specialists. Their outdated programmes, even supported by the best business practices, often fall behind the swiftly advancing future. For example, traditional education programmes are based strictly on the C++ and Delphi programming languages. This conflicts with the increasing market demand for young professionals with a relevant modern technology stack (Go, Java/Spring, Python/Big Data, Swift, etc.). In this regard, government measures will undoubtedly be effective if they are aimed at a quick and flexible upgrade of educational programmes applying the knowledge and experience of IT business experts. Nowadays, additional educational programmes are

being actively developed on the basis of Skolkovo and Innopolis, as well as a number of private companies. This allows young professionals to bridge the knowledge gap.

Neither any single company nor state enterprise can resolve these problems alone. Only effective cooperation between commercial, educational, public and state enterprises can change the situation. But first of all we need to change our own perception and attitude towards ongoing technological revolution. Today scientists categorise humans into three types depending on their perception of digital transformation: cyber optimists, cyber pessimists and cyber pragmatics. Our company is the leader of the digital transformation of HR services. Our team consists of cyber pragmatics and cyber optimists.

What about you and your companies? |

Talent in a digital era



IRINA ZARINA

Managing Director, SHL Russia & CIS

Transformation is occurring everywhere. Automation is reshaping entire industries. Artificial intelligence is on the rise. Jobs – how, where and when we work – are profoundly changing. The future of work is now, and it is rooted in a tidal wave of digitalization.

- 87% of business executives agree that digitalization is a priority for their company.¹
- 66% of HR leaders are considering what impact digitalization will have on current and future roles.²

Digitalization – the use of digital technologies to develop a new business model grounded in deep customer insight that provides new revenue and value-producing opportunities – is creating new digital business environments.

Characteristics of a highly digital environment³:

1. High degree of change

Competitors' strategies are constantly changing.

2. Technology intensive

Technology used in the industry is rapidly evolving, and market opportunities in the industry are frequently created by technology changes.

3. High degree of business transformation

Transforming the business model (i.e. significantly altering how the business creates or captures value in the marketplace) is a business imperative.

4. High degree of innovation

Introducing or significantly improving a process or product in a way that changes competitive positioning is a business imperative.

But is the "right" talent fundamentally different today than yesterday? In today's more complex, digital, customer-oriented, and increasingly globalised world, objective, science-based people insight is more important than ever to making informed decisions about talent.

Digital proficiency: new talent or new contexts?

SHL has identified four primary digital talent objectives shared by organisa-

tions with high-change, digital business environments. These key objectives set the requirements for the profile of the digital talent organisations need to succeed. We consider individuals with this profile to be "digitally proficient". They apply well-known competencies in the context of challenges generated by new processes, information, and resources.

Digital proficiency: the ability to engage in the behaviours (or competencies) necessary to perform well in a digital business environment.

Digital leaders

Does the digital business environment create the same requirements for leaders? 66% of leaders are not adapting quickly enough to meet their strategic or business goals⁴.

SHL research has uncovered 27 contextual leadership challenges critical to making or breaking leaders' performance. Depending on the business and the type of digitalization, many of those contextual challenges are particularly relevant to the performance of its leaders.

- Deliver rapidly changing products, services, and processes.
- Achieve growth through innovation.
- Drive creativity and innovation.
- Design and drive new strategies.
- Deliver in high risk-taking contexts.
- Deliver in highly uncertain, ambiguous contexts.

¹ Gartner, Defining Digitalization: Creating a Common Vision, 2017.

² SHL, Global Assessment Trends Report, 2018.

³ Gartner, Leadership in the Digital Age, 2017.

⁴ Gartner, The End of Agility, 2016.

Profile of Digital Proficiency

Digital Talent Objectives	Digitalization’s Impact	Key Competencies*
Continuous Learning and Innovation	The rapid pace of change associated with digital business environments and transformations requires employees and leaders who can adapt, learn effectively, and innovate to drive their organisations forward.	<ul style="list-style-type: none"> • Learning • Adaptability • Creativity and Innovation • Strategic Thinking
Insightful Analytics	The explosion of new digital tools and the exponential growth of data and information require skills to effectively use those tools and data to create insights that produce result in a wide range of contexts.	<ul style="list-style-type: none"> • Applying Expertise and Technology • Critical Thinking
Network Performance	The increased independence of work and stronger emphasis on the customer experience in digital business environments requires employees who can develop productive relationships, collaborate, and influence others to boost the performance of their colleagues and customers. That is, they deliver digital network performance.	<ul style="list-style-type: none"> • Collaboration • Building Relationships • Influence
Execution Excellence	The pressure for sustained top-line and bottom line financial growth of digital businesses requires employees and leaders who are action-oriented, decisive, pragmatic, and efficient in achieving their performance goals and objectives.	<ul style="list-style-type: none"> • Decision Making • Planning and Organizing • Delivering Results • Initiative

* From SHL’s Universal Competency Framework™

Source: SHL

While all four digital talent objectives matter for leaders, Network Performance is the objective of greatest importance since their work is largely about building, enhancing, and managing relationships. SHL and Gartner research have identified leaders who perform well in this area as “Enterprise Leaders” for their ability to contribute to, and use the contributions of, other leaders and their own teams.⁵

The digital era is now

In today’s innovation-focused, increasingly digital world, organisations need employees and leaders who are digitally proficient. They do not need

“new” talent per se, but people who can apply their skills and competencies to new digital contexts. These individuals can work with information, analyse themes and trends, and contextualise and propose solutions. They have critical thinking skills as well as the ability to collaborate, communicate and work effectively in nimble, cross-functional teams. They are network performers focused on excellent execution and producing results.

The importance and urgency of ensuring that your digitally proficient talent is productive and driving busi-

ness growth should not be underestimated. The digital era is already here. And the cost of poor people decisions can be significant. Bad hires can cost up to several times their actual salary – when taking into consideration lost productivity, the negative impact on their peers and teams, and their heightened likelihood of turnover. Even just 10 bad leader placement decisions can cost organisations well over USD 1 million each year. The key to making high ROI people decisions and realising the value of digitally proficient talent is moving from human judgment and intuition to objective, science-based people insight. |

⁵ SHL, High-Potential Assessment Solution Technical Manual, 2016.

AEB NEWS



Participants of the "Festival of Motoring Sochi" presentation

"The Festival of Motoring Sochi" presented in Moscow

On 5 December 2018, the presentation of the "Festival of Motoring Sochi" took place in Moscow. The interactive festival will be held in Sochi on 18-21 July 2019.

The organisers of the "Festival of Motoring Sochi" are the exhibition company Messe Frankfurt Rus and the AEB, with the support of a number of major auto producers and the government of the Krasnodar region.

During the event, guests were able to immerse themselves in the "Festival of Motoring Sochi" experience, to discover main thematic areas of the Festival, to talk with representatives of major auto producers, to try out virtual reality racing, and to win prizes in the lottery.

Deputy Chairman of the AEB Board participated in the international conference

On 6 December 2018, Paul Bruck, Deputy Chairman of the AEB Board, Management Partner, Most Service, Member of Bruck Consult, took part in the VI International Conference "Foreign economic activities as a factor for efficient development of small and medium enterprises in the Russian regions".

Mr. Bruck delivered a presentation entitled "A positive trend in investment climate and reduction of administrative barriers. Continued hurdles for SMEs" which covered the following topics: a positive trend in investment climate despite sanctions, the importance of SMEs in the economy, SME

structure in Russia and the chances for SMEs in all areas of supply chain and professional services, continued bureaucratic barriers towards business set-up.

The conference co-organised by the Ministry of Economic Development of Russia and the government of the Khabarovsk region aimed to enhance foreign economic activities by SMEs and to increase competitiveness at local and global markets, to develop interaction with relevant international institutions and programmes, and to elaborate recommendations for regional authorities in the field of SME infrastructure development.



Panelists of the conference



L-R: **Sergei Sobyenin**, Mayor of Moscow; **Johan Vanderplaetse**, Chairman of the AEB Board; **Frank Schauff**, AEB CEO.

Meeting with Sergei Sobyenin, Mayor of Moscow

On 10 December 2018, Sergei Sobyenin, Mayor of Moscow, had a meeting with representatives of AEB member companies in the Conference Hall of the Lotte Hotel.

The meeting was opened by the Chairman of the AEB Board Johan Vanderplaetse.

Sergei Sobyenin delivered a speech about the current challenges and opportunities for foreign investors operating in Moscow. In his speech, the Mayor stressed the importance of taking measures to improve the situation regarding the development of the transport infrastructure of Moscow. In the future, the Moscow authorities are planning a full transition to high-tech electric public transport. In addition, the Mayor of Moscow marked out the current state of car sharing: "I think that in the near future the largest system among European cities will be created in Moscow." Commenting on the increase in parking fees, Sergei Sobyenin pointed out that this measure was not a source of income, but served as a regulator to the number of cars coming to the city centre.

Speaking about plans for the next year, the Mayor stressed the need to solve transport and environmental problems, to increase the life expectancy of citizens, and to complete the strategic task – to build a city for people.

The meeting continued with a Q&A session moderated by the AEB CEO Frank Schauff and the Chairman of the AEB Board Johan Vanderplaetse. The Mayor of Moscow answered several questions raised by AEB members regarding the implementation of joint projects by the Moscow government and a number of foreign manufacturers.



L-R: **Paul Bruck**, AEB Board Deputy Chairman; **Stuart Lawson**, AEB Board Member; **Alexander Liberov**, AEB Board Member; **Johan Vanderplaetse**, AEB Board Chairman; **Sergei Sobyenin**, Mayor of Moscow; **Philippe Pegorier**, AEB Board Deputy Chairman; **Frank Schauff**, AEB CEO.

AEB Honorary Council and Former Committee Chairmen Dinner

On 10 December 2018, the AEB organised a dinner for new members of the Honorary Council and Former Committee Chairmen at the Chicago Grill Restaurant.

During the meeting, the Chairman of the Board Johan Vanderplaetse and CEO Frank Schauff awarded the new members of the AEB Honorary Council and former Chairmen with diplomas.

Among the participants of the dinner were: Cesare Biggiogera (former Board Member); Gerald Sakuler (former Board Member, Deputy Board Chairman, Board Treasurer); Andrey Chursin (former Commercial Vehicles Committee Chairman); Michael Germershausen (former Human Resources Committee Chairman); Sergey Ivanov (former Leasing Subcom-



L-R: **Sergey Ivanov** (former Leasing Subcommittee Chairman), **Ruslan Kokarev** (AEB COO); **Frank Schauff** (AEB CEO); **Cesare Biggiogera** (former Board Member); **Michael Germershausen** (former Human Resources Committee Chairman); **Johan Vanderplaetse**, AEB Board Chairman; **Sergey Kiselev** (former Tobacco Products Working Group Chairman); **Alexander Kozhukhov** (former Legal Committee Chairman); **Andrey Chursin** (former Commercial Vehicles Committee Chairman); **Gerald Sakuler** (former Board Member, Deputy Board Chairman, Board Treasurer).

mittee Chairman); **Sergey Kiselev** (former Tobacco Products Working Group Chairman); **Alexander Kozhukhov** (former Legal Committee Chairman); **Ruslan Kokarev**, AEB COO.



Participants of the joint meeting

Meeting "Business image of a company through the prism of reporting"

On 11 December 2018, an extended joint meeting "Business image of a company through the prism of reporting" was or-

ganised by the Committee on Corporate Social Responsibility (CSR) and Demographic Policy of the Russian Union of Industrialists and Entrepreneurs (RSPP) with participation of the AEB.

The event provided a platform for discussion of best practices applied by European and Russian businesses in the field of sustainable development and non-financial reporting.

The meeting was moderated by David Yakobashvili, Member of the RSPP Board, Chairman of the Committee on CSR and Demographic Policy at RSPP.

Ruslan Kokarev, AEB COO, focused in his speech on recently held AEB activities which were devoted to CSR and sustainable development. Mr. Kokarev reconfirmed the interest of AEB member companies to further develop and strengthen the dialogue with RSPP on this topic.

Briefing by Maxim Oreshkin, Minister of Economic Development of Russia

On 12 December 2018, the Russian Minister of Economic Development Maxim Oreshkin had a meeting with AEB member companies at the Renaissance Moscow Monarch Center Hotel. The opening remarks were delivered by the Chairman of the AEB Board Johan Vanderplaetse.

The Minister made a speech related to the current state of the Russian economy, development of business climate in Russia, foreign economic cooperation between Russia and the EU, and opportunities for foreign investors.

Maxim Oreshkin stressed the importance of common investment projects in Russia and Europe, and expressed his sup-



L-R: **Johan Vanderplaetse**, Chairman of the AEB Board; **Maxim Oreshkin**, Minister of Economic Development of Russia; **Frank Schauff**, AEB CEO.

port of the initiative made by the European Commission to increase the share of the euro in the international economy.



L-R: **Jussi Kuutsa**, AEB Board Member; **Alexander Liberov**, AEB Board Member; **Johan Vanderplaetse**, AEB Board Chairman; **Maxim Oreshkin**, Minister of Economic Development of Russia; **Frank Schauff**, AEB CEO; **Olga Bantsekina**, AEB Board Member; **Philippe Pegorier**, AEB Board Deputy Chairman; **Paul Bruck**, AEB Board Deputy Chairman.

The Memorandum of deeper cooperation between the Ministry of Economic Development of the Russian Federation and the AEB was signed by Mr. Oreshkin from one side, and by Johan Vanderplaetse, Chairman of the AEB Board, and Frank Schauff, AEB CEO, from the AEB side.

The Memorandum should foster cooperation in order to expand economic as well as investment relations between European countries and Russia, to promote the economic

development of European countries and the Russian Federation, and to create a friendly environment for European companies in Russia.

The briefing was followed by a series of questions and answers moderated by the AEB CEO Frank Schauff.

Representatives of AEB member companies were interested in such issues as: localisation of production, regulation of the automotive industry, reduction of administrative barriers, etc.



L-R: **Frank Schauff**, AEB CEO; **Paolo Falcioni**, Director General of APPLIA (Home Appliance Europe).

AEB joined IRHMA

On 18 December 2018, the AEB signed the Memorandum of Cooperation with the "International Roundtable of Household Appliance Manufacturer Associations" (IRHMA).

IRHMA brings together organisations representing the sector from Europe, the United States and Canada, Mexico, Australia, China, Japan, Korea and Russia, all aiming at bringing sustainable technology solutions for global challenges.

The Roundtable was established back in 2014 and provided opportunities to key players in the sector to share knowledge and be up to date with the legislative developments on the different continents, as well as to share good practices.

"We are extremely glad to join our colleagues from all over the world. In a connected and globalised world, the AEB sees worldwide cooperation as the only way forward," said the AEB CEO Frank Schauff.

"For our members, the Russian Federation is the top export destination for large home appliances from outside the EU. Opening the door of IRHMA for other associations only shows how transparent and I have to say very fruitful our joint debates about energy efficiency, sustainability and innovations are. We have a common goal – to achieve better lifestyles for the society – no matter on which territory and market the manufacturers are active," noted Paolo Falcioni, Director General of APPLIA (Home Appliance Europe), who chaired IRHMA in 2018.



L-R: **Sergei Mozer**, Deputy Head of Division of Advanced Customs Technologies, Department of Customs Legislation, EEC; **Frank Schauff**, AEB CEO; **Mukai Kadyrkulov**, EEC Minister for Customs Cooperation; **Thomas Staertzel**, Deputy Chairman of the AEB Board, Managing Director/CEO, Porsche Russland; **Dmitry Cheltsov**, Chairman of the AEB Customs & Transport Committee, General Delegate to the IRU Permanent Delegation to Eurasia.

AEB and EEC delegation visited Porsche AG factory in Stuttgart, Germany

On 20-21 December 2018, the AEB organised an official visit to Germany for a delegation of the Eurasian Economic Commission (EEC) headed by Mukai Kadyrkulov, EEC Minister for Customs Cooperation, in order to get the best European practices in the field of customs regulation, namely: customs control, simplification of customs procedures, benefits of the status of the authorised economic operator exemplified by Porsche AG.

On 20 December, the EEC and AEB representatives visited Porsche's main plant for producing sports car models in Stuttgart-Zuffenhausen, and the automated spare parts warehouse for Porsche Logistics GbmH, in order to learn more about the production process and customs clearance for the company's products, as well as the benefits provided by its status as an authorised economic operator.

Likewise, on 21 December the AEB organised a meeting between Mukai Kadyrkulov, EEC, and Hans Josef Haas, Vice President of the German Customs Service, to discuss topical issues of the customs administration and to learn about European practices in the customs regulation field.

During the meeting, Mukai Kadyrkulov shared information about the Eurasian Economic Union, in particular, about customs regulation and administration in the EEU. He noted that the draft Customs Code of the Eurasian Economic Union was prepared with active participation of business community representatives, including experts from the AEB.

AEB CEO participated in the governmental meeting on agricultural machinery development

On 18 January 2019, the AEB CEO Frank Schauff took part in the governmental meeting on agricultural machinery production with participation of the Russian Prime Minister Dmitry Medvedev. The meeting was held at the premises of the CLAAS machine-building plant.

The meeting was also attended by the Deputy Prime Minister Dmitry Kozak, Presidential Plenipotentiary in the Southern Federal District Vladimir Ustinov, Governor of the Krasnodar region Veniamin Kondratyev, Russian Minister of Science and Higher Education Mikhail Kotyukov, Russian Minister of Industry and Trade Denis Manturov, Russian Minister of Labour and Social Protection Maxim Topilin, General Director of CLASS Russia Ralf Bendisch, and several other heads of industry enterprises and organisations.



Participants of the governmental meeting

The Prime Minister stressed the necessity of making the farm machinery produced in Russia more competitive and popular on international markets. In this regard, he noted the important role of foreign investors which localised their production in Russia.

AEB CEO spoke at the Valdai Discussion Club

On 23 January 2019, Frank Schauff, AEB CEO, took part in the expert discussion titled "Sanctions and the oil and gas sector: political risks for business" hosted by the Valdai Discussion Club.

The discussion was moderated by Andrey Bystritskiy, Chairman of the Board of the Foundation for Development and Support of the Valdai Discussion Club.

Among the speakers were: Alexander Pankin, Deputy Foreign Minister of the Russian Federation, and Alexei Grivach, Deputy Director General for Energy Projects at the National Energy Security Foundation.

The participants stressed that the oil and gas sector was the main target for restrictive measures that could affect not only Russia but also European partners. Thus, the adoption of new sanctions against Russia could threaten the implementation of the Nord Stream-2 pipeline, in which Germany and other European countries are primarily interested. During the



L-R: **Alexei Grivach**, Deputy Director General for Energy Projects at the National Energy Security Foundation; **Frank Schauff**, AEB CEO; **Alexander Pankin**, Deputy Foreign Minister of the Russian Federation; **Andrey Bystritskiy**, Chairman of the Board of the Foundation for Development and Support of the Valdai Discussion Club.

discussion, some prospects for the escalation of sanctions, their further impact on the Russian oil and gas sector, as well as possible ways of managing the risks of sanctions were considered.



Participants of the AEB Annual Strategy Meeting 2019

AEB Annual Strategy Meeting 2019

On 24 January 2019, the AEB organised its Annual Strategy Meeting 2019. The Board Members, CNR representatives, Committee Chairpersons, guests of honour, the AEB CEO and staff met at the Hotel Hilton Moscow Leningradskaya to discuss the results of 2018 and define the Committees' main targets and initiatives for 2019.

The Chairman of the AEB Board Johan Vanderplaetse made a review of the AEB strategic development and perspectives for the future.

H.E. Markus Ederer, EU Ambassador to the Russian Federation, delivered a speech about the current EU-Russia relations.

The AEB CEO Frank Schauff presented an operational report and made a brief introduction into the Strategy discussion for 2019.

Alexander Demidov, Managing Director, GfK-Rus, presented the results of the AEB-GfK Annual Survey.

The participants of the meeting took part in the parallel sessions on four strategic topics: localisation, exports from Russia and instruments for support (SPIC, etc.); events at the federal and the regional levels; digital economy: consequences for businesses; environmental policy: opportunities and risks for European companies (waste management, energy efficiency, climate policy).

The moderators of the parallel sessions summarised the results and Philippe Pegorier, Deputy Chairman of the Board, moderated the general discussion on the AEB strategic agenda.



L-R: **Alexander Demidov**, Managing Director, GfK-Rus; **Frank Schauff**, AEB CEO; **Johan Vanderplaetse**, AEB Board Chairman; **H.E. Markus Ederer**, EU Ambassador to the Russian Federation; **Philippe Pegorier**, AEB Board Deputy Chairman; **Paul Bruck**, AEB Board Deputy Chairman; **Olga Bantsekina**, AEB Board Member; **Jussi Kuutsa**, AEB Board Member; **Alexander Liberov**, AEB Board Member.



Participants of the meeting

Breakfast with new members

On 31 January 2019, the AEB organised a meeting with the new members which joined the Association in the second half of 2018. After the AEB CEO Frank Schauff had presented a report on AEB activities, the participants started a comprehensive discussion of membership benefits.

The new members highly estimated the AEB achievements and accomplishments.

The participants were especially interested in the discussion of the following issues: investment climate improvement, issues on parallel imports, industrial localisation, labelling, waste management.

AEB business mission to Brussels

On 4-5 February 2019, the delegation of the AEB Board Members, headed by Johan Vanderplaetse, Chairman of the Board, went to Brussels in order to discuss EU-Russia economic relations with European policy-makers, more particularly with the European Commission, the European Parliament, the European External Action Service, the Permanent Representation of the Russian Federation to the European Union as well as European partner associations.

During the traditional mission, the AEB delegation voiced to the European authorities the concerns of the European businesses with regard to the following issues:

- state of play of EU-Russia relations and EU strategy towards the Russian Federation in the current geopolitical context;
- dialogue at the technical level between the EU and the Eurasian Economic Union (EAEU);
- current economic situation and investment climate in Russia;
- possible role and contribution of the European businesses in improving EU-Russia relations, possible areas of cooperation in the energy and transport sectors;
- latest Russian government measures on localisation, state procurement, labelling, and parallel imports;
- contribution of European businesses to the implementation of the EU strategy on connectivity between the European Union and Russia.



L-R: **Thomas Staertzel**, Deputy Chairman of the AEB Board; **Jussi Kuutsa**, AEB Board Member; **Johan Vanderplaetse**, Chairman of the AEB Board; **Frank Schauff**, AEB CEO; **Stuart Lawson**, AEB Board Member.

The AEB representatives highlighted the importance of stability, welfare and peace on the European continent for European investors in Russia. The AEB delegation welcomed the current cooperation of the European policy-makers with Russia and the EAEU, at the working level, in areas of mutual interest that are not falling under economic and financial sanctions. The AEB also stressed the role of a renewed dialogue on technical barriers to trade between the EU and the EAEU.



Esko Aho, Executive Chairman of the Board of the East Office of Finnish Industries and Former Prime Minister of Finland (1991-1995)

AEB CEOs breakfast with Esko Aho, Former Prime Minister of Finland

On 12 February 2019, the AEB organised a CEOs breakfast with Esko Aho, Executive Chairman of the Board of the East Office of Finnish Industries and Former Prime Minister of Finland (1991-1995). The event took place at the Ritz-Carlton Hotel.

Johan Vanderplaetse, AEB Chairman of the Board, chaired the meeting. Mr. Aho shared his views on the topic: "Russia in the global world – what is Russia for Europe and what is Europe for Russia?".

Mr. Aho stressed the great interdependence of the European and Russian economies and the need for Russia to better integrate in the global economy. In his view, modernisation of Russia will only be possible through a win-win cooperation with Europe.



Participants of the round table

EU Delegation round table presenting the results of EU funded projects: PSF/ Technical barriers to trade

On 12 February 2019, Frank Schauff, AEB CEO, participated in the round table devoted to the EU project "PSF/Technical barriers to trade: study on practical aspects".

The meeting was opened by Markus Ederer, Ambassador of the EU Delegation to Russia.

Dr. Schauff welcomed the attendees and spoke in his speech about the need to maintain technical cooperation. He informed the participants that the results of the project were presented in Brussels on 6 February 2019 and stressed that cooperation between the European Union and Russia/EAEU is vital for European businesses working in and with Russia and the Eurasian Economic Union.

For the past 3 years, the AEB has been advocating for a renewal of the dialogue on technical regulations.

AEB representatives took part in OICA Centennial

On 13-14 February 2019, Frank Schauff, AEB CEO, and Olga Zueva, Coordinator of the AEB Automobile Manufacturers Committee, attended OICA Centennial events in Paris, France. OICA is International Organisation of Motor Vehicle Manufacturers. It was established in Paris, France in 1919 and represents automobile industry at the United Nations Organisation. The Centennial events were attended by the highest level governmental representatives of France, automobile manufacturers associations from all over the world, as well as honoured guests.

President of France Emmanuel Macron addressed the global automobile industry at the gala-dinner. In his speech he focused on the major development trends and stressed the importance of promotion of the electric vehicles as well as "green" cars, digitalization and mobility technologies. He supported the ideas articulated by the outgoing OICA President, Matthias Wissmann, and the new OICA President, Christian Peugeot, that politicians should not define and prioritise certain technologies but give engineers possibilities to decide and offer new solutions to meet the highest requirements and standards set for the automobile industry.



L-R: Frank Schauff, AEB CEO; Christian Peugeot, OICA President.

At the global automotive conference Ms. Agnès Pannier-Runacher, Secretary of State to the Minister of the Economy and Finance of France; Bruno Le Maire, Minister of the Economy and Finance of France; Élisabeth Borne, Minister of Transport of France; CEOs of automobile manufacturers described their vision of the industry future development in their countries. Dr. Frank Schauff negotiated with the OICA President Christian Peugeot, Executive Secretary of OICA Yves Van Der Straaten, OICA Committees Chairs, presidents and representatives of national automobile manufacturers associations such as VDA (Germany), ANFIA (Italy) and others.

Briefing by Sergey Lavrov, Minister of Foreign Affairs of Russia

On 21 February 2019, Minister of Foreign Affairs of Russia Sergey Lavrov met with AEB members at the Press Centre of the Russian Ministry of Foreign Affairs. Johan Vanderplaetse, Chairman of the AEB Board, opened the meeting. He noted that European businesses in Russia faced a lot of challenges due to the complicated geopolitical context that has a serious impact on the business climate: "Some foreign investors are worried because of the sanctions and the uncertainty about what might follow next. At the AEB we believe that on the contrary stronger economic, cultural and scientific ties are what we should strive for. We are therefore hoping that in 2019 we will see a gradual restoration of the political dialogue and therefore business confidence."

In his speech Sergey Lavrov spoke about sanctions, energy policy and economic relations between Russia and the European Union. The Minister noted that despite the increase of sanctions pressure on Russia, the government was open to a dialogue with foreign investors: "Despite the difficulties, and they exist, no one tries to hide them, there is a feeling that the business community has been tired of sanctions, confrontation and now it is interested in resuming full-fledged cooperation."

The Minister emphasised the need to intensify contacts between the European Union and the Eurasian Economic Commission, marking out the high potential of already established technical cooperation.



Sergey Lavrov, Minister of Foreign Affairs of Russia

The briefing by Mr. Lavrov was followed by a Q&A session moderated by the AEB CEO Frank Schauff. He noted that one of the main tasks for the AEB was to maintain an active dialogue between foreign investors and government officials. So the communication with the Ministry of Foreign Affairs of Russia is now particularly relevant: "AEB has been working in Russia for more than 20 years, and we have stayed in close cooperation with the Russian authorities in all difficult times. We hope that our constructive dialogue will continue with regards to the most controversial issues, as the Baring Vostok case. Therefore we ask for the full support from the Russian government to ensure the country remains open to FDI's and that all necessary measures in favour of an open, stable market and an even level playing field for all economic actors are guaranteed."



L-R: **Stuart Lawson**, AEB Board Member; **Johan Vanderplaetse**, Chairman of the AEB Board; **Sergey Lavrov**, Minister of Foreign Affairs of Russia; **Philippe Pegorier**, AEB Board Deputy Chairman; **Thomas Staertzel**, AEB Board Deputy Chairman; **Frank Schauff**, AEB CEO.

5th International Automotive Forum in Tatarstan (TIAF 2019)

On 26 February 2018, Frank Schauff, AEB CEO, participated in the 5th International Automotive Forum in Tatarstan (TIAF 2019). The Forum was held with the support of the brand Automechanika.

This year the Forum and the exhibition were organised at the new venue – Kazan Expo International Exhibition Centre. In his opening remarks Frank Schauff noted that the Forum would be a good platform to discuss the most important issues and establish promising ties for all participants of the automotive market.

The business programme of the TIAF comprised a plenary session, working sessions with the participation of industry



Participants of the Forum

experts, business meetings with autoproducers, and discussions of the most topical issues of the Russian car industry development.

AEB COMMITTEES UPDATES

Automobile Manufacturers Committee

On 14 January 2019, the AEB Automobile Manufacturers Committee (AMC) organised its XII Annual Press Conference "REVIEW 2018". The event took place at the Hotel Intercontinental Moscow Tverskaya.

The main speakers at the Conference were Joerg Schreiber, AEB AMC Chairman, Mazda Motor Rus LLC, and Frank Schauff, AEB CEO.

At the Press Conference, the sales results of the Russian automotive market in 2018 and prospects for 2019 were presented. In December 2018, sales of new cars and light commercial vehicles in Russia increased by 5,6% compared to December 2017 or by 9,227 sold units, and amounted to 175,240 cars, according to the AEB AMC. In 2018 new car and LCV sales increased by 12,8% or 204,854 units in comparison with the previous year. In January-December, 1,800,591 cars were sold. The AMC Chairman Joerg Schreiber commented on market results in 2018 and announced the AMC forecast for 2019: "Total market sales in December improved by 5.6% on an annual basis, closing the year with a 12-month streak of consecutive growth. Thus, cumulative sales in 2018 reached 1.801 million units, posting a 12.8% plus compared to the prior year. The outlook for 2019 is not so straightforward. Consumer tax increases and a possible tightening of US sanctions create sig-



L-R: **Joerg Schreiber**, AEB Automobile Manufacturers Committee Chairman, Mazda Motor Rus LLC; **Frank Schauff**, AEB CEO.

nificant risks and uncertainties for the market performance especially in the first quarter of the year. Assuming no drastic change in government policy and support for the automotive sector, market participants, however, expect that fundamental market demand should be robust enough for sales to consolidate and to return to a growth pattern in the course of the year. With this in mind, our 2019 full year prediction for sales of passenger cars and light commercial vehicles in Russia is a moderate improvement to 1.87 million units, or by 3.6% compared to the prior year".

Customs & Transport Committee



Participants of the meeting

On 11 December 2018, Dmitry Cheltsov, Chairman of the AEB Customs & Transport Committee, took part in the first meeting of the Public Council under the Federal Customs Service (FCS).

Vladimir Bulavin, Head of the Federal Customs Service, opened the meeting with a welcome speech and outlined the main goals and objectives of the FCS of Russia and highlighted the role of the Public Council in elaboration of the Customs Service Development Strategy 2030.

A draft Public Council activity plan was discussed at the meeting. Mr. Bulavin called on the members of the Council to join forces and facilitate the execution of the Presidential Order "On national goals and strategic tasks of the Russian Federation development until 2024".

The members of the Council unilaterally elected Leonid Lozbenko as the Chairman of the Public Council. Georgy Petrov, Council of the President of the Russian Chamber of Commerce, and Sergey Sovdagarov, Chairman of the Association "Noncommercial Partnership of Professional Customs Operators", were elected as Deputy Chairmen.

Finance & Investments Committee

On 4 December 2018, the AEB held a briefing with Gabriel Di Bella, Resident Representative of the International Monetary Fund in the Russian Federation.

He spoke in detail about the recent developments and long-term perspectives of the Russian economic policy and commented on some global trends of the world economy.

Stuart Lawson, AEB Finance & Investments Committee Chairman, AEB Board Member, EY, and Frank Schauff, AEB CEO, moderated the event.

The briefing was followed by a Q&A session.



L-R: **Stuart Lawson**, AEB Finance & Investments Committee Chairman, AEB Board Member, EY; **Frank Schauff**, AEB CEO; **Gabriel Di Bella**, Resident Representative of the International Monetary Fund in the Russian Federation.



L-R: **Alexander Anichkin**, Partner, Clifford Chance; **Ethan Heinz**, Counsel, Dentons; **Stuart Lawson**, Chairman of the AEB Finance & Investments Committee, AEB Board Member, EY; **Frank Schauff**, AEB CEO.

On 11 December 2018, the AEB held an open event "Year-end update on the sanctions" organised by the AEB Finance & Investments Committee.

The event provided the audience with an opportunity to listen to Ethan Heinz, Counsel, Dentons, on the recent US sanctions and their implications, and Alexander Anichkin, Partner, Clifford Chance, on Russia's counter-sanctions.

At the event, the experts shared their thoughts and opinions on developments in the operating environment under the sanctions and potential upcoming sanctions. The participants raised numerous questions with regard to expected new sanctions, Nord Stream, sanctions on individuals, parallel imports, influence on the banking sector and many others.

The event was moderated by Stuart Lawson, Chairman of the AEB Finance & Investments Committee, AEB Board Member, EY. The welcome speech was made by Frank Schauff, AEB CEO.

On 17 December 2018, Andras Horvai, the World Bank Country Director in Russia, and Apurva Sanghi, the World Bank Lead Economist in Russia, presented the 40th issue of the Russia Economic Report "Russia's economy: preserving stability, doubling growth, halving poverty – How?" to AEB members.

According to the World Bank's report, the growth prospects for 2018-2020 remain modest (at 1.5% to 1.8%). Higher-than-expected oil prices could favourably affect the growth forecast. A sound macroeconomic framework, with relatively high levels of international reserves (USD 461 billion), low external debt levels (about 29% of GDP) positions Russia well to absorb external shocks.



L-R: **Frank Schauff**, AEB CEO; **Apurva Sanghi**, the World Bank Lead Economist in Russia; **Andras Horvai**, the World Bank Country Director in Russia; **Stuart Lawson**, Chairman of the AEB Finance & Investments Committee, AEB Board Member, EY.

Health & Pharmaceuticals Committee

On 29 January 2019, Ruslan Kokarev, AEB Deputy CEO – Chief Operating Officer; Yury Litvishchenko, AEB Health & Pharmaceuticals Committee Chairman; Vera Suldenko, Public and Governmental Affairs Advisor, Bayer; and Olga Silnitskaya, AEB Health & Pharmaceuticals Committee Coordinator, had a meeting with Andrey Tsarikovskiy, State Secretary – Deputy Head of FAS, and Timofey Nizhegorodtsev, Head of the FAS Department for Social Sector and Trade Control. At the meeting the participants agreed to continue a well-established dialogue in the future.

L-R: **Yury Litvishchenko**, AEB Health & Pharmaceuticals Committee Chairman; **Vera Suldenko**, Public and Governmental Affairs Advisor, Bayer; **Andrey Tsarikovskiy**, State Secretary – Deputy Head of FAS; **Ruslan Kokarev**, AEB Deputy CEO – Chief Operating Officer.



Home Appliances Manufacturers and Product Conformity Assessment Committees



Participants of the meeting

On 7 December 2018, the AEB Home Appliances Manufacturers and Product Conformity Assessment Committees held a meeting with Vyacheslav Burmistrov, Deputy Head of the Technical Regulation Department of the Eurasian Economic Commission. The meeting was devoted to the avoidance of the overlapping between technical regulations 004/2011, 020/2011 and 010/2011 and unified sanitary requirements of the EEC Decision No. 299.

The AEB and EEC agreed to work together to change the sanitary requirements for household appliances and electronics in order to bring them in line with the standards of technical regulation.

Human Resources Committee

On 25 January 2019, the AEB Human Resources Committee arranged an open event “Internal recruitment processes”. Irina Aksenova, Deputy General Director for Key Clients, Coleman Services, moderated a vivid discussion on recruitment issues and the efficiency of internal recruitment processes. Mikhail Tuzov, Head of Analytical Services, and Olga Gulyaeva, Head of Human Resources, ManpowerGroup, presented their HR-surveys.

Askhat Kaybushev, Manager, Personnel Management and Taxation of Individuals, KPMG, and Oksana Pudova, KPMG Human Resources Department, also shared the results of their studies.

Lyubov Satina, HR Manager, Lindt, spoke about the experience in internal recruitment cases.

All the participants discussed the issues and trends of internal recruitment and recruitment data analysis.



Participants of the open event



Participants of the open event

On 28 February 2019, the AEB Human Resources Committee held an open event "Salary surveys and key HR benchmarks". The main providers of the salary survey reports presented their results to the HR Committee members. The major focus of the presentations was on pharma and FMCG sectors. Among the speakers were Valeria Konyamina, Korn Ferry, Darina Sokolova from EY and Andrey Kulapov from MercerMarshBenefits. The questions raised by the audience were related to the regional salary levels, the structure of the compensation package and main trends of the labour market.

Migration Committee



L-R: **Konstantin Pavlov**, Head of Division on Control of Foreign Employees Staying in Russia, the Moscow region Migration Directorate, Ministry of Internal Affairs of Russia; **Kirill Adzinov**, Head of the Work Permit and Visa Department, General Migration Directorate, Ministry of Internal Affairs of Russia; **Nadezhda Voronina**, Head of control and supervision Department, the General Migration Directorate, Ministry of Internal Affairs of Russia; **Igor Dudnik**, Deputy Head of the Moscow Migration Directorate, Ministry of Internal Affairs of Russia; **Ruslan Kokarev**, AEB COO; **Ludmila Shiryayeva**, AEB Migration Committee Chairperson, Director, Tax & Law, EY; **Alexander Aksenov**, Deputy Head of the Chief Migration Directorate, Ministry of Internal Affairs of Russia; **Pavel Dutov**, Deputy Head of the External Labour Migration Department, General Migration Directorate, Ministry of Internal Affairs of Russia; **Yuriy Konobeevsky**, Head of the Migration Registration Division, General Migration Directorate, Ministry of Internal Affairs of Russia; **Grigory Mironov**, Head of Visa and Migration Registration Division, Moscow Migration Directorate, Ministry of Internal Affairs of Russia.

On 5 December 2018, the AEB held its XI Annual Migration Conference titled "Dialogue: migration law in practice" with participation of the representatives of the General Migration Directorate of the Ministry of Internal Affairs of the Russian Federation, representatives of the Moscow and the Moscow region Migration Directorates of the Russian Ministry of Internal Affairs.

The event was organised by the AEB Migration Committee and moderated by Ludmila Shiryayeva, AEB Migration Committee Chairperson, EY.

Alexander Aksenov, Deputy Head of the General Migration Directorate of the Ministry of Internal Affairs of the Russian Federation, informed about the recent legislative developments in migration area, a new concept of migration policy in the Russian Federation, commented on the issues regarding application of new rules for migration registering of foreign citizens in the Russian Federation which were approved by Federal Law No. 163-FZ of 27 June 2018 and entered into force on 8 July 2018. Nadezhda Voronina, Head of Control and Supervision Department, General Migration Directorate, Ministry of Internal Affairs of Russia, presented new procedures, established by Federal Law No. 216-FZ of July 19, 2018 and 215-FZ of July 19, 2018 – for inviting parties to control the expatriate's activity in Russia and its compliance with the declared purpose of entering the country, as well as the period of staying in accordance with a visa.

Alexey Filipenkov, Deputy Chairperson of the AEB Migration Committee, Partner, Visa-Delight, presented practical issues with regard to new migration registration rules implementation. Andrey Slepov, Deputy Chairperson of the AEB Migration Committee, Partner, BEITEN BURKHARDT, made a presentation on liability for violations in the area of migration registration and drew attention to the possible inspections of the Ministry of Internal Affairs in the area of migration.

Pavel Dutov, Deputy Head of the External Labour Migration Department, General Migration Directorate, Ministry of Internal Affairs of Russia; Igor Dudnik, Deputy Head of the Moscow Migration Directorate, Ministry of Internal Affairs of Russia; Kirill Adzinov, Head of Work Permit and Visa Department, General Migration Directorate, Ministry of Internal Affairs of Russia; Yuriy Konobeevsky, Head of Migration Registration Division, General Migration Directorate, Ministry of Internal Affairs of Russia; Konstantin Pavlov, Head of Division on Control of Foreign Employees Staying in Russia, the Moscow region Migration Directorate, Ministry of Internal Affairs of Russia, took part in the discussion of the acute issues, which were raised by the representatives of the AEB member companies during the Conference.

The AEB Migration Committee and the Russian Ministry of Internal Affairs agreed to continue a well-established constructive dialogue and carry out regular meetings on an expert level in the future.

North-Western Regional Committee



On 10 December 2018, the AEB North-Western Regional Committee organised a traditional briefing by the World Bank. The Russia Economic Report No. 40 entitled "Russia's economy: preserving stability, doubling growth, halving poverty – How?" was presented by Apurva Sanghi, the World Bank Lead Economist for Russia.

The event was kindly hosted and supported by Egorov, Puginsky, Afanasiev & Partners in St. Petersburg and was chaired by Andreas Bitzi, Chairman of the AEB North-Western Regional Committee.

Presenter: **Apurva Sanghi**, the World Bank Lead Economist for Russia.

On 7 February 2019, the AEB North-Western Regional Committee held a traditional annual briefing with Gabriel Di Bella, Resident Representative of the International Monetary Fund in the Russian Federation, entitled "Russia. Recent developments and long-term challenges". The event was traditionally kindly hosted by the Consulate General of Lithuania in St. Petersburg.

Meetings with high ranking experts from international financial organisations have been a long and well established AEB tradition. The event was opened by Dainius Numgaudis, Consul General of the Republic of Lithuania, and was moderated by Andreas Bitzi, Chairman of the AEB North-Western Regional Committee.

The briefing finalised with a Q&A session.



L-R: **Andreas Bitzi**, Chairman of the AEB North-Western Regional Committee; **Gabriel Di Bella**, Resident Representative of the International Monetary Fund in the Russian Federation.



Presenter: **Anne Lammila**, Consul General of Finland in St. Petersburg.

On 12 February 2019, the AEB North-Western Regional Committee organised an open event "Nordic business breakfast: the known unknowns – opportunities in uncertain times".

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

The opening remarks were made by the Consul General of Finland in St. Petersburg Anne Lammila, and Chairman of the AEB North-Western Regional Committee Andreas Bitzi who also moderated the event.

The invited experts from the European University of St. Petersburg and such Nordic companies as Mannheimer Swartling, Itella, SEB Bank Russia and Øglænd System Russia presented a political and economic picture with regard to sanctions and their consequences, and shared their views and experience related to doing business in Russia in times of uncertainty.

The event provided a lively platform for discussion.

On 21 February 2019, the AEB North-Western Regional Committee organised its traditional annual open event entitled "Financial outlook 2019 – update for successful business".

The leading experts from such companies as Commerzbank (Eurasija), Nordea Russia, Danske Bank, Crédit Agricole CIB, Raiffeisen-Leasing and Dentons shared their views on the overall financial situation in Russia and provided their forecasts for the current year. Likewise, they spoke about tendencies on financial markets, the Russian banking system, currency control and legal initiatives to stimulate growth of businesses and the financial sector.

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



Participants of the event

Southern Regional Committee



L-R: **Lyubov Popova**, Chairperson of the Krasnodar region Public Chamber; **Igor Brener**, Deputy Chairman of the AEB Southern Regional Committee.

On 7 December 2018, the conference "Corporate volunteering as an element of sustainable development of business and territories" was organised by the Public Chamber of the Kras-

nodar region, the AEB Southern Regional Committee, the Association "Agency for investment and international cooperation" and the Russian-English Weekly "Yug times".

Igor Brener, Deputy Chairman of the AEB Southern Regional Committee and Chairman of the HR Subcommittee, Cargill, moderated the event which brought together representatives from international companies and volunteer associations of the Krasnodar region. The participants of the meeting shared experience in the organisation of voluntary initiatives and expressed their opinions about the importance of such programmes for sustainable development.

Representatives of AEB member companies (Bank Center-Invest, Cargill, Claas, Danone, Philip Morris) spoke about volunteering projects which they successfully implemented and developed in the region.

Participants representing business community and non-profit organisations received diplomas from the Chair of the Public Chamber of the Krasnodar region Lyubov Popova for significant contribution to improve the quality of life of people in the Kuban region.

Taxation Committee

On 19 December 2018, the AEB Taxation Committee organised its open event entitled "Development of the Russian Tax System: Results of 2018 and Perspectives".

The event highlighted recent amendments to the Russian Tax Code, new developments in tax administration, court practice as well as other important tax matters.

Mikhail Orlov, KPMG; Anna Modyanova, PwC; Natalia Faizrahmanova, Pepeliaev Group; Valeria Khmelevskaya, Brand & Partner; Evgeny Timofeev, BCLP; Alexey Nesterenko, EY; Anton Zykov, Deloitte; Maria Kostenko, Baker McKenzie, shared their expertise and gave recommendations on important tax matters. Dmitry Volvach, Head of the Department of International Cooperation and Currency Control of the Federal Tax Service, was the conference's distinguished guest. The event was moder-



L-R: **Dmitry Volvach**, Head of the Department of International Cooperation and Currency Control of the Federal Tax Service; **Alina Lavrentieva**, Chairperson of the AEB Taxation Committee, PwC; **Mikhail Orlov**, KPMG.

ated by Dr. Alina Lavrentieva, Chairperson of the AEB Taxation Committee, PwC, and Vadim Zaripov, Deputy Chairperson of the AEB Taxation Committee, Pepeliaev Group.



Presenter: **Alina Lavrentieva**, Chairperson of the AEB Taxation Committee, PwC.

On 23 January 2019, the AEB Taxation Committee held the event: "VAT office of a foreign company for e-services starting from 2019 – all flags will be visiting us?". The event was attended by more than 100 participants. It highlighted practical aspects of application of the new provisions of the Russian Tax Code that introduced fundamental change in a way electronic services should be taxed starting from 2019, and provided an excellent platform for discussion and exchange of knowledge by professionals. Arseny Seidov, Baker McKenzie; Vladimir Konstantinov, PwC; Vladimir Voinov, Pepeliaev Group, shared their expertise and gave recommendations on important VAT taxation matters. The event was moderated by Dr. Alina Lavrentieva, Chairperson of AEB Taxation Committee, PwC.

MEMBER NEWS

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

Bryan Cave Leighton Paisner (Russia) LLP



Celebrating 10 years!

On 19 January 2019, Bryan Cave Leighton Paisner (Russia) LLP, formerly Goltsblat BLP in Russia, celebrated ten years since merging with the interna-

tional law firm Berwin Leighton Paisner.

Since then, Goltsblat BLP has evolved into a leader on the Russian legal market and, following one of the biggest ever transatlantic mergers, also globally, under the new brand Bryan Cave Leighton Paisner (Russia) LLP.

Bryan Cave Leighton Paisner (Russia) LLP today is a well-established, stable team, one of the biggest on the Russian market (100+ lawyers qualified under Russian, English and US law), built up over more than 20 years and recognised as a leader in Russia with resources and expertise to provide full-service legal support for all business matters, transactional work, projects and litigations in Russia and internationally.

Andrey Goltsblat, Managing Partner, Bryan Cave Leighton Paisner (Russia) LLP: "The Moscow team has been on the legal market for over two decades and those following our progress know we have never rested on our laurels. We have reached a new strategic milestone and now operate as a global law firm, yet we still have very strong Russian law expertise, this making us international while remaining a Russian firm."

CMS Russia

CMS launched a free mobile app to help with competition-law dawn raids in 27 countries



Dawn raids are becoming more common these days, with authorities imposing huge fines, inspectors appearing simultaneously at different locations, different companies (e.g. competitors, customers or suppliers)

and even at the private homes of managers and other employees.

CMS Dawn Raid Assistant ensures that clients can benefit from real-time dawn raid assistance via their smartphone in 27 countries where CMS operates getting access to the following features:

- **Emergency button:** direct call or email to the selected jurisdiction's CMS Dawn Raid Team and first guidance on how to react to the situation.

- **Instructions:** dawn raid checklists for compliance, legal teams and front desk, tailored to the selected jurisdiction.

- **CMS lawyers:** a list of local CMS competition dawn raid lawyers, complete with contact information.

The premium version of the app provides access to the guidelines for 27 countries on obligations and rights during a dawn raid by the national competition authority or the European Commission, available in English and the respective local language.

Access to the app's basic version is available to all while the CMS clients can request access to the premium version.

The countries covered by the app: Albania, Austria, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, France, Germany, Hungary, Italy, Luxembourg, Macedonia, Montenegro, the Netherlands, Poland, Portugal, Romania, Russia, Serbia, Slovakia, Slovenia, Spain, Switzerland, Turkey, United Kingdom, Ukraine.

Merck



Merck starts full-cycle production in Russia

In December 2018 Merck started full-cycle manufacturing of antihyperglycemic drugs in the Nanolek factory, in the Kirov region. Russian Manufacturing of the particular portfolio of antihyperglycemic medicines will be the third largest in the world for Merck, after France and Greece. The annual production volume is expected to be 400 million tablets, which covers the needs of Russian patients.

The launch ceremony was attended by Elena Maksimkina (Director of the Department of Drug Supply and Regulatory Control of Medical Products at the Russian Federation Min-

istry of Health), Alexey Alekhin (Director of the Department of Development of Pharmaceutical and Medical Industry of the Ministry of Industry and Trade of the Russian Federation) and Deputy Governor of the Kirov region, Dmitry Kurdyumov.

"One of Merck key priorities is further localisation of our key portfolio. We started this process a few years ago and we are happy to report today's achievements," said Matthias Wernicke, General Manager, Merck Biopharma Russia and CIS. "We are proud to announce start of the full-cycle manufacturing of our pre-diabetes and diabetes type 2 portfolio in Kirov in the partnership with Nanolek."

More than 8 million Russians live with diabetes today, according to NATION research. According to the World Health Organisation (WHO), diabetes will become one of seven diseases causing the greatest number of deaths around the world by 2030. Alarmingly, almost 20% of the population of Russia has pre-diabetes, pathological changes in the body, which can often progress to type 2 diabetes.

The localised drug is included in the most important medicines list of the World Health Organisation, as well as in the Russian essential drug list (EDL).

SCHNEIDER GROUP

What is the accountant of the future?

On 7 February 2019, SCHNEIDER GROUP Managing Partner Ulf Schneider gave a presentation of his vision of Accountants in the Digital Age in the SCHNEIDER GROUP's Moscow headquarters. He discussed the ongoing and future shifts from traditional ideas of accounting, like stacks of paper and legacy systems, to a modern technological environment increasingly driven by outsourcing, automation, cloud computing, AI, blockchain, and the Internet of Things. He then outlined how SCHNEIDER GROUP is adapting to this new environment by providing individualized, integrated, and



maximally effective solutions, rather than low-cost ones, to better serve its clients.

The event also featured a speech from Denis Roshchin, Executive Coach and Career Consultant at Skolkovo, regarding trends and career progression in a modern, digital accounting field.

Key themes were the need for continual skill development throughout a career, a focus on interpersonal skills and activities, and the shift towards highly variable, project-based work. The event concluded with a question and answer session with both speakers.

Tablogix



Tablogix launches career project for schoolchildren

Warehouse logistics technologies develop rapidly and attract young professionals. Tablogix was a pioneer of logistics market in Russia 25 years ago and it is interested in training younger generation to bring the logistics industry to a new level.

HR director Valentina Yasyreva says: "Career choice is a difficult task for both children and parents. We wish to give the younger generation an opportunity to plunge into something new, broaden their horizons and help in choosing a profession. Therefore we launch a career project for schoolchildren. We will conduct tours in the warehouse and talk about operations and warehouse professions. Moreover based on the true histories of Tablogix team leaders, we will demonstrate how much you can achieve with diligence and efficiency. Colleagues will talk about their career path in Tablogix. We hope children will make the right choice and realise their potential in the future."

The tour will be conducted by Boris Teklin, technical director, who had headed many company's divisions in recent years. Schoolchildren will learn what logistics is, how the warehouse works, etc. Students will go around the warehouse, discovering all the stages of cargo handling: receipt of goods, placement in the storage area, various types of storage, accounting, picking of orders, etc.

We will explain what specialists work for the warehouse, what functions are performed, what skills and knowledge are needed. Schoolchildren will investigate such professions as warehouse accounting specialist, forklift driver, picker, inventory stock manager, project manager, quality manager, HR specialist, warehouse manager, safety engineer, environmental engineer. We will pay attention to environmental issues as well. Final business game will help schoolchildren to comprehend the new information and feel like a real warehouse manager.

APPOINTMENTS

Borenium



Artem Zhavoronkov

We are pleased to announce that a new Specialist Partner – Artem Zhavoronkov – is joining our St. Petersburg office.

Artem specialises in corporate, antitrust, banking and financial law, as well as cross-border M&A transactions. Over the past 27 years, Artem has taken a hands-on role in providing legal support for international transactions, representing a wide range of foreign and Russian clients from various business sectors. These have included social networks, software development, telecommunications, direct investments, financial institutions, the motor industry, oil & gas, the iron & steel industry, food products, as well as development and construction.

In 2014, Artem was one of the pioneers in Russia who became closely involved in compliance and sanctions regulation. In the context of this practice, he advises Russian and international companies on corporate governance, as well as the structuring of beneficial ownership and contractual relationships with foreign counterparties in order to identify and mitigate risks from sanctions.

Before joining Borenium, Artem Zhavoronkov worked at the international law firm Dentons for 11 years and headed its corporate practice for the past 5 years.

Artem is highly acclaimed not only by his clients, who characterise him as an extremely responsive and highly reliable partner, but has also been highly ranked by leading rating agencies such as Chambers & Partners, Legal 500 and The Best Lawyers, which have ranked him in the top tier in such categories as Transactions, Corporate Law and Commercial Law, as well as for such categories as Lawyer of the Year and Prominent Lawyer.

"I have known Artem for over 20 years and always been an admirer of his energy and consummate professional skills," comments Andrei Gusev, Managing Partner of Borenium Russia. "In a sector in which services are supplied to foreign clients and foreign-invested companies, he belongs to a small category of pioneers and heavyweights. Therefore, it is with the greatest of pleasure that I welcome to our team such a strong and experienced player whose accomplishments have on numerous occasions been commended by the business community both in Russia and abroad."

Dentons



Alexei Zakharko

Alexei Zakharko was elected Russia Managing Partner at Dentons.

Alexei Zakharko commented: "I am honored to be elected to this role. As managing partner, I will focus on further strengthening Dentons' leading position in Russia in order to meet our clients' growing needs for top quality legal services and innovation."

Alexei Zakharko has extensive experience in acquisitions, disposals, joint ventures, corporate finance and leveraged acquisitions. He also has considerable experience in private equity transactions, port/terminal transactions and bank equity deals. He is ranked as one of the

leading lawyers in Corporate/M&A in Russia by Chambers Global, Chambers Europe, The Legal 500 and the Best Lawyers Guide.

Alexei Zakharko graduated from the Moscow State Institute of International Relations in 2003 and received a law degree from Cornell University in 2005. He joined Dentons' Moscow office as a trainee in 2002 and worked in the London office from 2007 to 2008. He was appointed partner in 2011 and head of the Energy and Natural Resources practice in 2017.

Alexei Zakharko takes over leadership from Florian Schneider, who was the Russia Managing Partner from 2012 until 2018. Under Schneider's leadership, Dentons strengthened its Corporate/M&A, Private Equity, Life Sciences, Capital Markets, Energy, White Collar Crime and Competition practices. In 2014 and 2018, Dentons was named "Law Firm of the Year in Russia" at the Chambers Europe Awards. Florian Schneider will continue working as a partner in the Real Estate and Corporate/M&A practices.

Tomasz Dabrowski, Chief Executive Officer of Dentons Europe, commented: "Dentons has a powerhouse team in Russia and I am confident that under Alexei's competent leadership, we will maintain and grow our position as the top international law firm in Russia and CIS."

Florian Schneider, Dentons Partner, added: "Alexei's knowledge of the Russian legal environment, strong leadership skills and commitment to clients will ensure his success in this new position."

Gasunie



Britta van Boven

Britta van Boven was appointed as the Head of Representation of N.V. Nederlandse Gasunie in Russia.

Britta van Boven was born in 1978 in Germany. In 2003 she graduated cum laude from the International Business School of the Hanzehogeschool Groningen. Mrs. Van Boven studied Gas Business Management in the Rijksuniversiteit Groningen/Energy Delta Institute (2005-2007) and Economics in the Universidad de Sevilla (2001-2002). In addition to that she has done a number of management and energy related courses, including intensive training in auditing and an International mini-MBA in Energy Transition and Innovation.

Britta van Boven started working at Gasunie in 2003 and held various positions in commerce, regulation, business development and strategy. In 2016 she was appointed as Manager Gas Business Development, being responsible for the business development activities in the field of pipeline gas transportation, storage and liquefied natural gas (LNG). From 2019 onwards, her responsibilities were extended and she was also appointed as Manager Corporate Strategy. In this capacity Britta is responsible for the development and implementation of the company's strategy. Additionally, Britta is Managing Director of Gasunie Engineering B.V., a fully-owned subsidiary of Gasunie which offers services relating to consultancy, the construction and maintenance of underground (gas) transport systems, engineering, design appraisals, safety inspections and training courses. Gasunie's Special Assignments Department, which can carry out gas-related jobs and emergency repairs to gas transport pipelines, can also be hired through Gasunie Engineering B.V.

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Covestro develops sustainable solutions to the greatest challenges of our age: climate change, resource depletion, urban expansion, population growth and the resulting increase in awareness of environmental issues. These will inevitably lead to a higher demand for renewable energies, alternative resources, energy-efficient transportation, and sustainable, affordable housing.

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www.3ds.com



Dyckerhoff Cement in Russia

Dyckerhoff Cement in Russia is part of the German concern. Dyckerhoff has been operating on the market for 150 years and belongs to the leading international brand in the building materials industry. It is a part of the international group Buzzi Unicem.

Dyckerhoff Cement in Russia considers business as a long-term perspective and the introduction of innovative solutions. The company's strategic vision is based on the production of the highest quality products and ecofriendly approach.

The company has integrated two plants in the Ural region and one terminal in Siberia. Sukholozhskcement plant is located in Suchoi Log in 100 kilometres to the east of Ekaterinburg (the largest city in the Urals with 1.5 million residents). Dyckerhoff Korkino Cement is situated in 40 kilometers to the south of another major city of the Ural region, Chelyabinsk (1.2 million residents). The total production capacity of two sites is 4.3 million tons cement per year. In addition to the standard Portland cement, Dyckerhoff Cement in Russia produces API and GOST oil-well cements. That is why the company can provide needs of the market for the rich in oil and gas regions in the Western Siberia. Cement terminal is located in Omsk (a Siberian city with 1.2 million residents). Omsk Cement is a production and warehouse complex for the storage and transportation of products which are successfully used in construction for the manufacture of monolithic and precast concrete structures.

The clients of the company are the largest construction and oil and gas companies of Russia and the CIS countries.

www.dyckerhoff.com



Generali Russia & CIS

Generali Russia & CIS is an affiliate of Generali CEE Holding, part of the Generali Group. Generali is an independent Italian insurance and asset management group, and as such one of the leading insurers in the world.

Generali operates in 50 countries, with total premium income exceeding € 68 billion in 2017 and a growth trend that continued in 2018. The Group is a major player in Western Europe and is positively expanding in Central and Eastern Europe as well as in Asia.

Generali Russia & CIS was registered on 18 February 2018 to represent Generali in the area and to scout for new opportunities for development in Russia & CIS. Subject to the completion of a corporate restructuring process, which includes a submission to the Central Bank of Russia, the company will become the owner of the Generali Group's participation in Ingosstrakh, one of the top five largest insurers in the Russian market.

Generali has established an operating entity – Generali Insurance Brokers Russia & CIS – an insurance and reinsurance intermediary: the aim is to launch operations in the area, bringing international know how and innovative solutions, while gaining direct experience on the Russian insurance market.

www.generali.com



Grand Laitier

Grand Laitier is a French dairy delicacy producer in the Kaluga region. Grand Laitier commercialized its first traditional French specialty cheeses in August 2017. Products include soft cheeses such as the "St. Remi" (St. Marcellin), the "Myatlevskaya Shaiba" (le Palet), "Crottin d'Eaubonne", "Bouchons", as well as the "Fontainebleau", a spreadable fresh cheese available in two tastes: "Garlic & fine herbs" and "Tomato-Basilic". The quality and taste of Grand Laitier products is guaranteed thanks to a close cooperation with local farmers and the fine-tuning of the feed composition for their cattle. Grand Laitier thrives to develop production units in other regions, pursuing the principle and comprehension

of "Russian terroirs" which will no doubt add specific tastes and personality to its products. Grand Laitier is a Russian venture with Belgian and French capital, especially created to serve the Russian and CIS markets.

www.grandlaitier.ru



Hyundai Truck and Bus Rus

Hyundai Truck and Bus Rus has been an official distributor of Hyundai commercial vehicles from 2017 in Russia. The company organises sales of trucks and buses, service and spare parts through a wide network of regional dealers throughout Russia. Hyundai continues to expand the localisation of the commercial model line in Russia.

www.hyundaitrucks.ru



Marsh

A global leader in insurance broking and innovative risk management solutions, Marsh's 30,000 colleagues advise individual and commercial clients of all sizes in over 130 countries. Marsh is a wholly owned subsidiary of Marsh & McLennan Companies (NYSE: MMC), the leading global professional services firm in the areas of risk, strategy and people. With annual revenue over USD 14 billion and nearly 65,000 colleagues worldwide, MMC helps clients navigate an increasingly dynamic and complex environment through four market-leading firms. In addition to Marsh, MMC is the parent company of Guy Carpenter, Mercer, and Oliver Wyman.

www.marsh.com



Mikro Kapital

Mikro Kapital is a securitisation fund management company, established under Luxembourg law in 2008. It is regulated by the EU and monitored by Luxembourg authorities.

Founded by the Italian banker Vincenzo Trani, Mikro Kapital Group focused on impact investing, with particular attention on development investments in emerging and frontier markets, Mikro Kapital achieves sustainable returns to our investors whilst promoting environmentally and socially responsible development.

Mikro Kapital invests in loans to small and medium-sized enterprises along the "Silk Road" (Russia, Belarus, Europe,

CIS Countries, emerging countries such as East Asia and Central America).

Our funds invest in their own network of regional branches named "Mikro Kapital" and in third parties, such as local small financial institutions, leasing companies, banks or credit cooperatives.

As a Microfinance organisation, we believe that SMEs have high growth potential and considerable social impact since these kinds of businesses are the basis of the socio-economic development chain.

Our mission is to judiciously target economic growth in the countries where we operate, by ensuring financial flows to niche markets considered safe and profitable. We also supply know-how, avoiding speculation and supporting the continued growth of small businesses.

www.mikrokapital.com



OPEN

OPEN has 20 years of expertise in the field of trade marketing. It is the rightful leader in innovations implementation for retail and FMCG. OPEN cooperates with the industry leaders and also works closely with innovation centres in Russia and abroad. Since 2015, the company has introduced a new area of work – outsourcing of trading function. In 2017, the offer was expanded with innovative developments in recognition and data management: Image Recognition System (pattern recognition) and OSA (on shelf availability) index-increasing technology. OPEN has 5 offices in Russia and abroad, its geographic footprint spans from Prague to Vladivostok, with staff of 12,000 employees.

www.open-com.ru

PETERKA PARTNERS

THE CEE LAW FIRM

PETERKA & PARTNERS CEE LAW FIRM

PETERKA & PARTNERS is a modern, independent law firm providing comprehensive legal services in the region of Central and Eastern Europe. Since its establishment in the year 2000, the firm has built a strong position on strategic markets with the ability to provide its clients with comprehensive legal and tax advice and become a dynamic alternative to international and local law firms.

With a team of more than 150 lawyers and tax advisors, PETERKA & PARTNERS operates nine fully owned offices across the CEE region, in the Czech Republic, Slovakia, Poland, Hungary, Romania, Bulgaria, Belarus, Ukraine and Russia. PETERKA & PARTNERS is in the process of opening its new office in Croatia. All offices are 100% subsidiaries owned by the central partnership. The firm has one profit centre and uses the "One Firm" management concept.

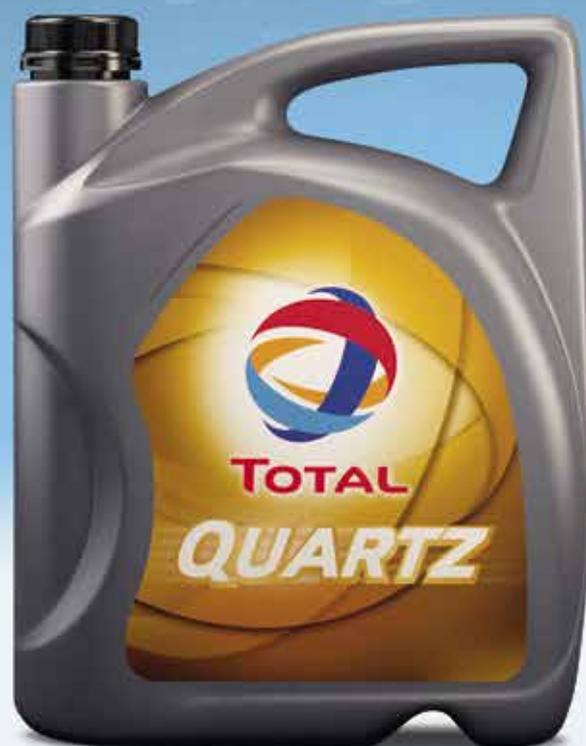
PETERKA & PARTNERS represents 1,500 clients in the CEE region, including nearly 200 worldwide leaders. The firm is not dependent on any single client, state or local government, and is also financially independent.

PETERKA & PARTNERS has a deep knowledge of the global legal market, which enables the firm to manage legal cases effectively within Central and Eastern Europe, as well as in other countries worldwide.

www.peterkapartners.com



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