

Timber Legality Risk Assessment Russia

Version 1.1 | May 2017



COUNTRY RISK
ASSESSMENTS



The mark of
responsible forestry
FSC™ A000535

This risk assessment has been developed by NEPCon with support from the LIFE programme of the European Union, UK aid from the UK government and FSC™.



NEPCon has adopted an “open source” policy to share what we develop to advance sustainability. This work is published under the *Creative Commons Attribution Share-Alike 3.0 license*. Permission is hereby granted, free of charge, to any person obtaining a copy of this document, to deal in the document without restriction, including without limitation the rights to use, copy, modify, merge, publish, and/or distribute copies of the document, subject to the following conditions: The above copyright notice and this permission notice shall be included in all copies or substantial portions of the document. We would appreciate receiving a copy of any modified version.

This Risk Assessment has been produced for educational and informational purposes only. NEPCon is not liable for any reliance placed on this document, or any financial or other loss caused as a result of reliance on information contained herein. The information contained in the Risk Assessment is accurate, to the best of NEPCon’s knowledge, as of the publication date

The European Commission support for the production of this publication does not constitute endorsement of the contents which reflect the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

This material has been funded by the UK aid from the UK government; however the views expressed do not necessarily reflect the UK government’s official policies.

Contents

A. Introduction	1
B. Overview of Legality risks	2
C. Overview of the forest sector in Russia	5
D. Legality Risk Assessment	6
LEGAL RIGHTS TO HARVEST	6
<i>1.1. Land tenure and management rights</i>	<i>6</i>
<i>1.2. Concession licenses</i>	<i>8</i>
<i>1.3. Management and harvesting planning</i>	<i>10</i>
<i>1.4. Harvesting permits</i>	<i>11</i>
TAXES AND FEES	14
<i>1.5. Payment of royalties and harvesting fees</i>	<i>14</i>
<i>1.6. Value added taxes and other sales taxes</i>	<i>15</i>
<i>1.7. Income and profit taxes</i>	<i>16</i>
TIMBER HARVESTING ACTIVITIES	18
<i>1.8. Timber harvesting regulations</i>	<i>18</i>
<i>1.9. Protected sites and species</i>	<i>19</i>
<i>1.10. Environmental requirements</i>	<i>22</i>
<i>1.11. Health and safety</i>	<i>24</i>
<i>1.12. Legal employment</i>	<i>26</i>
THIRD PARTIES' RIGHTS	29
<i>1.13 Customary rights</i>	<i>29</i>
<i>1.14. Free prior and informed consent</i>	<i>30</i>
<i>1.15. Indigenous/traditional peoples' rights</i>	<i>31</i>
TRADE AND TRANSPORT	34
<i>1.16. Classification of species, quantities, qualities</i>	<i>34</i>
<i>1.17. Trade and transport</i>	<i>35</i>
<i>1.18. Offshore trading and transfer pricing</i>	<i>36</i>
<i>1.19. Custom regulations</i>	<i>38</i>
<i>1.20. CITES</i>	<i>40</i>
<i>1.21. Legislation requiring due diligence/due care procedures</i>	<i>41</i>
Annex I. Timber source types	43

This page has been left intentionally blank

B. Overview of Legality risks

Timber Risk Score: 6 / 100 in 2017

This report contains an evaluation of the risk of illegality in Russia for five categories and 21 sub-categories of law. We found:

- **Specified risk for 16 sub-categories.**
- **Low risk for 1 sub-categories.**
- **No legal requirements for 4 sub-categories.**

The Timber Risk Score for Russia is 6 out of 100. The key legality risks identified in this report concern legal rights to harvest, taxes and fees, timber harvesting activities, third parties' rights, and trade and transport.

For **Legal Rights to Harvest**, there is a risk that:

- Corruption is involved in the issuance of concessions licences, whereby concession licences are given to individuals with connections to the issuing authorities, and the legal process for tendering isn't followed (1.1, 1.2)
- Concessionaires harvest volumes greater than stated in the forest management plan (1.3)
- Corruption is involved in the approval the Forest Declarations and Technological Maps (1.4)

For **Taxes and Fees**, there is a risk that:

- Concession fees, VAT and profit taxes are not paid (1.5 – 1.7)
- Price-dumping, where manufacturers export at a price below the price charged or below cost of production, is practiced (1.7, 1.18)
- Companies are set up for a short period, solely for tax avoidance, before being dissolved (1.7)

For **Timber Harvesting Activities**, there is a risk that:

- Timber is harvested outside the official boundaries (1.8)
- Approved harvest volumes are exceeded (1.8)
- Unauthorized species are harvested (1.8)
- Surveys to identify and avoid protected sites and species prior to harvest are not conducted (1.9)
- Health and safety laws for forest workers are not complied with/enforced (1.11)
- Workers are employed unofficially (1.12)
- Salary laws are not followed (1.12)
- Non-registered immigrant labour is used (1.12)

For **Third Parties' Rights**, there is risk that:

- Access of third parties to forest is illegally restricted (1.13, 1.15)

- Forests are leased without considering the interests of the indigenous people and that timber harvesting at traditional places for rest, hunting, fishing or collection of non-timber forest products (1.13, 1.15)

For **Trade and transport**, there is a risk that:

- Transfer pricing occurs (1.18)
- CITES species are exported illegally and with unknown/unclear origin (1.20)

Timber source types and risks

There are two timber source types found in Russia. Knowing the “source type” that timber originates from is useful because different source types can be subject to different applicable legislation and have attributes that affect the risk of non-compliance with the legislation. We have analysed the risks for all five of these source types and found that if legislation is in place for the specific source type, the risk is the same.

Forest concession	State-owned forest, managed by a private enterprise under a Concession agreement and forest declaration. License Requirements: Forest management plan for concession area
Short-term forest management	State-owned forest, managed by a private enterprise under a Sales contract. License Requirements: Forest management plan for state forest management unit (Lesnichestvo)

This matrix summarises the findings of the timber legality risk assessment set out in this report.

Legal Category	Sub-Category	Source Types
		State forest
Legal rights to harvest	1.1 Land tenure and management rights	Specified
	1.2 Concession licenses	Specified
	1.3 Management and harvesting planning	Specified
	1.4 Harvesting permits	Specified
Taxes and fees	1.5 Payment of royalties and harvesting fees	Specified
	1.6 Value added taxes and other sales taxes	Specified
	1.7 Income and profit taxes	Specified
Timber harvesting activities	1.8 Timber harvesting regulations	Specified
	1.9 Protected sites and species	Specified
	1.10 Environmental requirements	Specified
	1.11 Health and safety	Specified
	1.12 Legal employment	Specified
Third parties' rights	1.13 Customary rights	Specified
	1.14 Free prior and informed consent	N/A
	1.15 Indigenous/traditional peoples' rights	Specified
Trade and transport	1.16 Classification of species, quantities, qualities	N/A
	1.17 Trade and transport	N/A
	1.18 Offshore trading and transfer pricing	Specified
	1.19 Custom regulations	Low
	1.20 CITES	Specified
Diligence/due care procedures	1.21 Legislation requiring due diligence/due care procedures	N/A

C. Overview of the forest sector in Russia

49% of Russia's landmass is covered by forest. There is no privately owned forest in Russia - all forests are state-owned. Companies are entitled to utilize the forest resources of the state. Forests are licensed as concessions and distributed to companies for the purpose of timber harvesting for a period of 1 to 49 years. Short-term use of forests (for the purpose of timber harvesting) is also possible for organizations and citizens and is agreed directly with local authorities. The main normative document regulating forest management in the country is the Forest Code of the Russian Federation. The main supervisory body is the Federal Forestry Agency. Plantation is not a form of forest management widely practiced in Russia.

The list of sources provided in FSC-PRO-60-002a, Section 3.3.3 has been reviewed in regards to the national legality risk assessment for Russia. The following sources have been used for this evaluation; World Bank "Worldwide Governance Indicators"; the Transparency International "Corruption Perceptions Index"; and <http://www.illegal-logging.info>.

Russia has a low governance score according to the World Bank Governance Index. On a range from -2.5 to +2.5, Russia has a score of -0.78 in relation to "Rule of law" and on control of corruption a score of -0.99. According to Transparency International Russia has a Corruption Perception Index of 27 (2014). Therefore, there is considered to be a high level of corruption within Russia, including within the Russian forestry sector.

Additional sources:

- FAO, 2015, Global Forest Resource Assessment, <http://www.fao.org/forest-resources-assessment/en/>
- Forest2Market, 2017, Possible Export Ban of Russian Birch Logs on the Horizon, <https://blog.forest2market.com/possible-export-ban-of-russian-birch-logs-on-the-horizon>
- Forest Legality Initiative, 2016, Risk Tool - Russian Federation, <http://www.forestlegality.org/risk-tool/country/russian-federation#tab-management>
- FAOSTAT, 2014, Food and agricultural data, <http://www.fao.org/faostat/en/#home>
- WWF, 2010, Russia introduces ban on Korean Pine logging, http://wwf.panda.org/wwf_news/?197032/Russia-introduces-ban-on-Korean-Pine-logging
- Seneca Creek Associates and Wood Resources International, 2004. "Illegal" Logging and Global Wood Markets: The Competitive Impacts on the US Wood Products Industry. Prepared for American Forest & Paper Association.
- World Bank, 2006. Strengthening Forest Law Enforcement and Governance: Assessing a Systematic Constraint to Sustainable Development. Washington, DC: World Bank.

D. Legality Risk Assessment

LEGAL RIGHTS TO HARVEST

1.1. Land tenure and management rights

Legislation covering land tenure rights, including customary rights as well as management rights that includes the use of legal methods to obtain tenure rights and management rights. It also covers legal business registration and tax registration, including relevant legal required licenses. Risk may be encountered where land rights have not been issued according to prevailing regulations and where corruption has been involved in the process of issuing land tenure and management rights. The intent of this indicator is to ensure that any land tenure and management rights have been issued according to the legislation.

1.1.1. Applicable laws and regulations

- (1) The Forest Code of the Russian Federation No. 200-FZ of 4 December 2006 (revised version of 28 July 2012). Available at:
<http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=168360>
- (2) "Guidelines for Development and Submission of a Forest Declaration and a Sample Form for a Forest Declaration". Approved by the Order of the Federal Forest Agency No. 18 of 17 January 2012. Available at:
<http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=127613> and
<http://www.rosleshoz.gov.ru/docs/leshoz/206>
- (3) Federal Law No. 39-FZ of 25 February 1999 "Investment activities in Russian Federation in the form of capital investments". Available at:
<http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=156882>

1.1.2. Legal authority

- 1: Federal Forestry Agency and Governments of Subjects of the Russian Federation
- 2: Federal Tax Service

1.1.3. Legally required documents or records

- Forest Area Rent Agreement, or
- Forest Area Rent Agreement in order to implement the priority investment project related to timber processing, or
- Forest Stands Sale Agreement
- Proof of State Registration of a Legal Entity, or
- Proof of State Registration of an individual entrepreneur.

1.1.4. Sources of information

Government sources

- Rg.ru (2013). *Vladimir Putin met with Prosecutor General: Investigation of crimes in the forest industry will now control the Prosecutor General Yuri Chaika. Yesterday, he was*

given a commission by President Vladimir Putin (transl.). [online]. State Newspaper "Rossijskaja gazeta". Available at: <http://www.rg.ru/2013/08/09/putin.html> [Accessed 29 November 2016]

Non-Government sources

- Consultations with 3 experts;
- consultant.ru (n.d.). *Database of legislation "Consultant plus"*. [online]. Available at: <http://www.consultant.ru/popular/newwood/> [Accessed 29 November 2016]
- base.garant.ru (n.d.). *Database of legislation "Garant"*. [online]. Available at: <http://base.garant.ru/12123875/> [Accessed 29 November 2016]

1.1.5. Risk determination

Overview of Legal Requirements

All forests in Russia are state-owned and no private ownership of forest occurs. Forests can be licensed as concessions to enterprises for a period from 1 to 49 years, based on the results of auctions conducted by the authorities. The forests can also be licensed as concessions based on decisions of the Government of the Russian Federation. This is possible when applicants implement the mechanism for "priority investment project related to timber processing".

Description of risk

The government oversees competitive bidding among such investment projects. Additionally, there are short-term contracts of timber sale, used to meet the needs of local territories and communities. Every year about 20 million cubic meters of wood for harvest is given to local communities to meet their needs. High corruption and lack of transparency during concession licensing process. Unfair competition is common and the tender process often exists only on paper. Nepotism and cronyism is a problem, with forest concession licenses sometimes being given to individuals with connections to the issuing authorities. This is officially recognized as "corruption, abuse of power by officials in the allocation of forest areas". There is a lack of control of the timber harvested by local communities. As a result, a great portion of wood harvested for use by local communities is used commercially.

1.1.6. Risk designation and specification

Specified risk

1.1.7. Control measures and verifiers

- Tax authorities shall confirm valid tax registration.
- The business register shall confirm that valid business licenses are in place allowing for operation within the jurisdiction.
- In areas with land tenure conflicts; consultation with neighbors, local communities and others shall confirm that land tenure rights are clear.
- Stakeholder consultation shall confirm that registration of FMEs has been granted following legally prescribed processes.

- Stakeholder consultation shall confirm that legal status of the operation or rights for conducting the established activities are not subject to court orders or other legally established decisions to cease operations.
- The management contract or other agreements with the FME shall indicate clear management rights.
- Valid business registration documents shall exist.
- Inspections of harvesting site shall confirm that harvesting takes place within property limits (including felling, transport and log landings).

1.2. Concession licenses

Legislation regulating procedures for the issuing of forest concession licenses, including use of legal methods to obtain concession license. Especially bribery, corruption and nepotism are well-known issues in connection with concession licenses. The intent of this indicator is to avoid risk related to situations where organizations are obtaining concession licenses via illegal means such as bribery, or where organizations or entities that are not eligible to hold such rights do so via illegal means. Risk in this indicator relates to situations where due process has not been followed and the concession rights can therefore be considered to be illegally issued. The level of corruption in the country or sub-national region is considered to play an important role and corruption indicators (e.g., Corruption Perception Index, CPI) should therefore be considered when evaluating risks.

1.2.1. Applicable laws and regulations

- (1) "Order for Rent Agreement Development for a Forest Area in State or Municipal Property and Sample Forms". Approved by the Order of the Federal Forestry Agency No. 319 of 26 July 2011 (revised version of 26 June 2012). Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=132812>
- (2) "Order for Forest Stands Sale Agreement Development for a Forest Area in State or Municipal Property and Sample Forms". Approved by the Order of the Federal Forestry Agency No. 318 of 26 July 2011 (revised version of 23 April 2012). Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=131417>
- (3) Regulation of the Government of Russian Federation No. 419 of 30 June 2007. "Priority investment projects related to the forest exploitations". Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=164302>
- (4) Regulation of the Government of Russian Federation No. 324 of 28 May 2007. "Rent Agreement for a Forest Area in State or Municipal Property". Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=83696>

1.2.2. Legal authority

- 1,2 & 4: Federal Forestry Agency and governments subjects of the Russian Federation
- 3: Ministry of Industry and Energy, Ministry of Natural Resources, Ministry of Economic Development and Trade.

1.2.3. Legally required documents or records

- Forest Area Rent Agreement, or

- Forest Stands Sale Agreement

1.2.4. Sources of information

Government sources

- Federal forestry agency web-site: <http://www.rosleshoz.gov.ru/>

Non-Government sources

- consultant.ru (n.d.). *Database of legislation "Consultant plus"*. [online]. Available at: <http://www.consultant.ru/> [Accessed 29 November 2016]

1.2.5. Risk determination

Overview of Legal Requirements

All forests in Russia are state-owned and no private ownership of forest occurs. Forests can be licensed as concessions to enterprises for a period from 1 to 49 years, based on the results of auctions conducted by the authorities. The forests can also be licensed as concessions based on decisions of the Government of the Russian Federation. This is possible when applicants implement the mechanism for "priority investment project related to timber processing". The government oversees competitive bidding among such projects. Additionally, there are short-term contracts of timber sale, used to meet the needs of local territories and communities. Every year about 20 million cubic meters of wood for harvest is given to local communities to meet their needs.

Description of risk

High corruption and lack of transparency during concession licensing process. Unfair competition is common and the tender process often exists only on paper. Nepotism and cronyism is a problem, with forest concession licenses sometimes being given to individuals with connections to the issuing authorities. This is officially recognized as "corruption, abuse of power by officials in the allocation of forest areas".

There is a lack of control of the timber harvested by local communities. As a result, a great portion of wood harvested for use by local communities is used commercially.

Risk conclusion

Risk is considered to be specified.

1.2.6. Risk designation and specification

Specified risk

1.2.7. Control measures and verifiers

- Proper legal procedures for obtaining concession licenses shall be followed.
- Valid concession license agreements shall exist.
- The process of obtaining concession shall follow an open and transparent process based on clear criteria and be confined to eligible organizations.

- Independent stakeholder consultation shall confirm that legal procedures for obtaining concession licenses have been followed

1.3. Management and harvesting planning

Any legal requirements for management planning, including conducting forest inventories, having a forest management plan and related planning and monitoring, as well as approval of these by competent authorities. Cases where required management planning documents are not in place or are not approved by competent authorities should be considered. Low quality of the management plan resulting in illegal activities may be a risk factor for this indicator as well.

1.3.1. Applicable laws and regulations

- (1) The Forest Code of the Russian Federation No. 200-FZ of 4 December 2006 (revised version of 28 July 2012). Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=168360>
- (2) The Order of the Federal Forestry Agency No. 126 of 4 April 2012 "Approval of the Content of Forestry Regulations, Guidelines for Their Development, Valid Dates and Amendment Procedure". Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=130180> and <http://www.rosleshoz.gov.ru/docs/leshoz/234>
- (3) "Content of the Forest Development Project (Forest Management Plan) and Procedure for its Development". Approved by the Order of the Federal Forestry Agency No. 69 of 29 February 2012. Available at: <http://base.consultant.ru/cons/cgi/online.cgi?base=LAW&n=129583&req=doc> and <http://www.roslesinfor.ru/documents/fagency/3>
- (4) "Procedure for State or Municipal Expertise of the Forest Development Project. Approved by the order of the Federal Forestry Agency No. 545 of 22 December 2011. Available at: <http://base.consultant.ru/cons/cgi/online.cgi?base=LAW&n=128389&req=doc> and <http://www.roslesinfor.ru/documents/fagency/4>

1.3.2. Legal authority

- 1-4: Federal Forestry Agency and governments subjects of the Russian Federation

1.3.3. Legally required documents or records

- Forest management plan approved by state or municipal expert.

1.3.4. Sources of information

Government sources

- State.kremlin.ru. (n.d.). *Web-site of President of Russia*. [online]. Available at: http://state.kremlin.ru/state_council/17876 [Accessed 29 November 2016]
- Federal forestry agency web-site: <http://www.rosleshoz.gov.ru/>

Non-Government sources

- Consultations with 2 experts
- consultant.ru (n.d.). *Database of legislation "Consultant plus"*. [online]. Available at: <http://www.consultant.ru/> [Accessed 29 November 2016]

1.3.5. Risk determination

Overview of Legal Requirements

A Forest management plan is developed, covering a period of up to 10 years. The plan shall be approved by the state or municipal expert. The plan shall include all possible aspects of forest management, including silvi-cultural measures, reforestation, protection from fires, preservation of flora and fauna, commercial harvest volumes and techniques etc. Commercial harvest volumes are appointed on the basis of state forest inventory data.

Description of risk

In many regions of Russia, this data is outdated and does not correspond to the reality. This is one of the main reasons for illegal logging, as there is no basis for control of what has been illegally harvested, (i.e. the actual harvested volume often exceeds that stated in the forest management plan). As a consequence, this illegally harvested timber falls under the commercial turnover.

Risk conclusion

- Harvesting outside FMP boundaries and overharvesting.

1.3.6. Risk designation and specification

Specified risk

1.3.7. Control measures and verifiers

- The forest management plan shall pass the state or municipal expertise.
- The actual volume of timber harvest according to accountancy data shall not exceed annual allowable cut volume.

1.4. Harvesting permits

Legislation regulating the issuing of harvesting permits, licenses or other legal document required for specific harvesting operations. It includes the use of legal methods to obtain the permit. Corruption is a well-known issue in connection with the issuing of harvesting permits. Risk relates to situations where required harvesting is carried out without valid permits or where these are obtained via illegal means such as bribery. In some areas, bribery may be commonly used to obtain harvesting permits for areas and species that cannot be harvested legally (e.g., protected areas, areas that do not fulfil requirements of minimum age or diameter, tree species that cannot be harvested, etc.). In cases where harvesting permits classify species and qualities to estimate fees, corruption and bribery can be used to classify products that will result in a lower fee. The level of corruption in a country or sub-national region is considered to play an important role and corruption indicators should therefore be considered when evaluating risks. In cases of illegal logging, harvesting permits from sites other than the actual harvesting site may be provided as a false proof of legality with the harvested material.

1.4.1. Applicable laws and regulations

- (1) The Forest Code of the Russian Federation No. 200-FZ of 4 December 2006 (revised version of 28 July 2012). Available at:
<http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=168360>

- (2) Guidelines for Development and Submission of a Forest Declaration and a Sample Form for a Forest Declaration". Approved by the Order of the Federal Forest Agency No. 18 of 17 January 2012. Available at: <http://www.rosleshoz.gov.ru/docs/leshoz/206>

1.4.2. Legal authority

- 1-2: Federal Forestry Agency and government subjects of the Russian Federation. Local forest administrations.

1.4.3. Legally required documents or records

- Forest Declaration
- Technological logging map for a felling area

1.4.4. Sources of information

Government sources

- Rg.ru (2013). *Владимир Путин встретился с Генпрокурором* (Vladimir Putin met with Prosecutor General). [online]. State newspaper "Rossijskaja gazeta". Available at: <https://rg.ru/2013/08/09/putin.html> [Accessed 1 December 2016]

Non-Government sources

- Consultations with 4 experts
- consultant.ru (n.d.). *Database of legislation "Consultant plus"*. [online]. Available at: <http://www.consultant.ru/> [Accessed 29 November 2016]

1.4.5. Risk determination

Overview of Legal Requirements

Sale of standing timber from concessions in Russia is prohibited. The Forest Declaration and Technological Map are the two main documents required by legislation prior to timber harvesting. These documents are prepared by logging companies based on pre-harvest forest taxation and planning of harvest sites. The Forest Declaration shall specify the allocation of the logging sites and area and volume of timber harvest. The Technological Map shall, at a minimum, include information on allocation of harvest sites and harvesting techniques used (including the scheme of the site and allocation of skid trails and log yards). Both the Forest Declaration and Technological Map are submitted for approval to local state forest authorities. Forest authorities check that the content of both documents meet all applicable legal requirements.

Description of risk

There is a certain level of corruption during the approval of the Forest Declarations and Technological Maps by forest authorities, related to non-compliance of pre-harvest forest taxation data (species and volumes) and actual situation at harvest site. Additionally, local forest authority staff are overloaded with office work and often do not have time for field inspections of sites prior to harvest.

1.4.6. Risk designation and specification

Specified risk

1.4.7. Control measures and verifiers

- A valid Forest Declaration shall exist.
- Technological Maps agreed with the local forest authorities shall exist and allocation of harvest sites specified therein shall be in compliance with the Forest Declaration;
- Field inspection and review of the primary documents related to timber harvest (timber acceptance acts, bills of lading) shall confirm that data regarding area, species, volumes and other related information are correct and within limits prescribed in the legislation.

TAXES AND FEES

1.5. Payment of royalties and harvesting fees

Legislation covering payment of all legally required forest harvesting specific fees such as royalties, stumpage fees and other volume based fees. It also includes payments of the fees based on correct classification of quantities, qualities and species. Incorrect classification of forest products is a well-known issue often combined with bribery of officials in charge of controlling the classification.

1.5.1. Applicable laws and regulations

- (1) The Forest Code of the Russian Federation No. 200-FZ of 4 December 2006 (revised version of 28 July 2012). Articles 6, 7, 8. Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=168360>
- (2) Regulation of the Government of Russian Federation of 22 May 2007 No. 310 "State fees for the timber volume and area of the forest used and being in a state property". Available at: http://www.consultant.ru/document/cons_doc_LAW_164306/

1.5.2. Legal authority

- 1-2: Federal Forestry Agency and government subjects of the Russian Federation

1.5.3. Legally required documents or records

- Forest Area Rent Agreement, including Appendix entitled "Protocol of coordination of the forest rent fee size and payment during the current year"
- Forest Stands Sale Agreement
- Forest concession fee payment receipt.

1.5.4. Sources of information

Government sources

- State.kremlin.ru. (n.d.). *Web-site of President of Russia*. [online]. Available at: http://state.kremlin.ru/state_council/17876 [Accessed 29 November 2016]
- Federal forestry agency web-site: <http://www.rosleshoz.gov.ru/>

Non-Government sources

- Consultations with 2 experts
- consultant.ru (n.d.). *Database of legislation "Consultant plus"*. [online]. Available at: <http://www.consultant.ru/> [Accessed 29 November 2016]

1.5.5. Risk determination

Overview of Legal Requirements

The size of the concession fee is determined during conclusion of the forest area rent agreement. The size of the fee depends on the annual allowable cut and not on the actual volume of logging.

Description of risk

The procedure for determining the size of the fee is very complex and depends on many factors. This increases the risk of corruption. Correction of concession fees is carried out

each year. There are cases of non-payment or late payment of the concession fee. This is a significant violation of the conditions of Forest area rent agreement.

Risk conclusion

Risk is considered as specified.

1.5.6. Risk designation and specification

Specified risk

1.5.7. Control measures and verifiers

- Supplier shall not be listed in forest concession fee debtors list, maintained and updated by the Federal Forestry Agency. Available at: <http://www.rosleshoz.gov.ru/activity/finance/stat>

1.6. Value added taxes and other sales taxes

Legislation covering different types of sales taxes, which apply to the material being sold, including selling material as growing forest (standing stock sales). Risk relates to situations where products are sold without legal sales documents or far below market price resulting in illegal avoidance of taxes.

1.6.1. Applicable laws and regulations

- (1) The Tax Code of the Russian Federation (Federal Law No. 146-FZ of 31 July 1998 (revised version of 28 July 2012)). Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=107197>

1.6.2. Legal authority

- Federal Tax Service

1.6.3. Legally required documents or records

- Proof of State Registration with a Tax Office

1.6.4. Sources of information

Government sources

- State.kremlin.ru. (n.d.). *Web-site of President of Russia*. [online]. Available at: http://state.kremlin.ru/state_council/17876 [Accessed 29 November 2016]

Non-Government sources

- Consultations with 6 experts
- consultant.ru (n.d.). *Database of legislation "Consultant plus"*. [online]. Available at: <http://www.consultant.ru/> [Accessed 29 November 2016]

1.6.5. Risk determination

Overview of Legal Requirements

Companies operating in the forest sector are under the same tax rules as other companies in the Russian Federation. For VAT the rate is 18%. Small businesses and entrepreneurs

have the legal opportunity to use a simplified accounting system, which allows them to operate without paying VAT.

Description of risk

Generally, it is considered that the current economic situation of Russia means that there is a risk that companies do not pay Value Added Tax.

Risk conclusion

Risk is considered as specified.

1.6.6. Risk designation and specification

Specified risk

1.6.7. Control measures and verifiers

- Receipts for VAT payments and other related sales taxes shall exist.
- Authorities shall confirm that operation is up to date in payment of VAT and other applicable sales taxes.

1.7. Income and profit taxes

Legislation covering income and profit taxes related to the profit derived from sale of forest products and harvesting activities. This category is also related to income from the sale of timber and does not include other taxes generally applicable for companies or related to salary payments.

1.7.1. Applicable laws and regulations

- (1) The Tax Code of the Russian Federation (Federal Law No. 146-FZ of 31 July 1998 (revised version of 28 July 2012)). Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=107197>
- (2) The Federal Law of 06 June 2008.2001 No 110-FZ "Profit tax for enterprises and organizations". Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=165439>

1.7.2. Legal authority

- 1-2: Federal Tax Service

1.7.3. Legally required documents or records

- Proofs of Payment of profit tax.

1.7.4. Sources of information

Government sources

- State.kremlin.ru. (n.d.). *Web-site of President of Russia*. [online]. Available at: http://state.kremlin.ru/state_council/17876 [Accessed 29 November 2016]

Non-Government sources

- Consultations with 4 experts

- consultant.ru (n.d.). *Database of legislation "Consultant plus"*. [online]. Available at: <http://www.consultant.ru/> [Accessed 29 November 2016]

1.7.5. Risk determination

Overview of Legal Requirements

Logging companies are amongst the least profitable companies within the timber industry. Export-oriented wood processing companies, companies producing finished products (furniture, home etc.) and wood traders are the most profitable.

Description of risk

Long supply chains encourage 'dumping' (where manufacturers export a product to another country at a price either below the price charged on the Russian market or below its cost of production). This allows for minimization of the taxable base for profit tax avoidance, and is considered a specified risk in Russia.

Risk is also associated with the activities of companies which are established solely for tax avoidance, existing only for a short time period before being dissolved. If a company is often changing names this could be a sign of commercial tax avoidance.

Risk conclusion

Generally, it is considered that the current economic situation of Russia means that there is a risk that companies do not pay Income Tax

1.7.6. Risk designation and specification

Specified risk

1.7.7. Control measures and verifiers

None

TIMBER HARVESTING ACTIVITIES

1.8. Timber harvesting regulations

Any legal requirements for harvesting techniques and technology including selective cutting, shelter wood regenerations, clear felling, transport of timber from felling site and seasonal limitations etc. Typically this includes regulations on the size of felling areas, minimum age and/or diameter for felling activities and elements that shall be preserved during felling etc. Establishment of skidding or hauling trails, road construction, drainage systems and bridges etc. shall also be considered as well as planning and monitoring of harvesting activities. Any legally binding codes for harvesting practices shall be considered.

1.8.1. Applicable laws and regulations

- (1) The Forest Code of the Russian Federation No. 200-FZ of 4 December 2006 (revised version of 28 July 2012). Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=168360>
- (2) "Content of a Forest Development Project and Instructions for its Development". Approved by the Federal Forestry Agency No. 69 of 29 February 2012. Available at: <http://www.roslesinforg.ru/documents/fagency/3>
- (3) Timber Harvesting Rules. Approved by the Order No. 337 of the Federal Forestry Agency of 1 August 2011. Available at: <http://www.rosleshoz.gov.ru/docs/leshoz/179>
- (4) Order of the Ministry of Natural Resources of Russian Federation of 16 jule 2007 No. 183 "Reforestation regulations". Available at: <http://www.rosleshoz.gov.ru/docs/ministry/27>

1.8.2. Legal authority

- Federal Forestry Agency and government subjects of the Russian Federation

1.8.3. Legally required documents or records

- Forest management plan
- Forest Declaration
- Technological Logging Map for a Felling Area

1.8.4. Sources of Information

Government sources

- Rg.ru (2013). *Владимир Путин встретился с Генпрокурором* (Vladimir Putin met with Prosecutor General). [online]. State newspaper "Rossijskaja gazeta". Available at: <https://rg.ru/2013/08/09/putin.html> [Accessed 1 December 2016]
- Federal forestry agency web-site: <http://www.rosleshoz.gov.ru/>.
- Transparency International Web-site (Russian). Available at: <http://transparency.org.ru/> [Accessed 29 November 2016]
- Green Peace (2014). *В Удмуртии лесничий приговорен к двум годам лишения свободы условно за нарушения при осмотре лесосек* (In Udmurtia Forester sentenced

two years' imprisonment, suspended for violations during the inspection of logging sites) (Transl.). [online]. Forestforum.ru Available at:

<http://forestforum.ru/viewtopic.php?f=9&t=17020> [Accessed 29 November 2016]

- Green Peace (2014). *Какую часть своего рабочего времени должностные лица лесной охраны в вашем лесничестве (районе, субъекте РФ) находятся в лесу?* [online]. Forestforum.ru Available at: http://forestforum.ru/viewtopic.php?f=9&t=16781;%20web-site%20of%20WWF%20of%20Russia%20www.wwf.ru/.../eutr-995_2010_applicable-legislation-russian-federation [Accessed 29 November 2016]

Non-Government sources

- Consultations with 5 experts
- consultant.ru (n.d.). *Database of legislation "Consultant plus"*. [online]. Available at: <http://www.consultant.ru/popular/newwood/> [Accessed 29 November 2016]

1.8.5. Risk determination

Description of risk

Most violations occur in relation to timber harvesting regulations when timber is harvested outside the officially delineated boundaries, exceeds approved volumes, and/or unauthorized species are harvested. There is a lack of motivation amongst businesses to comply with rules due to lack of private ownership of the forests. Furthermore, the rules are bureaucratic and often redundant. With little oversight and high levels of corruption many illegal activities are left unchallenged. This might also be due to lack of working time spent in the forest by local forest authority personnel. Most of their working time is spent preparing different paper reports for state authorities.

Risk conclusion

Risk is considered as specified.

1.8.6. Risk designation and specification

Specified risk

1.8.7. Control measures and verifiers

- Field inspection
- Verification of the Forest management plan, Forest Declaration, Technological Map
- Interviews with stakeholders and employees.

1.9. Protected sites and species

International, national, and sub national treaties, laws, and regulations related to protected areas allowable forest uses and activities, and/or, rare, threatened, or endangered species, including their habitats and potential habitats. Risk relates to illegal harvesting within protected sites, as well as illegal harvest of protected species. Note that protected areas may include protected cultural sites, including sites with historical monuments.

1.9.1. Applicable laws and regulations

- (1) The Forest Code of the Russian Federation No. 200-FZ of 4 December 2006 (revised version of 28 July 2012). Available at:
<http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=168360>
- (2) Federal Law FZ-74 of 26 May 2006 "Water Code of Russian Federation". Article 65. Available at:
<http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=172906>
- (3) "Content of a Forest Development Project and Instructions for its Development". Approved by the Federal Forestry Agency No. 69 of 29 February 2012. Available at:
<http://www.roslesinforg.ru/documents/fagency/3>
- (4) Federal Law No. 33-FZ of 14 March 1995 "Protected Areas" (revised version of 25 June 2012). Available at: <http://www.rg.ru/2013/12/30/oxrana-dok.html>
- (5) The Order of the Ministry of Natural Resources No. 181 of 16 July 2007 "Approval of Guidelines for Use, Protection, Conservation and Regeneration of Forests located on Protected Areas" (revised version of 12 March 2008). Available at:
http://www.consultant.ru/document/cons_doc_LAW_75933/ and revised version available at <http://base.garant.ru/12155425/>
- (6) Regional legislation on protected areas (PAs) and on specific PAs (management plans).
- (7) "Information on Presence of Rare and Endangered Species of Trees, Shrubs, Lianas and Other Forest Plants". Annex 6 to a sample Forest Development Project.
- (8) List of Tree and Shrub Species for which Timber Harvesting is not Allowed. Approved by the order of the Federal Forestry Agency No. 513 of 5 December 2011. Available at:
<http://www.rosleshoz.gov.ru/docs/leshoz/184>
- The Federal Law No. 7-FZ of 10 January 2002 "Environment Conservation". Available at:
<http://www.consultant.ru/popular/okrsred/>
- (9) The Order No. 158 of 19 February 1996 of the Government of the Russian Federation "The Red Data Book of the Russian Federation". Available at:
http://www.consultant.ru/document/cons_doc_LAW_9319/
- (10) The Order No. 123 of 30 April 2009 of the Ministry of Natural Resources and Environment "Approval of the Administrative Regulation for the Federal Supervisory Natural Resources Management Service on Accomplishment of the State Service on Issuing Permissions for Collection of Animal and Plant Species Listed in the Red Data Book of the Russian Federation". Available at:
http://www.consultant.ru/document/cons_doc_LAW_112709/
- (11) Orders of regional authorities on regional red data books and red lists and on permissions for collection of red listed species.
- (12) Regulation of the Government of Russian Federation No 1007 of 14 December 2009. "Designation of functional zones in forest parks, area and boundaries of forest parks and environmental zones". Available at:
<http://www.rosleshoz.gov.ru/docs/enactions/68>

1.9.2. Legal authority

- 1, 3, 7 & 8: Federal Forestry Agency and Governments of Subjects of the Russian Federation
- 2, 4, 5, 9, 10 & 12: Ministry of Natural Resources
- 6 & 11: Governments of Subjects of the Russian Federation

1.9.3. Legally required documents or records

- Forest management plan (includes the section with Information on Presence of Rare and Endangered Species of Trees, Shrubs, Lianas and Other Forest Plants)
- Forest Declaration
- Technological Logging Map for a Felling Area

1.9.4. Sources of Information

Non-Government sources

- Consultations with 2 experts
- wwf.ru. (n.d.). *Издания WWF России* (Publications of WWF Russia). [online]. Web-site of WWF Russia. Available at: <http://www.wwf.ru/resources/publ/tab151?cat2.cat=24> [Accessed 30 November 2016]

1.9.5. Risk determination

Description of risk

The main issue related to protection of specific sites and species is the lack of effective implementation on the ground. The legal framework regulating this exist, and there is usually the right paperwork in place - however, implementation on the ground is often lacking. Officially known and mapped habitats of these species are officially protected and excluded from timber harvest. At the same time, at the level of harvest sites no specific surveys are carried out to identify and avoid such habitats prior to harvest. Harvest site size is up to 50 ha, and field identification of specific species and/or their habitats is time consuming work. The local forest authorities who control the activities of logging companies do not pay attention to preservation of rare and endangered species except officially known habitats.

Risk conclusion

Risk is considered as specified.

1.9.6. Risk designation and specification

Specified risk

1.9.7. Control measures and verifiers

- Consultation with environmental organizations should indicate compliance with laws and regulations

1.10. Environmental requirements

National and sub-national laws and regulations related to the identification and/or protection of environmental values including but not limited to those relating to or affected by harvesting, acceptable level for soil damage, establishment of buffer zones (e.g. along water courses, open areas, breeding sites), maintenance of retention trees on felling site, seasonal limitation of harvesting time, environmental requirements for forest machineries, use of pesticides and other chemicals, biodiversity conservation, air quality, protection and restoration of water quality, operation of recreational equipment, development of non-forestry infrastructure, mineral exploration and extraction, etc... Risk relates to systematic and/or large-scale non-compliance with legally required environmental protection measures that are evident to an extent that threatens the forest resources or other environmental values.

1.10.1. Applicable laws and regulations

- (1) The Forest Code of the Russian Federation No. 200-FZ of 4 December 2006 (revised version of 28 July 2012). Available at : <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=168360>
- (2) Federal Law FZ-74 of 26 May 2006 "Water Code of Russian Federation". Available at: <http://www.consultant.ru/popular/waternew/>
- (3) The Land Code of the Russian Federation of 25 October 2001 No 136-FZ. Available at: <http://www.consultant.ru/popular/earth/>
- (4) Timber Harvesting Rules. Approved by the Order No. 337 of the Federal Forestry Agency of 1 August 2011. Available at: <http://www.rosleshoz.gov.ru/docs/leshoz/179>
- (5) Rules for Use of Forests for Building, Reconstruction and Maintenance of Linear Infrastructure Objects approved by the Order of the Federal Forestry Agency No. 223 of 10 June 2011. Available at : <http://www.rosleshoz.gov.ru/docs/leshoz/196>
- (6) The Order No. 185 of 16 July 2007 of the Ministry of Natural Resources "Approval of Rules for Forest Tending". Available at: <http://www.rosleshoz.gov.ru/docs/ministry/15>
- (7) The Order by the Government of the Russian Federation No. 414 of 29 June 2007 "On Approval of Sanitation Rules for Forests". Available at. <http://www.rosleshoz.gov.ru/docs/enactions/3>
- (8) The Order by the Government of the Russian Federation No. 417 of 30 June 2007 "On Approval of Fire Safety Rules for Forests" (revised version of 1 November 2012). Available at: <http://base.consultant.ru/cons/cgi/online.cgi?base=LAW&n=161964&req=doc>
- (9) The Order No. 485 of the Federal Forestry Agency of 14 December 2010 "On Approval of Guidelines for Use, Protection, Conservation and Regeneration of Forests Located in Water Protection Zones and Forests Fulfilling Functions of Protection on Natural and Other Objects and Forests Located on Forested Areas with a Special Protection Regime". Available at: <http://www.rosleshoz.gov.ru/docs/leshoz/0135>

1.10.2. Legal authority

- 1, 4, 5, 7, 8 & 9: Federal Forestry Agency and governments subjects of the Russian Federation
- 2, 3 & 6: Ministry of Natural Resources

1.10.3. Legally required documents or records

- Forest management plan
- Forest Declaration
- Technological Logging Map for a Felling Area

1.10.4. Sources of information

Non-Government sources

- Consultations with 3 experts
- Prosecutor.ru (2013). *Приморской межрайонной природоохранной прокуратурой принимаются меры к декриминализации лесной отрасли* (The Seaside interdistrict environmental prosecutor's office taking steps to decriminalize the forest industry). [online]. Web-site of the prosecutor of the Primorsky krai. Available at: <http://prosecutor.ru/news/2013-08-06-primorskoy-mezhrayonnoy.htm> [Accessed 30 November 2016]
- Ekologiya.net (2013). *Прокуратура Иркутской области выявила нарушения в деятельности лесозаготовительных предприятий* (The Prosecutor's Office of Irkutsk region revealed violations in the activities of logging companies). [online]. Web-site of the magazine 'Ecology and Industry in Russia'. Available at: <http://ekologiya.net/?q=node/29956> [Accessed 1 December 2016]

1.10.5. Risk determination

Overview of Legal Requirements

The environmental limitations are described in detail in the forest management plan and taken into account in the Technological Map. The forest management plan passes the state or municipal expertise which considers all aspects, including environmental ones. Basic requirements such as respecting riparian zones along water bodies and preservation of the other officially recognized protected sites are enforced with on-site control by forest authorities.

Description of risk

On-site control by forest authorities does not appropriately cover harvest site-specific aspects such as oil leakages, waste handling, excessive soil damage, preservation of rare and endangered species (see also justification in previous section).

The environmental requirements are highly regulated on paper and much paperwork is required, however these regulations are not always adhered to in practice.

Risk conclusion

The lack of effective control by the state and the associated systemic corruption leads to a conclusion of Specified risk.

1.10.6. Risk designation and specification

Specified risk

1.10.7. Control measures and verifiers

- The forest management plan shall pass the state or municipal expertise.
- Consultations with environmental organizations.
- Consultations with regulatory agencies.
- Consultations with Russian Environmental Protection Agency (Rosprirodnadzor) and/or the Environmental Prosecutor's office (if applicable).

1.11. Health and safety

Legally required personnel protection equipment for persons involved in harvesting activities, use of safe felling and transport practice, establishment of protection zones around harvesting sites, and safety requirements to machinery used. Legally required safety requirements in relation to chemical usage. The health and safety requirements that shall be considered relate to operations in the forest (not office work, or other activities less related to actual forest operations). Risk relates to situations/areas where health and safety regulations are consistently violated to such a degree that puts the health and safety of forest workers at significant risk throughout forest operations.

1.11.1. Applicable laws and regulations

- (1) The Labor Code of Russian Federation. No.197-FZ of 30 December 2001. Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=165886>
- (2) The Federal Law No.181-FZ of 17 July 1999. "Basic principles of health and safety in Russian Federation". Available at: <http://base.consultant.ru/cons/cgi/online.cgi?base=LAW&n=53312&req=doc>
- (3) Regulation of the Ministry of Labor and Social Development of the Russian Federation No. 10 of 22 January 2001. "Normatives of amount of health and safety specialists in organizations". Available at: <http://base.consultant.ru/cons/cgi/online.cgi?base=LAW&n=159094&req=doc>
- (4) Regulation of the Ministry of Labor and Social Development of the Russian Federation No. 12 of 14 March 1997. "Attestation of working places and working environment". Available at: http://www.consultant.ru/document/cons_doc_LAW_14891/
- (5) Regulation of the Ministry of Labor and Social Development of the Russian Federation No. 15 of 21 March 1997. "Health and safety regulations in timber harvesting, wood processing industries and during forestry works". Available at: http://www.consultant.ru/document/cons_doc_LAW_80295/
- (6) Regulation of the Ministry of Labor and Social Development of the Russian Federation No. 51 of 18 December 1998. "Regulation of staff provision with special clothes, boots and other individual protection facilities". Available at: <http://www.kadrovik.ru/docs/pmintruda18.12.98n51.htm>

- (7) Regulation of the Ministry of Labor and Social Development of the Russian Federation No. 63 of 16 December 1997. "Typical normatives of free-of-charge provision of the staff with special clothes, boots and other individual protection facilities". Available at: <http://www.kadrovik.ru/docs/pmintruda18.12.98n51.htm>
- (8) Recommendations on development of health and safety instructions for basic professions and works in timber harvesting and woof processing industries. Approved by Ministry of Labor and Social Development of the Russian Federation on 11 May 2004. Available at: <http://www.kadrovik.ru/docs/pmintruda18.12.98n51.htm>
- (9) Timber Harvesting Rules. Approved by the Order No. 337 of the Federal Forestry Agency of 1 August 2011. Available at: <http://www.rg.ru/2012/01/20/drevesina-dok.html>
- (10) Order of the Ministry of Agriculture of the Russian Federation of 22 December 2008 No. 549 "Normatives of amount of facilities for fighting the fires in the forests". Available at: <http://base.garant.ru/12166636/>
- (11) Regulation of the Government of the Russian Federation No. 281 of 16 April 2011. "Measures of protection the forests from forest fire". Available at: <http://base.garant.ru/12184962/>

1.11.2. Legal authority

- 1-8: Ministry of labor and social development
- 9 & 11: Federal Forestry Agency
- 10: Ministry of Natural Resources

1.11.3. Legally required documents or records

- Forest management plan
- Forest Declaration
- Technological Logging Map for a Felling Area
- Register log of staff provision with individual protection equipment
- Health and safety instructions for staff involved in timber harvesting activities
- Protocol of attestation of working places and working environment

1.11.4. Sources of information

Government sources

- Ministry of Civil Service, Labor, Social Security and professional integration of young people (2009). *Guide méthodologique de l'inspection du travail* (Methodological guide to labor inspection). [online]. pp. 1-83. Available at: http://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---lab_admin/documents/genericdocument/wcms_167756.pdf [Accessed 20 July 2016]

Non-Government sources

- Consultations with 3 experts

- khabprof.ru (2012). *ЛЕСНАЯ ОТРАСЛЬ – САМАЯ ТРАВМООПАСНАЯ В КРАЕ*. [online]. Web-site of Khabarovsk regional labor union (Information portal). Available at: <http://www.khabprof.ru/news/656/>
- wood.ru (2012). *Иркутская область. Наиболее высокий уровень травматизма со смертельным исходом наблюдается в лесной отрасли* (Irkutsk region. The highest rate of injury deaths observed in the forestry sector). [online]. Web-site of the forest industry of Russia. Available at: <http://www.wood.ru/ru/lonewsid-43024.html>
- roslesvesti.ru (n.d.). web-site of magazine "Lesnye vesti". Available at: <http://lesvesti.ru/news/expert/3259/>

1.11.5. Risk determination

Overview of Legal Requirements

Health and Safety issues are required by law to be described in detail in the staff instructions on health and safety and be taken into account in the Technological Logging Map, as well as implemented by forest managers.

Description of risk

There is a general lack of control and enforcement of the law regarding the health and safety of forest workers. The forest authorities will only control the forest management and environmental requirements during on-site visits, thus there is no on-site control in the forests unless an accident occurs. This will be done by the Ministry of Labour and Social Development. A low level of profitability of logging operations and the absence of long-term prospects do not motivate companies to pay attention to these issues.

Risk conclusion

The lack of effective control by the state and systemic corruption lead to a conclusion of Specified risk

1.11.6. Risk designation and specification

Specified risk

1.11.7. Control measures and verifiers

- Interviews with staff and contractors shall confirm that legally required protection equipment is required/provided by the organization.
- Consultations with regulatory agencies (for example, Rostekhnadzor, the State Labour Inspection and the Prosecutor's office) shall confirm that the organization meets all applicable health and safety legal requirements.

1.12. Legal employment

Legal requirements for employment of personnel involved in harvesting activities including requirement for contracts and working permits, requirements for obligatory insurances, requirements for competence certificates and other training requirements, and payment of social and income taxes withhold by employer. Furthermore, the points cover observance of minimum working age and minimum age for personnel involved in hazardous work, legislation against forced and compulsory labour, and discrimination and freedom of association. Risk relates to situations/areas where

systematic or large scale noncompliance with labour and/or employment laws. The objective is to identify where serious violations of the legal rights of workers take place, such as forced, underage or illegal labour.

1.12.1. Applicable laws and regulations

- (1) Constitution of the Russian Federation. Available at:
<http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=2875>
- (2) The Federal Law No. 197-FZ of 30 December 2001 "Labor Code of the Russian Federation". Available at:
<http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=165886>
- (3) The Federal Law No. 125-FZ of 24 July 1998 "Mandatory social insurance against accidents and professional diseases". Available at:
<http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=164928>
- (4) Regulation of the Government of the Russian Federation No. 163 of 23 May 2000. "List of severe and harmful works, where it is prohibited to use personnel younger than 18 years old". Available at:
<http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=164928>
- (5) The Tax Code of the Russian Federation (Federal Law No. 146-FZ of 31 July 1998 (revised version of 28 July 2012)).

1.12.2. Legal authority

- 1-4: Ministry of Labor and Social Development
- 5: Federal Tax Service

1.12.3. Legally required documents or records

- Individual contracts (labor agreements).
- Working instructions.
- Proofs of Payment to the Retirement Fund of the Russian Federation, social security and medical insurance funds.

1.12.4. Sources of information

Government sources

- State.kremlin.ru. (n.d.). *Web-site of President of Russia*. [online]. Available at:
http://state.kremlin.ru/state_council/17876 [Accessed 29 November 2016]

Non-Government sources

- Consultations with 2 experts

1.12.5. Risk determination

Description of risk

Large timber enterprises usually meet the requirements of legal employment and relevant violations are minimal.

The opposite situation exists with small timber enterprises; low profitability and attempts to save money wherever possible push managers to implement the practice of unofficial employment of forest workers. Another prevalent situation is official employment with payment of a minimum legally required salary, with additional undeclared pay being paid "cash in hand". The use of non-registered immigrant labor is also prevalent amongst workers from the former republics of the USSR. This practice is especially common in and around the forests adjacent to big towns, where local communities are employed in well-paid jobs in other sectors.

Forced labour and child labour are not prevalent.

Risk conclusion

The risk is considered specified.

1.12.6. Risk designation and specification

Specified risk

1.12.7. Control measures and verifiers

- All workers are employed according to the regulation and required contracts are in place
- Persons involved in harvesting activities shall hold required certificates of competence for the function they carry out.
- The level of wages shall be comparable with the average wages in timber sector in the region
- Documented evidence on payment of withholding tax and taxes paid to compulsory medical insurance funds, social insurance funds and pension funds
- Consultation with tax inspectorate, compulsory medical insurance funds, social insurance funds and pension funds.
- Consultations with employees.
- Consultations with regulatory agencies (state labour inspectorate and the prosecutor's office)

THIRD PARTIES' RIGHTS

1.13 Customary rights

Legislation covering customary rights relevant to forest harvesting activities including requirements covering sharing of benefits and indigenous rights.

1.13.1. Applicable laws and regulations

- (1) The Forest Code of the Russian Federation No. 200-FZ of 4 December 2006 (revised version of 28 July 2012). Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=168360>
- (2) Federal Law No. 82-FZ of 30 April 1999 "Guarantees of Indigenous Peoples Rights in the Russian Federation". Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=86517>

1.13.2. Legal authority

- 1: Federal Forestry Agency
- 2: Ministry of Labor and Social Development

1.13.3. Legally required documents or records

- Forest management plan

1.13.4. Sources of information

Non-Government sources

- Consultations with 3 experts
- consultant.ru (n.d.). *Database of legislation "Consultant plus"*. [online]. Available at: <http://www.consultant.ru/popular/newwood/> [Accessed 29 November 2016]
- booksite.ru. (n.d.). *Лесная сертификация и поморы: информированность, активность, новые возможности для коренных народов (итоги экспедиции в Онежское Поморье)* (Forest Certification and Pomors: awareness, activity, new opportunities for indigenous peoples (the results of the expedition to the Onega Pomerania). [online]. Article of regional eNGO "Etas". Available at: <http://www.booksite.ru/fulltext/poso/bie/4.htm>

1.13.5. Risk determination

Overview of Legal Requirements

The rights of citizens to access and use the forest are protected under Russian legislation. People can collect berries, mushroom and other non-timber forest products. Timber harvesting can be allowed at assigned territories and an agreement shall be concluded with the local authority. Usually forestry activities contribute to better access to the forest through new forest roads.

Description of risk

However, there are cases, when the access to the forest is limited or restricted illegally by other forest users (for example, hunting and fishing clubs etc.). (Consultations on this topic were held with 3 experts).

Risk conclusion

The risk is considered specified.

1.13.6. Risk designation and specification

Specified risk

1.13.7. Control measures and verifiers

None

1.14. Free prior and informed consent

Legislation covering "free prior and informed consent" in connection with transfer of forest management rights and customary rights to the organisation in charge of the harvesting operation.

1.14.1. Applicable laws and regulations

- (1) The Forest Code of the Russian Federation No. 200-FZ of 4 December 2006 (revised version of 28 July 2012). Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=168360>

*The legislative framework on this issue is not developed.

1.14.2. Legal authority

- Federal Forestry Agency

1.14.3. Legally required documents or records

- Forest management plan

1.14.4. Sources of information

Non-Government sources

- Consultations with 3 experts
- consultant.ru (n.d.). *Database of legislation "Consultant plus"*. [online]. Available at: <http://www.consultant.ru/popular/newwood/> [Accessed 29 November 2016]

1.14.5. Risk determination

Overview of Legal Requirements

Relevant legislation is not developed. The Forest Code of Russia (article 1, point 7) gives the right to citizens and public organizations to participate in decisions which may influence forests, in terms of forest use, protection etc. This statement is declarative and not supported by legal acts. Therefore, it is considered that this issue is not applicable.

Description of risk

N/A

Risk conclusion

N/A

1.14.6. Risk designation and specification

N/A

1.14.7. Control measures and verifiers

N/A

1.15. Indigenous/traditional peoples' rights

Legislation that regulates the rights of indigenous/traditional people as far as it's related to forestry activities. Possible aspects to consider are land tenure, right to use certain forest related resources or practice traditional activities, which may involve forest lands.

1.15.1. Applicable laws and regulations

- (1) The Forest Code of the Russian Federation No. 200-FZ of 4 December 2006 (revised version of 28 July 2012). Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=168360>
- (2) Federal Law No. 82-FZ of 30 April 1999 "Guarantees of Indigenous Peoples Rights in the Russian Federation". Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=86517>
- (3) Federal Law No. 49-FZ of 7 May 2001 "Territories of Traditional Land Use for Indigenous Peoples of the Russian North, Siberia and the Russian Far East of the Russian Federation". Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=86517>
- (4) Federal Law No. 104-FZ of 20 July 2000 "Common Principles for Organization of Indigenous Peoples Communities of the Russian North, Siberia and the Russian Far East of the Russian Federation". Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=156866>
- (5) The Order by the Government of the Russian Federation No. 255 of 24 March 2000 "List of Indigenous Peoples of the Russian Federation" (with revisions and additions). Available at: http://www.consultant.ru/document/cons_doc_LAW_124263/
- (6) The Order of the Government of the Russian Federation No. 536-r of 17 April 2006 "The List of Indigenous Peoples of the Russian North, Siberia and the Russian Far East of the Russian Federation". Available at: <http://base.consultant.ru/cons/cgi/online.cgi?base=LAW&n=124261&req=doc>
- (7) The Order of the Government of the Russian Federation No. 631-r of 8 May 2009 "Approval of the List of Places for traditional Livelihood and Traditional Economic Activities of Indigenous Peoples of the Russian Federation and the List of Traditional

Economic Activities of Indigenous Peoples of the Russian Federation". Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=87690>

- (8) Relevant regional legislation.

1.15.2. Legal authority

- 1: Federal Forestry Agency
- 2-7: Ministry of labor and social development
- 8: Administration of Subjects of the Russian Federation

1.15.3. Legally required documents or records

- Forest management plan

1.15.4. Sources of information

Non-Government sources

- komiinform.ru (2010). *Проблемы коренных малочисленных народов должны решаться на федеральном уровне, считают участники слушаний в Общественной палате России* (Issues of Indigenous Peoples must be addressed at the federal level, according to participants in the hearing of the Public Chamber of Russia). [online]. Web-site of Komi regional information agency. Available at: <http://www.komiinform.ru/news/63997/> [Accessed 30 November 2016]
- constitution.garant.ru (n.d.). *Database of legislation "Garant"*. [online]. Available at: <http://constitution.garant.ru/act/right/180406/> [Accessed 30 November 2016]
- base.garant.ru (n.d.). *Database of legislation "Garant"*. [online]. Available at: <http://base.garant.ru/181870/> [Accessed 29 November 2016]
- raipon.info (n.d.). Web-site of the Russian Association of indigenous Peoples of the North, Siberia and the Far East (RAIPON). [online]. Available at: <http://raipon.info/index.php> [Accessed 30 November 2016]

1.15.5. Risk determination

Description of risk

The rights of indigenous peoples are legally confirmed in general and specifically with respect to forest activities. But legislative acts have not been elaborated sufficiently. The main risks are connected with the fact that often forests are leased without considering the interests of the indigenous peoples. As a result, there is a risk of timber harvesting at traditional places for rest, hunting, fishing, collection of non-timber forest products, as well as at sites having cultural and religious significance for indigenous peoples.

Risk conclusion

The risk therefore relates both to lack of enforcement of the law as well as violation of laws by forest managers. Risk is considered as specified.

1.15.6. Risk designation and specification

Specified risk

1.15.7. Control measures and verifiers

None

TRADE AND TRANSPORT

1.16. Classification of species, quantities, qualities

Legislation regulating how harvested material is classified in terms of species, volumes and qualities in connection with trade and transport. Incorrect classification of harvested material is a well-known method to reduce/avoid payment of legality prescribed taxes and fees. Risk relates to material traded under illegal false statements of species, quantities or qualities. This could cover cases where this type of false classification is done to avoid payment of royalties or taxes or where trade bans on product types or species are implemented locally, nationally or internationally. This is mainly an issue in countries with high levels of corruption (CPI<50).

1.16.1. Applicable laws and regulations

- (1) The Forest Code of the Russian Federation No. 200-FZ of 4 December 2006 (revised version of 28 July 2012). Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=168360>
- (2) Federal law No 415-FZ of 20.12.13 "On amending in Forest Code of RF and the Code of RF of administrative offences". Available at: <http://www.rg.ru/2013/12/30/drevesina-dok.html>

1.16.2. Legal authority

- 1 & 2: Federal Forestry Agency

1.16.3. Legally required documents or records

- Generally, classification of harvested timber during its transport and trade is based on information available at: <http://klassifikators.ru/okp> and <http://www.tks.ru/db/tnved/tree> as well as on different state standards (GOST), industry standards (OST) and specifications (TU).

1.16.4. Sources of information

Non-Government sources

- consultant.ru (2013). The Forest Code of the Russian Federation (Amendment) (transl.). [online]. *Database of legislation "Consultant plus"*. Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=165868;dst=0;ts=63A9491DFF70906B99E4D3D707A8F141;rnd=0.23830872285179794> [Accessed 6 December 2016]
- rosleshoz.gov.ru. (n.d.). Federal forestry agency web-site. [online]. Available at: http://www.rosleshoz.gov.ru/fz415/npa/accepted/1/Rasporyazhenie_Pravitelystva_RF_ot_13.06.2014_N_1047 [Accessed 6 December 2016]

1.16.5. Risk determination

Implementation of the relevant legal requirements on correct classification of species, quantity and quality is incomplete yet. The law will be fully in force as of 1st January 2016. Risk is therefore not yet applicable.

1.16.6. Risk designation and specification

N/A

1.16.7. Control measures and verifiers

N/A

1.17. Trade and transport

All required trading permits shall exist as well as legally required transport document which accompany transport of wood from forest operation. Risk relates to the issuing of documents permitting the removal of timber from the harvesting site (e.g., legally required removal passes, waybills, timber tags, etc.). In countries with high levels of corruption, these documents are often falsified or obtained by using bribery. In cases of illegal logging, transport documents from sites other than the actual harvesting site are often provided as a fake proof of legality with the harvested material.

1.17.1. Applicable laws and regulations

- (1) The Forest Code of the Russian Federation No. 200-FZ of 4 December 2006 (revised version of 28 July 2012). Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=168360>
- (2) Federal law No 415-FZ of 20.12.13 "On amending in Forest Code of RF and the Code of RF of administrative offences". Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=165868>
- (3) The Civil Code of the Russian Federation No 51-FZ of 30 November 1991. Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=162742>

1.17.2. Legal authority

- 1 & 2: Federal Forestry Agency
- 3: Ministry of industry and trade

1.17.3. Legally required documents or records

- Cargo specification
- Railway transportation bill
- River transportation agreement
- Forest declaration
- Agreements (contracts) for shipment of timber, including contracts with intermediary buyers.
- Transportation documents according to form available at: <http://www.rosleshoz.gov.ru/fz415/forma>

1.17.4. Sources of information

Government sources

- consultant.ru (n.d.). *Database of legislation "Consultant plus"*. [online]. Available at: <http://www.consultant.ru/> [Accessed 29 November 2016]
- lesregion.ru. (2014). *Новый закон: минусов больше, чем плюсов* (The new law: cons more than pros). [online]. Web-site of the news paper Lesnoy region. Available at: <http://lesregion.ru/main/1773-novyuy-zakon-minusov-bolshe-chem-plyusov.html> [Accessed 6 December 2016]
- roslesvesti.ru (n.d.). *web-site of magazine "Lesnye vesti"*. [online]. Available at: <http://www.lesvesti.ru/news/view/6874/> [Accessed 6 December 2016]
- consultant.ru (2013). The Forest Code of the Russian Federation (Amendment) (transl.). [online]. *Database of legislation "Consultant plus"*. Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=165868;dst=0;ts=63A9491DFF70906B99E4D3D707A8F141;rnd=0.23830872285179794> [Accessed 6 December 2016]
- rosleshoz.gov.ru. (2014). *О сопроводительном документе на транспортировку древесины* (About shipping documents when transporting timber). [online]. Government of the Russian Federation. Available at: http://www.rosleshoz.gov.ru/fz415/npa/accepted/0/Postanovlenie_Pravitelystva_RF_ot_21.06.2014_N_571.pdf [Accessed 6 December 2016]

1.17.5. Risk determination

Implementation of the relevant legal requirements on correct classification of species, quantity and quality is incomplete yet. The law will be fully in force as of 1st January 2016. Risk is therefore not yet applicable.

1.17.6. Risk designation and specification

N/A

1.17.7. Control measures and verifiers

N/A

1.18. Offshore trading and transfer pricing

Legislation regulating offshore trading. Offshore trading with related companies placed in tax havens combined with artificial transfer prices is a well-known way to avoid payment of legally prescribed taxes and fees to the country of harvest and considered as an important generator of funds that can be used for payment of bribery and black money to the forest operation and personnel involved in the harvesting operation. Many countries have established legislation covering transfer pricing and offshore trading. It should be noted that only transfer pricing and offshore trading as far as it is legally prohibited in the country, can be included here. Risk relates to situations when products are sold out of the country for prices that are significantly lower than market value and then sold to the next link in the supply chain for market prices, which is often a clear indicator of tax laundry. Commonly, the products are not physically transferred to the trading company.

1.18.1. Applicable laws and regulations

- (1) The Tax Code of the Russian Federation (Federal Law No. 146-FZ of 31 July 1998 (revised version of 28 July 2012), section 5 Chapter 1. Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=157512>
- (2) Federal Law No. 115-FZ of 13 July 2001 "Counteraction to legalization (greenwashing) of income obtained in criminal way". Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=173734>
- (3) Order of the Ministry of Finances of the Russian Federation of 13 November 2007 No. 108H "List of States and Territories Providing Tax Exemptions and (or) not Considering Opening and Submission of Information on Financial Operations (offshore zones)". Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=171378>

1.18.2. Legal authority

- 1: Federal Tax Service
- 2: Federal Service on Financial Monitoring
- 3: Ministry of Finances

1.18.3. Legally required documents or records

- Customs Declaration
- Agreements (contracts) for shipment of timber, including contracts with intermediary buyers.

1.18.4. Sources of information

Non-Government sources

- consultant.ru (n.d.). *Database of legislation "Consultant plus"*. [online]. Available at: <http://www.consultant.ru/> [Accessed 29 November 2016]
- pwc.com (2013). *International transfer pricing 2013/14*. [online]. PwC, pp. 1-900 Available at: <http://www.pwc.com/gx/en/international-transfer-pricing/assets/itp-2013-final.pdf> [Accessed 30 November 2016]
- internationaltaxreview.com (). *World Transfer Pricing 2014*. [online]. pp. 1-251. Available at: <http://www.internationaltaxreview.com/pdfs/wtp/world-transfer-pricing-2014.pdf> [Accessed 30 November 2016]

1.18.5. Risk determination

Overview of Legal Requirements

Transfer pricing has been part of Russian legislation since 1991, but the legislation was found to be ineffective. New legislation was introduced in 2012 with a more complex legislative framework. The implementation of the new legislation still has to prove its worth (<http://www.internationaltaxreview.com/pdfs/wtp/world-transfer-pricing-2014.pdf>), but aims to make the Russian transfer pricing rules work in practice and bring them closer to the OECD Guidelines. Russia is not a member of the OECD, but has observer status in some OECD committees and is in discussions regarding OECD membership. The new

legislation on transfer pricing is influenced by OECD Guidelines and models. New requirements for reporting and documentation has been introduced, and is to be controlled by the Russian tax authorities. This information has to be submitted no later than 20 May of the calendar year following the year when a controlled transaction was performed.

Description of risk

An analysis of current Russian arbitration court practice made by PwC 2013/14 in relation to transfer pricing shows that key areas and challenges include (Direct quote, p. 715);

- deduction of intercompany management charges
- export sales at prices lower than prices for the domestic market
- trademark/franchise fee royalty deduction
- the use of European comparables from the foreign database to support profit
- attribution to a permanent establishment
- the sale of goods through intermediary companies (rather than directly to customers), and
- understatement of lease payments between related parties.

Thus, transfer pricing is both an issue within Russia and abroad, where export of timber products at dumping prices is characteristic. Low levels of control and high corruption contribute to this. Despite the introduction of a new legislative framework on transfer pricing, there still exists a risk of transfer pricing occurring in breach of the law.

Risk conclusion

Due to the high level of corruption - Russia has a CPI of 28 (below the threshold of 50) - and varying enforcement by tax authorities, this indicator is considered have specified risk.

1.18.6. Risk designation and specification

Specified risk

1.18.7. Control measures and verifiers

- Consultations with the customs authorities and currency control authority (Rosfinnadzor).

1.19. Custom regulations

Custom legislation covering areas such as export/import licenses, product classification (codes, quantities, qualities and species).

1.19.1. Applicable laws and regulations

- (1) "Customs Code of the Customs Union" (Appendix to the Agreement of the Customs Union Customs Code, approved by Council of Euro-Asian Economical Union on 27 November 2009 No. 17) (revised on 16 April 2010). Available at : <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=100808>
- (2) Regulation of the Government of the Russian Federation No. 982 of 24 December 2008. "Customs Taxes for Certain Wood Material Exported from the Russian Federation

and Other Member States of the Customs Unit". Available at:
<http://www.rosleshoz.gov.ru/docs/enactions/39>

- (3) The Order of the Government of the Russian Federation No. 779 of 30 July 2012 "Customs taxes for Certain Softwood Timber Products Exported from the Russian Federation and Other Member States of the Customs Union" (revised version of 27 September 2012). Available at:
<http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=166954>
- (4) The Decision of the Customs Union Commission No. 257 of 20 May 2010 "Instructions for Customs Declarations Development and Customs Declaration Forms" (revised version of 26 April 2012). Available at : <http://www.tks.ru/docs/10027568>

1.19.2. Legal authority

- Federal Customs Service

1.19.3. Legally required documents or records

- Cargo Specification
- Transportation Invoice
- Rail Transportation Bill
- CMR
- Bill of Landing
- Phytosanitary Certificate
- Customs Declaration

1.19.4. Sources of information

Non-Government sources

- consultant.ru (n.d.). *Database of legislation "Consultant plus"*. [online]. Available at:
<http://www.consultant.ru/> [Accessed 29 November 2016]

1.19.5. Risk determination

Description of risk

Documents required for timber export are strictly defined and controlled. Export of products except by official customs check-points and without required documentation is not possible.

Risk conclusion

Risk is considered as low.

1.19.6. Risk designation and specification

Low risk

1.19.7. Control measures and verifiers

N/A

1.20. CITES

CITES permits (the Convention on International Trade in Endangered Species of Wild Fauna and Flora, also known as the Washington Convention). Note that the indicator relates to legislation existing for the area under assessment (and not e.g., the area from which CITES species are imported).

1.20.1. Applicable laws and regulations

- (1) Administrative regulations of Russian federal service for supervision of natural resources management related to CITES convention. Available at: https://www.mnr.gov.ru/upload/iblock/7cb/2221_reg_sit.doc [word doc.]
- (2) Federal Law 52-FZ "Wildlife protection". Available at: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=146079>
- (3) Federal Law 7-FZ "Environment protection". Available at: http://www.consultant.ru/document/cons_doc_LAW_166326/
- (4) Federal Law 101-FZ "International agreements of Russian Federation". Available at: http://www.consultant.ru/document/cons_doc_LAW_160092/

1.20.2. Legal authority

- Administrative body of CITES in Russia (Russian Federal service for supervision of natural resources management, Rosprirodnadzor)

1.20.3. Legally required documents or records

- Customs declaration
- CITES license

1.20.4. Sources of information

Non-Government sources

- Cites.org (n.d.). Website of CITES (Convention on International Trade in Endangered species of Wild Fauna and Flora). [online]. Available at: <http://www.cites.org/> [Accessed 30 November 2016]
- Cites.org (n.d.). Checklist of CITES species. [online]. Available at: http://checklist.cites.org/#/en/search/country_ids%5B%5D=208&output_layout=alphabetical&level_of_listing=0&show_synonyms=1&show_author=0&show_english=1&show_spanish=1&show_french=1&scientific_name=plantae&page=1&per_page=20 [Accessed 30 November 2016]
- NEPCon FSC audit report 1014 (unpublished)
- <http://www.lawlibrary.ru/article2243020.html>;

1.20.5. Risk determination

Overview of Legal Requirements

Legislation prohibits trafficking of CITES listed species and CITES certificates are needed for export. Currently there are four timber species growing in Russia on the CITES list (Manchurian Ash - *Fraxinus mandschurica*, Korean Pine - *Pinus koraiensis*, Mongolian oak - *Quercus mongolica*, Japanese Yew - *Taxus cuspidata*).

Description of risk

Enforcement is being strengthened. However, cases of timber exported under CITES certificates with unknown/unclear origin clearly shows that problems continue.

Risk conclusion

Due to general corruption in Russia this risk is considered as specified.

1.20.6. Risk designation and specification

Specified risk

1.20.7. Control measures and verifiers

- Copies of concession agreements and copies of sales agreements shall be available to confirm the origin of exported CITES species back to the forest of harvest.
- Consultation with customs.

1.21. Legislation requiring due diligence/due care procedures

Legislation covering due diligence/due care procedures, including e.g. due diligence/due care systems, declaration obligations, and /or the keeping of trade related documents, legislation establishing procedures to prevent trade in illegally harvested timber and products derived from such timber, etc.

1.21.1. Applicable laws and regulations

N/A

No legislation on Due Diligence/Due Care procedures exists in relation to wood products.

1.21.2. Legal authority

N/A

1.21.3. Legally required documents or records

N/A

1.21.4. Sources of information

None

1.21.5. Risk determination

N/A

1.21.6. Risk designation and specification

N/A

1.21.7. Control measures and verifiers

N/A

Annex I. Timber source types

The table Timber Source Types in Russia identifies the different types of sources of timber it is possible to find in the country of origin.

'Timber Source Type' is a term used to describe the different legal sources of timber in a country, in order to allow a more detailed specification of risk. The Timber Source Type is used to clarify:

- which forest types timber can be sourced from legally;
- what the legal requirements are for each source type, and
- if there are risks related to certain source types and not others.

Timber Source Type can be defined by several different characteristics. It may be based on the actual type of forest (e.g. plantation or natural), or other attributes of forests such as ownership, management regime or legal land classification. In this context Timber Source Types are defined and discerned using the following characteristics:

- a. **Forest type** - refers to the type of forest such as plantation or natural tropical forest, or mixed temperate forest. Often the clearest differentiation is between natural forest and plantations.
- b. **Spatial scale (Region/Area)** - relating to meaningful divisions of a nation. However, in some cases the assessment may be carried out at national level where that allows the risk assessment to establish risk at a meaningful level. E.g. a small country with uniform legislation and a uniform level of risk in all areas of the country, as national level assessment may be enough. In case there are significant differences in the legal framework or legality risks between different types of ownership (e.g. public forest, private forest, industrial forest), between different type of forest (e.g. natural forest and plantations) and/or between different geographical regions the conformance risk evaluation shall specify these differences when specifying the risk and apply the appropriate control measures.
- c. **Legal land/forest classification** - refers to the legal classification of land. Focus is on land from where timber can be sourced, and this could entail a number of different legal categories such as e.g. permanent production forest, farm land, protected areas, etc.
- d. **Ownership** - Ownership of land may differ in a country and could be state, private, communal etc. Ownership of land obviously have impacts on how land can be managed and controlled.
- e. **Management regime** - Independently of the ownership of the land, the management of forest resources may differ between areas. Management may also be differentiated as private, state, communal or other relevant type.
- f. **License type** - Licenses may be issues to different entities with a range of underlying requirements for the licensee. A license might be issued on a limited area, limited period of time and have other restrictions and obligations. Examples could be a concession license, harvest permit, community forestry permit etc.

TIMBER SOURCE TYPES IN RUSSIA

Forest type	Region/Area	Legal Land Classification	Ownership	Management regime	License / Permit Type	Description of source type
Forest concession	National		The State	Private	Concession agreement and forest declaration <u>License Requirements:</u> Forest management plan for concession area	
Short-term forest management	National			Private	Sales contract <u>License Requirements:</u> Forest management plan for state forest management unit (Lesnichestvo)	



The mark of
responsible forestry

FSC™ A000535

This risk assessment has been developed with funding from FSC™. FSC is not otherwise associated with the project Supporting Legal Timber Trade. For risk assessment conducted according to the FSC-STD-40-005, ONLY entries (or information) that have been formally reviewed and approved by FSC and are marked as such (highlighted) can be considered conclusive and may be used by FSC candidate or certified companies in risk assessments and will meet the FSC standards without further verification. You can see the countries with approved risk assessment in the FSC document: FSC-PRO-60-002b V2-0 EN List of FSC-approved Controlled Wood documents 2015-11-04.

About

Supporting Legal Timber Trade

Supporting Legal Timber Trade is a joint project run by NEPCon with the aim of supporting timber-related companies in Europe with knowledge, tools and training in the requirements of the EU Timber Regulation. Knowing your timber's origin is not only good for the forests, but good for business. The joint project is funded by the LIFE programme of the European Union and UK aid from the UK government.



NEPCon (Nature Economy and People Connected) is an international, non-profit organisation that builds commitment and capacity for mainstreaming sustainability. Together with our partners, we foster solutions for safeguarding our natural resources and protecting our climate.

NEPCon | www.nepcon.org | info@nepcon.org
FSC™ A000535 | PEFC/09-44-02 |