

Full-service support in challenging situations caused by confrontations involving the local management of companies

Numerous foreign companies have recently decided to exit the Russian market or restructure or suspend their operations. The rapid implementation of these business decisions within constrained timeframes not only entailed legal risks for companies, but also led to practical difficulties in cooperation between global and local management. The unique legal status and significant scope of powers that Russian law grants to a company's general director may further complicate communication processes and adversely affect the company's future outlook.

This situation has led to increased demand for full-scope legal services that aim to establish and ensure **a framework of control over local management** and **a procedure for it to cooperate with the foreign owner** of the business.

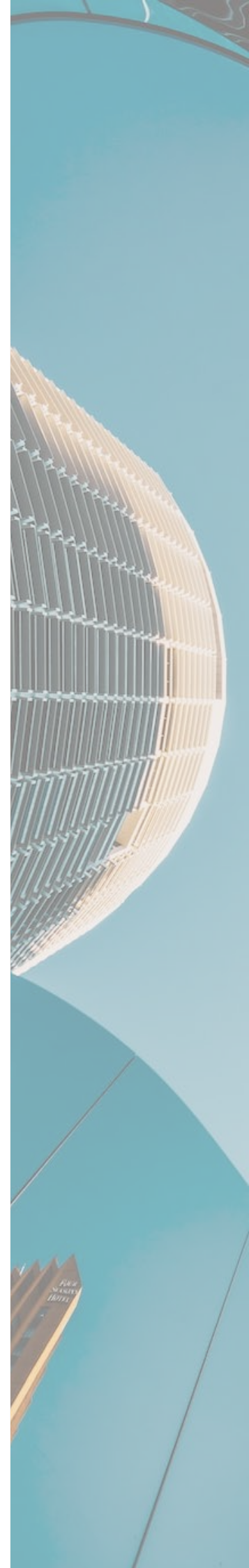
This document provides a list of the practical issues that most clients of **ALRUD Labour and Employment Law Practice** face in crises arising from confrontations involving the local management of companies and the services we provide to resolve them.

What you might encounter:

1. Local management fails to implement the instructions and decisions of the foreign owner when completing corporate, regulatory, financial, and other company procedures.
2. Local management, in the absence of instructions from the foreign owner, initiates adverse actions on behalf of the company in dealings with employees, contractual partners, the state authorities, and other third parties.
3. Local management directly confronts the global management of the foreign owner and interrupts the company's day-to-day business processes.
4. Local management (specifically the general director) uses its status as a minority shareholder or other special status to obstruct internal corporate and similar actions that aim to implement the foreign owner's key decisions with respect to the company, including divestment.

Where to begin:

These risks may be mitigated by examining and analysing the company's current corporate and other internal documents, including its charter, to determine the general director's scope of powers and discretion and set the necessary limits on them.



How we can help:

1. Conduct a proactive comprehensive assessment of a potential or emerging confrontation between global and local management, with a subsequent analysis of a risk mitigation and elimination strategy (includes a review of key corporate documents, evaluation of the scope and limits of the general director's powers, etc.).
2. Advise on available options to establish a framework of control over local management, build communications, introduce a procedure for coordination with the foreign owner, and proposing the appropriate practical solutions and recommendations.
3. Draft a step-by-step plan to implement the selected strategy, establish the applicable framework of control over local management, and ensure its cooperation with the foreign business owner.
4. Conduct training on how to implement the selected strategy in a complicated situation and identify, draft, and use the levers of control over local management (including the appointment of a second general director, etc.).
5. Develop a strategy for negotiations with local management and, if necessary, take part in negotiations.
6. Draft and support the implementation of the set of documents needed to implement the selected strategy of control over local management and serve as a pre-emptive safeguard based on a risk-oriented approach.
7. Prepare recommendations and make amendments to current staffing and corporate documents with a view to mitigate existing and potential risks.
8. Provide legal support in certain corporate issues related to local business (including the buy-out of local management shares, obtaining approval for transactions from a government sub-commission, and support on other ancillary issues).
9. Provide legal support in conflict situations and assistance in building communication and implementing personnel decisions in the event local management refuses to cooperate or render support in dealing with specific issues or chooses direct confrontation and obstructs the implementation of the owner's decisions.
10. Advise on issues related to holding local management liable (including the dismissal of certain employees) for failure to comply with legislation, labour agreements, in-house company regulations, and the decisions of the foreign owner.

If you have any questions,
please contact ALRUD
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Kind regards,
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