

# Timber Legality Risk Assessment European Part of Russia

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COUNTRY RISK  
ASSESSMENTS



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# STARK

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## A. Introduction

This Timber Legality Risk Assessment for the European Part of Russia provides an analysis of the risk of sourcing timber from areas of illegal harvesting and transport. Preferred by Nature has been working on risk assessments for timber legality, in partnership with a number of organisations, since 2007.

### Version history of Risk Assessment for Russia

Timber Legality Risk Assessment - Russia,  
Version 1.1:

Published May 2017

Timber Legality Risk Assessment – European Part of Russia  
Version 1.0:

Published 2 December 2021

### Overview of methodology

Preferred by Nature would like to recognise the huge contribution our consultants working in the Russian Federation have performed in connection with this report. Their involvement has been invaluable to obtain the latest information available across the broad range of timber legality issues presented in this report. Preferred by Nature's country risks assessments are by definition always evolving, and by retaining local experts we are confident the advice expressed in this report is truthful and reliable.

The risk assessments are developed in collaboration with local forest legality experts and use an assessment methodology jointly developed by FSC and Preferred by Nature. A detailed description of the methodology can be found on the [Preferred by Nature Sourcing Hub](#).

### Interviews with experts

The list of experts is not included in the risk assessment. However, all experts are known to Preferred by Nature.

Discussions with various experts was conducted within the period of December 2020 – February 2021. The output from these discussions have contributed to the development of the Timber Legality Risk Assessment for the European Part of Russia.

### Public consultation

Online public consultation on the Sourcing Hub: 29 October - 29 November 2021

## Overview of legality risks

This report contains an evaluation of the risk of illegality in the European Part of Russia for 5 categories and 21 sub-categories of law. We found:

- **Specified risk for 11 sub-categories.**
- **Low risk for 8 sub-categories.**
- **No legal requirements for 2 sub-categories.**

The key legality risks identified in this report concern timber harvesting activities related to Legal rights to harvest, Taxes and Fees, Timber Harvesting Activities and Trade and Transport.

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

- Forest inventory is not carried out within deadlines established by law (1.3)
- Incompliance with legal requirements when planning and conducting salvage logging (1.3)
- Lack of valid or any harvesting permits (1.4)
- Risk of corruption when procuring timber via State assignment (1.4)

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

- Concession fees for forest concessions are not paid on time (1.5)

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

- Violation of relevant harvesting regulations (1.8).
- Unclear boundaries and lack of classification of specially protected natural areas (OOPT) leading to allocation of harvesting rights in protected areas (1.9)
- Rare species of wood could be harvested or damaged (1.9)
- Damage of Cultural Heritage Sites (1.9)
- Risks related to buffer zones along waterways
  - Not allocated
  - Not mapped or do not follow allocation requirements or size
  - Lack approval from Federal Agency for Fishery
- Risk of waste being left in the forest or transported without correct documentation. (1.10)
- Violation of the legislation on land revegetation (1.10)
- Violation of health and safety regulations (1.11)
- Violation of the legal requirements related to labor contracts when hiring, civil law contracts, payments of illegal wages (1.12)

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

- Risk that legal right to preserve and protect the traditional land may be violated (1.15)

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

- Risk that roundwood and sawn timber sales are not declared in the Unified State Automated Information System for Timber Accounting and Associated Transactions (EFAIC/EGAIS) (1.17)
- Lack of transport documents (applicable to road and water transport) (1.17)
- Transportation of timber from quarantine phytosanitary zones without a valid certificate (1.17)
- Risk of timber export bypassing official customs checkpoints (1.19)

## Timber source types and risks

There are 4 main 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 analyzed the risks for all of these source types and found that the risk differs slightly for timber from private forests.

### Concession

#### Long term use

Areas leased out under a Forest Concession Agreement. The timber harvested on such areas is the property of the lessee. Lease term from 10 to 49 years.

### Short term use

#### Short term use

Valid up to one year. There are three types of Short term use (see below), depending on main purpose of harvesting and actors involved. The harvested timber can be sold commercially, regardless of whether it has been harvested for the main purpose of commercial harvesting, or for protection and regeneration of forests.

- 1) Forest stands assigned to legal entities or individual entrepreneurs by state authorities for harvesting under a **Forest Stands Purchase Agreement**.
- 2) **State contract**. Grounds for Forest Stands Purchase Agreement is a State Contract for the Performance of Work on Guard, Protection, and Regeneration of Forests (hereinafter – State Contract).  
State contracts are legal relationship arising between the Government and legal entities or individual entrepreneurs. These are regulated by the Federal Law of 05.04.2013 N 44-FZ.
- 3) **State assignment**. Grounds for Forest Stands Purchase Agreement is a State Assignment for the Performance of Work on Guard, Protection, and Regeneration of Forests (hereinafter – State Assignment).  
State Assignments are legal relationship arising between the founder (Government) and subordinate institutions. Funds for this assignment are subsidies. These amounts are provided in accordance with the Resolution of the Government of the Russian Federation of 02.09.2010 N 671

Land management rights are not allocated under these permits.

The timber becomes the property of the permit holder in accordance with the terms of the Forest Stands Purchase Agreement.

### Rosimushestvo

#### Rosimushestvo (Federal Property Management Agency)

Forest areas assigned for the use of forests under the Forest Concession Agreement for the purposes of:

- 1) performance of work on geological study of subsoil, development of mineral deposits;
- 2) construction and operation of reservoirs and other artificial water bodies, as well as hydraulic structures and specialized ports;



- 3) construction, reconstruction, operation of power transmission lines, communication lines, roads, pipelines and other linear objects;
- 4) processing of timber and other forest resources (for example, construction of a sawmill).

The main purpose is not for harvesting, but in some cases, timber harvesting is allowed when carrying out works related to the construction, reconstruction and operation of linear facilities without allocation of forest areas. In this case, timber harvesting can be carried out both with and without the registration of an easement. If an easement has been registered, the same permits as for concession shall be in place. In case harvesting is carried without the registration of an easement, no harvesting permits are required by the legislation.

Timber is harvested by contractors and remains the property of the state (Federal Property Management Agency (Rosimushchestvo))

The timber is sold under a Timber Purchase Agreement between the Federal Property Management Agency and buyer.

**Permanent (unlimited) use**    **Permanent (unlimited) use**

Forest areas are assigned for an indefinite period on the basis of a **Permanent (Unlimited) Use Agreement** between the Prison Service and an executive authority with a constituent entity of the Russian Federation.

The timber harvested in such areas is the property of the Prison Service.

**Note on agricultural lands:** There are issues related the legal status of forests growth on agricultural lands. To address these issues, several steps have been taken over the past few years, including a special article introduced into the Forest Code of the Russian Federation (article 123 - Forests on Agricultural Lands) and instructions of the President of the Russian Federation to the Government of the Russian Federation (in September 2013, in December 2018 and in January 2020). The instructions cover several issues, including the use of agricultural land and the possibility to open up for all types of forest use on agricultural lands, without the need to change category and ownership of the land. However, this has not solved the situation as Article 78 of the Land Code of the Russian Federation and the Classifier of the types of permitted use of land plots do not allow the use of abandoned agricultural land for forestry, as well as the Decree of the Government of the Russian Federation of April 23, 2012 No. 369, considering the presence of forest as a sign of non-use of agricultural land for its intended purpose. The established practice of Rosselkhoznadzor, regional and municipal land supervision authorities and other departments includes regular (several thousand cases per year) punishment of land owners for the presence of "unauthorized" forest on these sites.

This table summarizes the findings of the timber legality risk assessment by source type.

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



## B. Overview of the forest sector in the European part of Russia

### Scope

The scope of the Timber Legality Risk Assessment includes the Central Federal District and the Northwestern Federal District of the Russian Federation.



The **Central Federal District** includes 18 constituent entities of the Russian Federation: Belgorod, Bryansk, Vladimir, Voronezh, Ivanovsk, Kaluga, Kostroma, Kursk, Lipetsk, Moscow, Oryol, Ryazan, Smolensk, Tambov, Tver, Tula, Yaroslavl regions and the city of Moscow.

The territory of the district is 650 205 km<sup>2</sup> or 3.8% of the territory of the Russian Federation. It is home to 39.43 million people (about 27% of the total population of the Russian Federation).

The Central Federal District is located on the East European Plain, in general, the territory of the district can be considered flat, the highest point is 347 m. The climate throughout the Central Federal District is moderately continental. The territory of the district is located in the zone of mixed and deciduous forests, steppe, and forest-steppe.

The Central Federal District accounts for about 8% of the Annual Allowable Cut (AAC) in Russia. The key activity of the timber sector of the Central Federal District is the production of high value added products: plywood, wood-based panels, furniture.

The **Northwestern Federal District** includes 11 constituent entities of the Russian Federation: Arkhangelsk, Vologda, Kaliningrad, Leningrad, Murmansk, Novgorod, Pskov regions, the Nenets Autonomous District, the Republic of Karelia, the Komi Republic, the city of St. Petersburg.

The territory of the district is 1 686 972 km<sup>2</sup> or 9.85% of the territory of the Russian Federation. The population of the district is 13.98 million people (9.53% of the population of Russia).

The district is located in the northern part of the East European Plain. A characteristic feature of the district's relief is a combination of flat areas with peaks in the western part and the northeast with heights of about 1000-1500 m.

The climate in the northern regions of the Northwestern Federal District is subarctic, in the southern ones it is temperate.

The territory of the district is located in the zone of mixed forests, taiga, forest-tundra, and tundra.

More than 17% of the AAC of Russia is concentrated in the Northwestern Federal District. The forestry complex of the Northwestern Federal District is represented by a full range of industries: logging, pulp, and paper industry, production of wood-based panels, and furniture.

### **Ownership and use of the forest resources**

Forest areas within the lands of the Forest Estate are in state ownership. The concept of a forest is defined as an ecological system or as a natural resource, and, based on this, the use, guard, protection, reproduction of forests is carried out. A forest area is a land plot that is located within the boundaries of a Forest District and is formed in accordance with the requirements of land legislation and the Forest Code.

For forest areas within the lands of the Forest Estate, the following rights of its use are established:

- the right to permanent (unlimited) use of the forest area;
- the right to use free of charge;
- the right to lease (concession).

Forest legislation regulates forest relations, and property relations related to the circulation of forest areas, forest stands, timber, and other harvested forest resources are regulated by civil legislation, as well as by the Land Code of the Russian Federation. Thus, property relations in the Forest Code of the Russian Federation are based on the concept of forest areas as land plots.

The rights to land, including the lands of the Forest Estate, are subject to state registration in accordance with the Federal Law on State Registration of Real Estate. The right to real estate (land plots) is entered into the Unified State Register of Real Estate.

The use of forests is carried out with or without the assignment of a forest area, with or without the establishment of an easement, a public easement, with or without the harvesting of forest resources. The Forest Code defines 16 types of forest use, for example, harvesting of timber, resin, harvesting and collecting non-timber forest resources, farming, hunting, carrying out religious activities, etc.

### **Forest management**

The authorized federal executive authority is the Federal Forestry Agency (Rosleskhoz), which is under the jurisdiction of the Ministry of Natural Resources and Environment of the Russian Federation.

The Federal Forestry Agency carries out its activities directly, through its territorial bodies and subordinate organizations in cooperation with other federal executive authorities, executive authorities of the Constituent Entities of the Russian Federation, local self-government authorities, public associations, and other organizations.

The main territorial units of management in the field of use, guard, protection, reproduction of forests are Forest Districts, as well as Forest Subdistricts, which can be created as part of Forest Districts.

Nº	Level	Authority
1	Russian Federation	The Federal Forestry Agency
2	Federal district	The Forestry Department
3	Constituent Entity of the Russian Federation	The executive authority of a Constituent Entity of the Russian Federation in the field of forestry (for example, the Ministry of Forestry, Department, etc.)
4	Forest District	Authority of a Forest District

Forest legislation regulates the use, guard, protection, and regeneration of forests and afforestation (forest relations). In accordance with the Constitution of the Russian Federation, the forest legislation of the Russian Federation is under the joint jurisdiction of the Russian Federation and the Constituent Entities of the Russian Federation. Forest legislation consists of the Forest Code, other federal laws, and laws of the Constituent Entities of the Russian Federation adopted in accordance with them. The main federal laws that are relevant to forests:

- Land Code;
- Civil Code;
- Tax Code;
- On the Transfer of Land or Land Plots from One Category to Another;
- On the Wildlife;
- On Environment Protection;
- On the Specially Protected Nature Areas; and others.

On the basis of and in pursuance of the Forest Code of the Russian Federation, the Government of the Russian Federation issued by-laws such as:

- Rules for Timber Harvesting and the Specifics of Timber Harvesting in Forest Districts Specified in Article 23 of the Forest Code of the Russian Federation;
- Types of Logging Operations, the Order and Sequence of their Implementation, the Form of the Technological Map of Logging Operations, the Form of the Report of the Inspection of the Cutting Area and the Procedure for the Inspection of the Cutting Area;
- Rules of Reforestation, Content of a Reforestation Plan, Procedure of its Development and Modification;
- Rules for the Care of Forests;
- Rules of Sanitary Safety in Forests;
- Rules of Fire Safety in Forests; and others.

The planning of measures for the use, guard, and protection of forests is carried out for each Constituent Entity of the Russian Federation on the basis of a Forest Management Plan of a Constituent Entity (Forest Plan). On the basis of the Forest Management Plan of the Constituent Entity of the Russian Federation, a Forest District Management Plan is developed for each Forest District. On the basis of the Forest District Management Plan, Forest Concession Management Plans are developed for each leased forest area (concession).

## Classification of forests

Forests located on the lands of the Forest Estate are divided into the following types:

- Protective forests;
- Commercial forests;
- Reserve forests.

Commercial forests are subject to development for sustainable, maximum efficient production of high-quality timber and other forest resources, products of their processing while ensuring the preservation of the useful functions of forests. In commercial forests, it is allowed to carry out all types of forest use provided for by the Forest Code.

Protective forests include forests that are of particular value, and in respect of which a special legal framework for the use, guard, protection, reproduction of forests is established. Protective forests are subject to development in order to preserve the environment-forming, water-protective, protective, sanitary-hygienic, recreational, and other useful functions of forests with the simultaneous use of forests for economic purposes, provided that this use is compatible with the intended purpose of the protective forests and the useful functions they perform. In protective forests, it is prohibited to carry out activities incompatible with their intended purpose and useful functions.

The following categories of protective forests are distinguished:

- 1) forests located in specially protected natural areas;
- 2) forests located in water protection zones;
- 3) forests that perform the functions of protecting natural and other objects;
- 4) valuable forests;
- 5) urban forests.

Reserve forests include forests in which timber harvesting is not planned for twenty years. It is allowed to use reserve forests without cutting forest stands. Cutting of forest stands in reserve forests is allowed after they have been assigned to commercial forests or protective forests, except for cases of felling of forest stands in reserve forests when performing work on a geological study of subsoil resources and wood harvesting by citizens for their own needs.

According to the Federal State Agency website for 2020, the share of protective forests in the Russian Federation is 24.9%, commercial – 51.9%, reserve – 23.2%.

## How timber harvesting is regulated

Timber harvesting in forests is planned based on its intended purpose. In protective forests, harvesting is planned in order to preserve the environment-forming, water-protective, protective, sanitary-hygienic, recreational, and other useful functions of forests with the simultaneous use of forests, provided that this use is compatible with the intended purpose of protective forests and the useful functions they perform. In commercial forests – in order to meet the market demand for timber - the AAC of timber harvesting is established for each Forest District based on the availability of forests for different purposes, ages, species, geographical location, conditions of growing places.

Harvesting is planned in young stands, middle-aged stands (forest care), and felling of mature and over-mature stands. It is prohibited to harvest timber in an amount exceeding the size of the AAC. The purpose of planning is to achieve the optimal distribution of age groups of stands to ensure the uniform use of forest areas for a long-term period, to improve the species and quality composition of stands.

The AAC, alongside other target figures as part of the Forest District Management Plan of the Forest District, undergoes a state examination with the participation of interested parties and is approved by the executive authority of the constituent entity of the Russian Federation for 10 years.

The planning of the volumes of timber harvesting in forest areas assigned for long-term use for timber harvesting is also carried out. The sum of the volumes to be harvested under long-term use shall not exceed the AAC for the region.

Authority of a Forest District controls the assignment (allotment) of forest areas to felling for compliance with planning documents for the location, area, and volume of timber. After felling, users report on the harvested volumes of timber, each site where harvesting was carried out is inspected by the Authority of a Forest District for compliance with planning documents and regulatory requirements. All information about the volumes of allocated (planned for felling), harvested timber is placed in the Unified State Automated Information System (EGAIS), the operator of which is The Federal Forestry Agency.

### **Changes in the Russian legal framework**

The legal framework covering forestry are currently being updated and the process is expected to continue over the next couple of years. This means that legal requirements are expected to change. This risk assessment has covered legislation up until February 2021. Some minor changes have occurred between February-October 2021, but the risk conclusions of this report are to our knowledge accurate as of the date of publication.

One significant current change concerns timber accounting and transactions. Until July 2021, companies and individual entrepreneurs created accompanying transport documents and reports on the forest use in the Unified State Automated Information System for Timber Accounting and Associated Transactions (EGAIS) (<https://lesegaais.ru/>). It should be noted that from July 2021 to January 2023, some of documents must be submitted electronically through the State Services Portal or EGAIS. This applies to forest declarations, reports on the use and protection of forests from fires. Currently, companies and individual entrepreneurs have the right to prepare and submit most of the documents on paper. In the future, this possibility will be excluded (please see a link to the Federal Law of 04.02.2021 N 3-FZ below).

New regulations will also affect the storage and processing of wood. From July 2021 to January 2023, storage of wood after its removal from the cutting area, as a general rule, will be allowed only in warehouses, information about which was entered into the EGAIS. Processing will be possible only at the facilities specified in this system.

At the time of risk assessment, there is no practice of law enforcement for the newly introduced requirements.

### Sources relevant to the introduction

- Forest Code of the Russian Federation of 04.12.2006 N 200-FZ. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_64299/](http://www.consultant.ru/document/cons_doc_LAW_64299/)  
[Accessed 13 June 2021]
- Open Data. The Federal Forestry Agency official website. Available at: <http://rosleshoz.gov.ru/opendata>  
[Accessed 13 June 2021]
- Forests of Russia. Official website of The Federal Forestry Agency and FSBI «Roslesinform». Available at: <https://roslesinform.ru/atlas>  
[Accessed 13 June 2021]
- Federal Law of 04.02.2021 N 3-FZ (last edition) on Amendments to the Forest Code of the Russian Federation and Certain Legislative Acts of the Russian Federation in Terms of Improving the Legal Regulation of Forest Relations. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_375977/](http://www.consultant.ru/document/cons_doc_LAW_375977/)  
[Accessed 14 October 2021]

## C. Legality Risk Assessment

LEGAL RIGHTS TO HARVEST
<p><b>1.1. Land tenure and management rights</b></p> <p><i>Legislation covering land tenure rights, including customary land rights as well as management rights that include the use of legal methods to obtain tenure rights and management rights.</i></p> <p><i>Management rights related to other rights than land and land management is covered under 1.13 (Customary rights) and 1.15 (Indigenous/traditional people's rights)</i></p> <p><i>This indicator also covers legal forest management business registration and tax registration, including relevant legal required licenses. The 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. 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</i></p>
<p><b>1.1.1. Applicable laws and regulations</b></p> <ol style="list-style-type: none"> <li>1) Constitution of the Russian Federation (adopted by public vote on 12.12.1993 with amendments approved in an all-Russian vote on 01.07.2020). Articles 8, 9. Available at: <a href="http://www.consultant.ru/document/cons_doc_LAW_28399/">http://www.consultant.ru/document/cons_doc_LAW_28399/</a></li> <li>2) Land Code of the Russian Federation of 25.10.2001 (N 136-FZ) (as amended on 30.12.2020) (with amendments and supplements entered into force on 10.01.2021). Articles 7-1, 16-18, 22-25. Available at: <a href="http://www.consultant.ru/document/cons_doc_LAW_33773/">http://www.consultant.ru/document/cons_doc_LAW_33773/</a></li> <li>3) Forest Code of the Russian Federation of 04.12.2006 N 200-FZ (as amended on 30.04.2021). Articles 3, 4, 6, 6.1, 7, 8, 43-46. Available at: <a href="http://www.consultant.ru/document/cons_doc_LAW_64299/">http://www.consultant.ru/document/cons_doc_LAW_64299/</a></li> <li>4) Federal Law on State Registration of Immovable Property of 13.07.2015 N 218-FZ (as amended on 30.12.2020) (with amendments and supplements entered into force on 10.01.2021). Articles 2, 3, 7-13, 14. Available at: <a href="http://www.consultant.ru/document/cons_doc_LAW_182661/">http://www.consultant.ru/document/cons_doc_LAW_182661/</a></li> <li>5) Civil Code of the Russian Federation (Part One) of 30.11.1994 N 51-FZ (as amended on 08.12.2020). Articles 23, 48, 50, 51. Available at: <a href="http://www.consultant.ru/document/cons_doc_LAW_5142/">http://www.consultant.ru/document/cons_doc_LAW_5142/</a></li> <li>6) Order of the Ministry of Natural Resources of 27.07.2020 N 488 validating the Model Standing-Timber Sales Contract (Registered with the Ministry of Justice of Russia on 07.12.2020 N 61294). Available at: <a href="http://www.consultant.ru/document/cons_doc_LAW_370025/">http://www.consultant.ru/document/cons_doc_LAW_370025/</a></li> <li>7) Federal Law of 08.08.2001 N 129-FZ (as amended on 27.10.2020) on State Registration of Legal Entities and Individual Entrepreneurs. Articles 8, 23. Available at: <a href="http://www.consultant.ru/document/cons_doc_LAW_32881/">http://www.consultant.ru/document/cons_doc_LAW_32881/</a></li> </ol>



- 8) Order of the Ministry of Finance of the Russian Federation of 30.10.2017 N 165n (as amended on 19.10.2020) validating the Procedure for Maintaining the Unified State Register of Legal Entities and the Unified State Register of Individual Entrepreneurs, Making Corrections to the Information Included in the Records of the Unified State Register of Legal Entities and the Unified State Register of Individual Entrepreneurs on Electronic Media that Do Not Correspond to the Information Contained in the Documents on the Basis of Which Such Entries Were Made (Correction of a Technical Error), and on the Recognition as Invalid of the Order of the Ministry of Finance of the Russian Federation of 18.02.2015 N 25n (Registered with the Ministry of Justice Russia 16.01.2018 N 49645). Article 1. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_288080/](http://www.consultant.ru/document/cons_doc_LAW_288080/)
- 9) Tax Code of the Russian Federation (Part One) of 31.07.1998 N 146-FZ (as amended on 23.11.2020) (with amendments and supplements entered into force on 01.01.2021). Articles 11, 30, 82, 83. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_19671/](http://www.consultant.ru/document/cons_doc_LAW_19671/)
- 10) Resolution of the Government of the Russian Federation of 01.06.2009 N 457 (as amended on 28.12.2020) On the Federal Service for State Registration, Cadastre and Cartography (together with the Regulations on the Federal Service for State Registration, Cadastre and Cartography). Article 1. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_88583/](http://www.consultant.ru/document/cons_doc_LAW_88583/)

#### **1.1.2. Legal authority**

- The relevant legal authority and the names used for the authorities will differ between each of the constituent entities of the Russian Federation in question (i.e. Federal Forestry Agency, Forestry Department, Ministry of Forestry, Authority of a Forest District, etc.).
- The Federal Service for State Registration, Cadastre, and Cartography (Rosreestr) is a federal executive body responsible for state registration of rights to real estate and transactions with it, for conducting state cadastral registration of real estate.
- The Federal Tax Service and its territorial bodies.

#### **1.1.3. Legally required documents or records**

- Record in the Unified State Register of Legal Entities or Individual Entrepreneurs.
- Certificate of state registration.
- Certificate of tax registration.
- Record in the Unified State Register of Real Estate.
- Lease, purchase, permanent (unlimited) use, or free use agreement, issued in accordance with applicable legislation.
- Plot's acceptance and transfer certificate, issued in accordance with the annexes to the agreements (Lease, purchase, permanent (unlimited) use, or free use agreement).

#### **1.1.4. Sources of information**

#### *Government sources*

- 1) The Federal Service for State Registration, Cadastre, and Cartography (Rosreestr) website. Available at: <https://rosreestr.gov.ru/site/>
- 2) Disclosure from Unified State Register of Legal Entities and Individual Entrepreneurs. Available at <https://egrul.nalog.ru/index.html>
- 3) Stakeholder consultations with forest authorities

#### **1.1.5. Risk determination**

##### *Overview of legal requirements*

##### **Legal requirements for the registration of legal entities and individual entrepreneurs**

To carry out commercial activities, legal entities and individual entrepreneurs are subject to state registration with an authorized state body (Federal Tax Service of Russia) in the manner prescribed by the law on state registration of legal entities (Applicable laws and regulations – 7). The concept of a legal entity is given in the provisions of Articles 48 and 50 of the Civil Code of the Russian Federation (Applicable laws and regulations – 5) and Article 11 of the Tax Code of the Russian Federation (Applicable laws and regulations – 9). The concept of an individual entrepreneur is given in Article 23 of the Civil Code of the Russian Federation and Article 11 of the Tax Code of the Russian Federation.

Data on state registration are included in the Unified State Register of Legal Entities and Individual Entrepreneurs. Data from the register are publicly available at <https://egrul.nalog.ru/index.html>.

Legal entities and individual entrepreneurs are subject to registration with tax authorities (Federal Tax Service) for the purpose of paying taxes. The tax authorities (Federal tax Service) and its territorial bodies constitute a single centralized system for monitoring compliance with the legislation on taxes and fees, for the correctness of calculation, completeness, and timeliness of payment (transfer) to the budget system of the Russian Federation (Articles 30, 82, 83 of the Tax Code of the Russian Federation).

##### **Legislation requirements on land tenure and land use**

Land tenure and land use issues are reflected in the Constitution of the Russian Federation (Applicable Laws and regulations – 1). In more detail, the provisions of the Constitution of the Russian Federation are developed by the Land Code of the Russian Federation (Applicable laws and regulations – 2) and Chapter 17 of the Civil Code of the Russian Federation (Applicable laws and regulations – 5) and specialized federal laws, in particular the Forest Code of the Russian Federation (Applicable laws and regulations – 3).

The Land Code of the Russian Federation provides for the division of land into the following categories:

- Agricultural lands;
- Lands of settlements;
- Lands for industry, energy, transport, communications, radio broadcasting, television, informatics, land for space activities, land for defense, security, and land for other special purposes;
- Lands of specially protected areas and objects;
- Lands of the Forest Estate;
- Lands of the water fund;

- Reserve lands;
- Zones with special conditions for the use of territories.

For each category of land, the Civil Code of the Russian Federation, the Land Code of the Russian Federation and specialized federal laws establish the types of land tenure and land use and determine the procedure for obtaining the rights to own and use land.

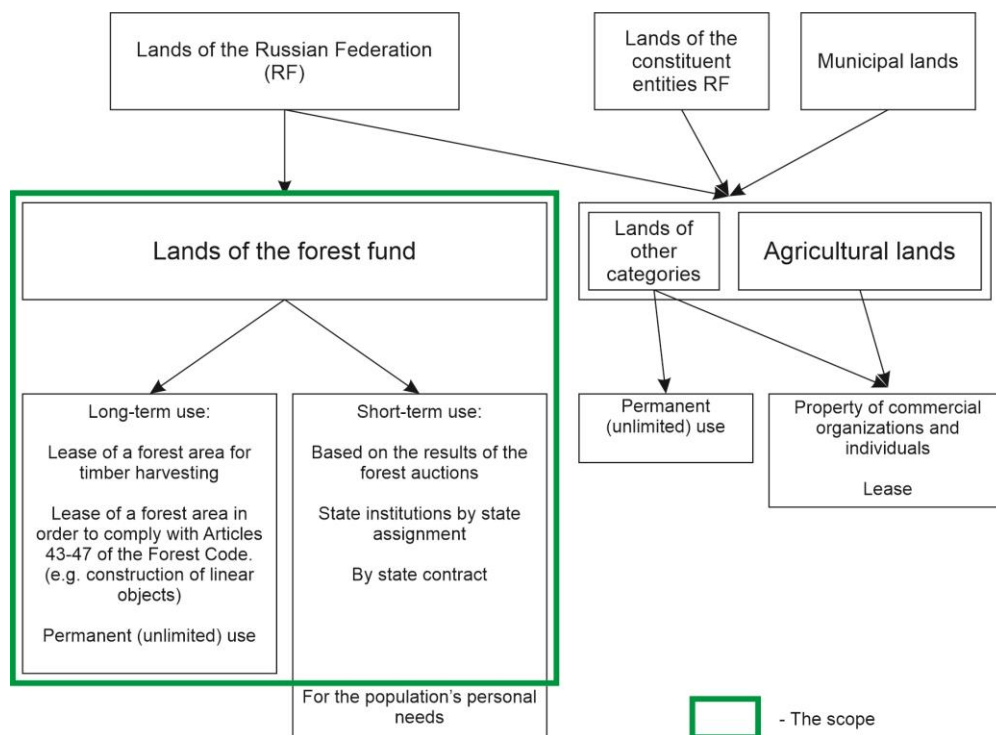
According to Chapter III of the Land Code of the Russian Federation, ownership of land plots may be:

- Citizens and legal entities;
- The Russian Federation;
- Constituent entities of the Russian Federation;
- Municipalities.

Chapter IV of the Land Code of the Russian Federation provides for the following types of use.

- Lease of land plots;
- The right to limited use of someone else's land plot (easement, public easement);
- Free use of land plots.

A diagram showing land tenure and land use rights for different land categories is provided below.



The risk assessment covers the lands of the Forest Estate, which are in federal ownership, and for which the following options for the use of forest areas are provided (Forest Code of the Russian Federation):

- Long term use
  - Permanent (unlimited) use;
  - Lease;

- Free use;
- Short term use
  - Forest stands purchase agreement;
  - State contract for the performance of work on guard, protection, and regeneration of forests

Rights to land plots, including those on the lands of the Forest Estate, are subject to state registration in accordance with the Federal Law "On State Registration of Real Estate". The right to land plots is entered into the Unified State Register of Real Estate. Each registered real estate has a unique cadastral number, assigned by Rosreestr (Applicable laws and regulations – 4).

On the Rosreestr website <https://rosreestr.ru/site/eservices/> there is a public cadastral map, which include the following information: cadastral number; address (in the case of a forest – Forest Districts, compartments); land category; area; permitted use, etc. On the Rosreestr website extracts from the Unified State Register of Real Estate can be request, which will contain more detailed information on the property.

According to the Land Code of the Russian Federation, contracts for lease of a land plot, sublease of a land plot, free use of a land plot, concluded for a period of less than one year, are not subject to state registration. At the same time, for cases of short-term use of land plots on the lands of the Forest Estate, it is required to issue purchase agreements, where the cadastral numbers of the plots, areas, the name of the Forest Districts, the number of the compartment and allotment are indicated (Applicable laws and regulations – 3, 6).

#### *Description of risk*

#### **Description of the risk associated with registration and taxes**

In Russia, the registration of a legal entity and a person as an individual entrepreneur takes place together with tax registration. Information on the fact of registration of legal entities and individual entrepreneurs is publicly available on the website of the Federal Tax Service <https://egrul.nalog.ru/index.html>.

For all assessed types of timber sources, the state is the owner of the forest. A prerequisite before concluding an agreement is to check the fact of registration and payment of taxes (see additionally the review of legislation on indicators 1.2 and 1.4).

#### **Land use risk description**

Analysis of legislation and practice of law enforcement showed that the Russian legislation defines the rights to own and manage land plots. In accordance with the requirements of the legislation, a publicly available database has been created and is functioning with information on the location, boundaries and types of use of forest areas transferred for long-term use for lease <https://rosreestr.ru/site/eservices/>.

The legislation provides for a system of control over ensuring the legality of rights to own and manage land plots. Control is exercised by executive authorities in the field of forestry relations. For example, when a forest user submits a declaration for timber harvesting, or when issuing an act of acceptance of a felling site by authorities after harvesting is finished the boundaries and land use rights are verified before and after harvesting.

Despite the fact that the CPI for Russia is 30, media analysis and consultations with stakeholders during October-December 2020, showed that there is no information on

violations of legislation in the field of tenure and management rights to land plots. Forest boundaries are well in place, and no large-scale conflicts on land rights and overlapping boundaries were identified.

#### *Risk Conclusion*

For this indicator, based on the results of the assessment, a low risk was identified for all forest source types. The revealed laws are being followed. A multi-level transparent control system excludes cases of violation of the law.

#### **1.1.6. Risk designation and specification**

All sources types: Low risk

#### **1.1.7. Control measures and verifiers**

N/A

## **1.2. Concession licenses**

*Legislation regulating procedures for the issuing of forest concession licenses, including the 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) Forest Code of the Russian Federation of 04.12.2006 N 200-FZ (as amended on 30.04.2021). Articles 4, 6.1, 7, 8, 20, 22, 28, 29, 50; Chapter 6 (Articles 71-74.4); Chapter 7 (Articles 75-77.1); Chapter 8 (Articles 78-80.2). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_64299/](http://www.consultant.ru/document/cons_doc_LAW_64299/)
- 2) Federal Law on Investment Activities in the Russian Federation, in Form of Capital Investments of 25.02.1999 N 39-FZ (as amended on 08.12.2020). Articles Chapter 3 (Articles 11-14), Chapter 5 (Articles 19, 20). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_22142/](http://www.consultant.ru/document/cons_doc_LAW_22142/)
- 3) Resolution of the Government of the Russian Federation of 23.02.2018 N 190 (as amended on 28.05.2020) on Priority Investment Projects in Forest Management and on Modification and Recognizing as Having Lost Force of Some Governmental Acts (with Provision on Preparation and Endorsement of the List of Priority Investment Projects in Forest Management). Articles 2, 5, 7-10, 16, 19, 25. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_291691/](http://www.consultant.ru/document/cons_doc_LAW_291691/)
- 4) Federal Law of 26.07.2006 N 135-FZ (as amended on 11.06.2021) on Protection of Competition. Chapter 2.1 (Articles 14.1-14.8), Chapter 7 (Articles 26.1-35), Articles 17, 17.1. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_61763/](http://www.consultant.ru/document/cons_doc_LAW_61763/)

- 5) Order of the Ministry of Natural Resources of 30.07.2020 N 542 validating the Model Contract of Lease of Forest Sites (Registered with the Ministry of Justice of Russia on 07.12.2020 N 61320). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_370142/](http://www.consultant.ru/document/cons_doc_LAW_370142/)
- 6) Order of the Ministry of Natural Resources of 10.07.2020 N 435 validating the Model Contract of Free Use of Forest Sites (Registered with the Ministry of Justice of Russia on 23.11.2020 N 61060). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_368722/](http://www.consultant.ru/document/cons_doc_LAW_368722/)
- 7) Resolution of the Government of the Russian Federation of 27.11.2014 N 1261 validating the Provision on Sales of Standing Timber for Harvesting of Wood in Procurement of Activities on Guard, Protection and Regeneration of Forests. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_171565/](http://www.consultant.ru/document/cons_doc_LAW_171565/)
- 8) Resolution of the Government of the Russian Federation of 07.03.2019 N 241 validating the Rules of Assessment of Call for Tender of Bidders on the Right to Conclude Forest Sites Lease Contract, Under the State or Municipal Property, for Harvesting of Wood and Criteria, Based on Which an Assessment of Proposed Terms and determination of the Winner of Tender on the Right to Conclude Forest Sites Lease Contract, Under the State or Municipal Property for Harvesting of Wood. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_319791/](http://www.consultant.ru/document/cons_doc_LAW_319791/)
- 9) Land Code of the Russian Federation of 25.10.2001 N 136-FZ (as amended on 30.12.2020) (with amendments and supplements entered into force on 10.01.2021). Chapter V.1 (Articles 39.1-39.17). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_33773/](http://www.consultant.ru/document/cons_doc_LAW_33773/)
- 10) Federal Law on Concession Licenses of 21.07.2005 N 115-FZ (as amended on 08.12.2020) (with amendments and supplements entered into force on 19.12.2020). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_54572/](http://www.consultant.ru/document/cons_doc_LAW_54572/)
- 11) Civil Code of the Russian Federation (Part One) of 30.11.1994 N 51-FZ (as amended on 08.12.2020). Article 268. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_5142/](http://www.consultant.ru/document/cons_doc_LAW_5142/)
- 12) Federal Law of 13.07.2015 N 218-FZ (as amended on 30.12.2020) on State Registration of Real Estate (with amendments and supplements entered into force on 10.01.2021). Article 14. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_182661/](http://www.consultant.ru/document/cons_doc_LAW_182661/)
- 13) Resolution of the Government of the Russian Federation of 26.06.2015 N 640 (as amended on 27.05.2021) On the Procedure for Forming a State Assignment For the Provision of Public Services (Performance of Work) in Relation to Federal State Institutions and Financial Support for the Implementation of a State Assignment (together With the State Assignment for the Provision of State Services (Performance of work) in Relation to Federal State Institutions and Financial Support for the Implementation of a State Assignment). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_181991/](http://www.consultant.ru/document/cons_doc_LAW_181991/)
- 14) Resolution of the Government of the Russian Federation of 10.09.2012 N 909 (as amended on 19.11.2020) On the Determination of the Official website of the Russian Federation in the Information and Telecommunications Network "Internet" for Posting Information on Bidding and Amendments to Some Acts of the Government of the Russian Federation. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_135278/](http://www.consultant.ru/document/cons_doc_LAW_135278/)

### 1.2.2. Legal authority

- The relevant legal authority and the names used for the authorities will differ between each of the constituent entities of the Russian Federation in question, e.g. state authorities of the Russian Federation, state authorities of constituent entities of the Russian Federation, local authorities, respectively, in particular:
  - Ministry of Industry and Trade of the Russian Federation (in relation to priority investment projects in the field of forest development);
  - Executive authorities at the level of the Constituent Entity of the Russian Federation in the field of forestry relations (for example, the Ministry of Forestry, Department, etc.)
  - Representatives of executive authorities at the level of Forest District – Authority of a Forest District.
- Federal Antimonopoly Service (FAS Russia).
- Federal Service for Financial Monitoring (Rosfinmonitoring).

### 1.2.3. Legally required documents or records

- Forest Concession Agreement
- A document confirming the transfer of a forest area on the basis of a permanent (unlimited) use or free use, issued in accordance with applicable legislation.
- Acts of acceptance and transfer of land plots, issued in accordance with annexes to agreements

### 1.2.4. Sources of information

#### *Government sources*

- 1) [www.fas.gov.ru](http://www.fas.gov.ru) (N.Y). Control of the auction. FAS Russia - Federal Antimonopoly Service of Russia. [Online]. Available at: <https://fas.gov.ru/spheres/22> [Accessed 17 January 2021]
- 2) [www.fedsfm.ru](http://www.fedsfm.ru) (N.Y). Activity. Rosfinmonitoring. Federal Service for Financial Monitoring. [Online]. Available at: <https://www.fedsfm.ru/activity> [Accessed 17 January 2021]
- 3) Database: The Unified State Automated Information System for Timber Accounting and Associated Transactions. Open data. Federal Forestry Agency. [Online]. Available at: <https://lesega.ru/open-area/deal> [Accessed 21 January 2021]
- 4) Database: Card file of arbitration cases. Electronic justice. Card file of arbitration cases. [Online]. Available at: <https://kad.arbitr.ru/> [Accessed 22 January 2021]
- 5) Nikolay Petrov (2016). Features of the forestry business in the Leningrad region (30.10.2016). Federal Antimonopoly Service of Russia. [Online]. Available at: <https://lenobl.fas.gov.ru/publications/13163> [Accessed 17 January 2021]
- 6) Database: Arbitration courts of the Russian Federation. Judicial and regulatory acts of the Russian Federation. [Online]. Available at: [https://sudact.ru/arbitral/?arbitral-txt=&arbitral-date\\_from=&arbitral-date\\_to=](https://sudact.ru/arbitral/?arbitral-txt=&arbitral-date_from=&arbitral-date_to=) [Accessed 21 January 2021]



### *Non-Government sources*

- 1) Internet newspaper NOVGOROD (2020). Violations in logging were revealed by the prosecutor's office, the Novgorod governor was presented with a submission (13.02.2020). Internet newspaper NOVGOROD. [Online]. Available at: <https://gazetanovgorod.ru/novosti/20841-narusheniya-v-lesozagotovkakh-vyyavila-prokuratura-novgorodskomu-gubernatoru-vneseno-predstavlenie.html> [Accessed 16 January 2021]
- 2) For antimonopoly reform! (2019). The Supreme Court confirmed the FAS case against the Pskov recreation center, which received a forest plot without bidding (30.07.2019). For antimonopoly reform!. [Online]. Available at: <https://nationalinterest.ru/news/verhovnyj-sud-podtverdil-delo-fas-protiv-pskovskoj-bazy-otdyha-poluchivshej-lesnoj-uchastok-bez-torgov/> [Accessed 16 January 2021]
- 3) Marina Chernova (2020). In the Vologda region, the investigation of a high-profile case of corruption of officials in the forestry sector has been completed (18.05.2020). Information portal To the Point. [Online]. Available at: [https://xn--b1aqxu.xn--p1ai/articles/detective%20on%20the%20case/v\\_vologodskoy\\_oblasti\\_zavershilos\\_gromkoe\\_delo\\_o\\_korrupsii\\_chinovnikov\\_v\\_sfere\\_lesnogo\\_kompleksa/](https://xn--b1aqxu.xn--p1ai/articles/detective%20on%20the%20case/v_vologodskoy_oblasti_zavershilos_gromkoe_delo_o_korrupsii_chinovnikov_v_sfere_lesnogo_kompleksa/) [Accessed 16 January 2021]
- 4) Regional socio-political newspaper Premier (2019). The Government of the Vologda Oblast admitted that 'disgrace' is going on during forest auctions (19.05.2019). Regional socio-political newspaper Premier. [Online]. Available at: <https://premier.region35.ru/news/pravitelstvo-vologodskoy-oblasti-priznalo-cto-pri-provedenii-lesnyh-aukcionov-tvoritsya> [Accessed 16 January 2021]
- 5) Rambler (2018). In the Tver region, the auction for the lease of 114 forest areas was invalidated 27.11.2018). Rambler. [Online]. Available at: <https://news.rambler.ru/fire/41338108-v-tverskoy-oblasti-auksion-po-arende-114-lesnyh-uchastkov-priznan-nedeystvitelnym/> [Accessed 17 January 2021]
- 6) ANO Center TI-R (2020). Russia in the Corruption Perceptions Index-2020: 30 points and 129th place (28.01.2020). ANO Center TI-R. [Online]. Available at: <https://transparency.org.ru/research/indeks-vospriyatiya-korrupsii/rossiya-v-indekse-vospriyatiya-korrupsii-2020-30-ballovo-i-129-mesto.html> [Accessed 21 February 2021]
- 7) FAO (2021). TimberLex – Russian Federation. [Online database]. Available at: <https://timberlex.apps.fao.org/>

### **1.2.5. Risk determination**

#### *Overview of Legal Requirements*

The following Source types in Russia are considered as concessions relevant for timber harvesting:

- Long term use (referred to as concessions)
- Permanent (unlimited) use
- Rosimushestvo

The concession license for Rosimushestvo is issued not with the purpose of harvesting, and the process and license has therefore not been evaluated under this indicator. Permits for harvesting timber under Rosimushestvo is covered under 1.4.

Permit types related to Short term use is covered under sub-category 1.4.

### **Overview of legal requirements when concluding Forest Concession Agreement**

In accordance with the legislation of the Russian Federation, monopolistic activity and unfair competition in the field of forest use are prohibited (Applicable laws and regulations – 1). State control over economic concentration in the sphere of forest use is exercised by the Federal Antimonopoly Service (Applicable laws and regulations – 4).

The main mechanism for the transfer of forest areas for lease for a period of 1 to 49 years is an open auction or open tender for the right to conclude a Forest Concession Agreement that is in state or municipal ownership. The model form of a Forest Concession Agreement is approved by law (Applicable laws and regulations – 5). Lessees of state-owned or municipally-owned forest areas who have duly fulfilled Forest Concession Agreement, after the expiration of these agreements, have the right to conclude new concession agreements for such forest areas without bidding (Applicable laws and regulations – 1).

The auctions held for the right to conclude a Forest Concession Agreement that is in state or municipal ownership are open in membership. Information about the auction is posted on the official website of the Russian Federation on the Internet, determined by the Government of the Russian Federation ([www.torgi.gov.ru](http://www.torgi.gov.ru)) should be available for review to all interested parties free of charge (Applicable laws and regulations – 15).

According to the requirements of the legislation, the organizer of the auction creates a commission for holding the auction. The auction is usually conducted electronically by increasing the starting price of the auctioned item (the initial rent) by a bid increment. When holding an auction in electronic form, the information about the auction must be posted by the auction organizer on the website in the information and telecommunications network Internet for holding the auction in electronic form (electronic platform) simultaneously with placement on the official website of the auction ([www.torgi.gov.ru](http://www.torgi.gov.ru)). Various electronic platforms are used for holding auctions, see for example, the site: [www.i.rts-tender.ru](http://www.i.rts-tender.ru). The winner of the auction is the auction participant who offered the highest price for the subject of the auction. The results of the auction are documented in a protocol, which is signed by the organizer of the auction on the day of its holding.

The auction is declared invalid if:

- 1) none application has been submitted for participation in the auction;
- 2) only one application for participation in the auction has been submitted;
- 3) less than two participants engaged in the auction;
- 4) after the announcement of the initial price of the subject of the auction had been done three times, none of the auction participants announced their intention to conclude a Forest Concession Agreement at the initial price of the subject of the auction.

If the auction winner evaded the conclusion of the Forest Concession Agreement, the agreement shall be concluded with the auction participant who made the penultimate offer on the price of the subject of the auction.

The auction results protocol shall be posted by the auction organizer on the official auction website within one day from the date of signing the auction results protocol.

Signing the Forest Concession Agreement, concluded based on the results of the auction, earlier than ten days from the date of posting information about the results of the auction on the official website of the auction is prohibited.

Another option for bidding for the right to conclude Forest Concession Agreement is to conduct an open competition. In this case, the organizer of the competition creates a commission for holding the competition, determines the rules of its activities and approves its composition.

The competition is conducted by evaluating the bids of the participants, carried out in the manner determined by the Government of the Russian Federation (Applicable laws and regulations – 9). Evaluation of the bids and determination of the winner of the competition are carried out on the basis of criteria determined by the Government of the Russian Federation.

When considering the bids, the compliance with the requirements of the competition documentation is evaluated, the availability of the necessary documents and the correctness of its execution are checked.

After evaluating and discussing the bids by a simple majority of votes in an open voting of the competition committee, the winner of the competition who has submitted the best bid is determined. If bids are considered equal in fulfilling the requirements (*Ceteris paribus*), the criterion for determining the best bid is the highest offered price of the subject of the competition.

The decision on the winner of the competition is made on the day of the meeting of the competition committee and is recorded by a protocol on the results of the competition, which is signed by the members of the competition committee, and also approved by the chairman of the competition committee.

If, upon the expiration of the deadline for submitting applications for participation in the competition, less than two such applications are submitted or the competition commission is recognized as meeting the established requirements for less than two proposed conditions, the competition is declared invalid by the decision of the competition commission.

In the event that the winner of the competition evaded the conclusion of a Forest Concession Agreement for timber harvesting, this agreement must be concluded with the participant of the competition who submitted the best proposal after the winner of the competition.

The protocol on the results of the competition is posted by the organizer of the competition within one day from the date of signing the protocol on the results of the competition on the official website of the auction ([www.torgi.gov.ru](http://www.torgi.gov.ru)).

It is not allowed to sign a Forest Concession Agreement for timber harvesting based on the results of the competition earlier than ten days and later than twenty days from the date of posting information about the results of the competition on the official website of the competition.

It is also possible to get a forest concession, which is in the state or municipal ownership, for lease without holding an open auction or open competition based on the results of the decision of the Government of the Russian Federation in order to implement priority investment projects in the field of forest development (Applicable laws and regulations – 2). Preparation of a list of priority investment projects in the field of forest development and its approval are carried out in accordance with the procedure established by the Government of the Russian Federation. The decision of the Ministry of Industry and Trade of the Russian

Federation to include an investment project in the list of investment projects and the list of investment projects itself are posted on the official website of the Ministry of Industry and Trade of the Russian Federation in the Internet (<https://minpromtorg.gov.ru/opendata/>) (Applicable laws and regulations – 3).

### **Overview of legal requirements when concluding a permanent (unlimited) use agreement**

In case when federal laws allow for timber harvesting by federal state institutions, state-owned forest areas may be provided to these institutions for a specified purpose for permanent (unlimited) use (Applicable laws and regulations – 1). Forest areas on such a right are not provided to citizens in accordance with the legislation.

The right to permanent (unlimited) use of a land plot in state or municipal ownership is granted only to legal entities on the basis of a decision of a state or municipal body authorized to provide land plots for such use (Applicable laws and regulations – 1). Plots are carried out in the manner prescribed by article 39.9 of the Land Code (Applicable laws and regulations – 10).

Land plots in state or municipal ownership are provided for permanent (unlimited) use exclusively:

- 1) state authorities and local self-government bodies;
- 2) state and municipal institutions (budgetary, state, autonomous);
- 3) state-owned enterprises;
- 4) the centers of the historical heritage of the presidents of the Russian Federation who have ceased to exercise their power (Applicable laws and regulations – 10).

State registration of the right of permanent (unlimited) use is carried out on the basis of the decision of the authority on granting the forest area for unlimited use and the application submitted by the government body or the rightsholder of the land plot (Applicable laws and regulations – 13).

### *Description of risk*

According to the data of the international NGO Transparency International, in 2020 Russia has scored 30 points out of 100 and ranks 129th out of 180 in the world according to the Corruption Perception Index (CPI), which indicates a high level of risk of not properly observing the procedures for the conclusion of forest concession agreement, (also applicable to forest stands purchase agreement, state contracts, and state assignments) (Government sources- 6). This is also confirmed by numerous sources (Government sources – 1, Non-government sources – 1-6).

According to these sources, the main risks associated with unfair competition, corruption of officials when conducting auctions of forest areas and contracting are related to forest concession agreements and forest stands purchase agreements. Specifically to concessions, the publications mention the cases of timber sale called as "standing stock sale" (relevant when subleasing harvesting under a concession agreement), facts of understating the volume of timber put up for auction, understating the initial price of the subject of the auction, collusion during auctions, violation of the law on competition and holding an auction for the lease of forest areas for timber harvesting.

At the same time, it should be noted that the regional divisions of FAS Russia and Rosfinmonitoring on a regular basis carry out inspections of compliance with legal

requirements during tenders and suppress all identified violations. In case of suspicion of unfair competition or corruption, potential bidders for the right to conclude a Forest Concession Agreement or standing timber purchase agreement have the right to file complaints with the Antimonopoly Office, on the basis of which an investigation will be conducted (Government sources – 1, 2). Based on the results of the investigation, the relevant agreement, concluded in violation of competitive procedures and bidding, is immediately terminated.

#### *Risk conclusion*

Due to the fact that the list of organizations to which it is possible to transfer forest areas that are in state or municipal ownership, on the basis of the right of permanent (unlimited) use and free use, is limited mainly by state authorities and local authorities, state and municipal institutions, state enterprises, etc., the risk of corruption and unfair competition in this case can be considered as low.

Numerous sources of information (Government sources – 1, Non-government sources – 1-6) indicate the presence of corruption and unfair competition in open auctions and open competitions for the right to conclude Forest Concession Agreement. However, it should be noted that such cases are effectively revealed and suppressed by the FAS Russia (Government sources – 1), thereby reducing the risk of corruption and unfair competition to a low level. Forest Concession Agreement concluded in violation of the law, are subject to termination. State control over unfair competition and corruption of officials during tenders for forest areas and when concluding agreements is fully implemented, which suggests that the risk for this indicator is low (Government sources – 1).

The conclusions for this indicator are applicable to Concessions, Permanent (unlimited) use.

#### **1.2.6. Risk designation and specification**

Concessions and Permanent (unlimited) use: Low risk

Other source types: Not applicable.

#### **1.2.7. Control measures and verifiers**

N/A

### **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) Forest Code of the Russian Federation of 04.12.2006 N 200-FZ (as amended on 30.04.2021). Articles 49, 60, 60.11, 83 paragraph 9, 85-89, 89.1, 89.2. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_64299/](http://www.consultant.ru/document/cons_doc_LAW_64299/)

- 2) Order of the Ministry of Natural Resources of 29.03.2018 N 122 validating the Forest Inventory Instruction. Available at:  
[http://www.consultant.ru/document/cons\\_doc\\_LAW\\_296757/](http://www.consultant.ru/document/cons_doc_LAW_296757/)
- 3) Order of the Ministry of Natural Resources of 20.12.2017 N 692 (as amended on 27.02.2020) validating the Model Form and Content of a Forest Plan of a Constituent Entity of the Russian Federation, Procedure of its Development and Modification (Registered with the Ministry of Justice of Russia on 05.04.2018 N 50666). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_295497/](http://www.consultant.ru/document/cons_doc_LAW_295497/)
- 4) Order of the Ministry of Natural Resources of 27.02.2017 N 72 (as amended on 27.02.2020) validating the Content of a Forest District Management Plan, Procedure of its Development, Periods of its Validity and Procedure of Modification (Registered with the Ministry of Justice of Russia on 31.03.2017 N 46210). Available at:  
[http://www.consultant.ru/document/cons\\_doc\\_LAW\\_214903/](http://www.consultant.ru/document/cons_doc_LAW_214903/)
- 5) Order of the Federal Forest Service of 29.02.2012 N 69 validating the Content of a Forest Development Project and a Procedure for its Development (Registered with the Ministry of Justice of Russia on 05.05.2012 N 24075). Available at:  
[http://www.consultant.ru/document/cons\\_doc\\_LAW\\_129583/](http://www.consultant.ru/document/cons_doc_LAW_129583/)
- 6) Order of the Ministry of Natural Resources of 15.01.2019 N 10 (as amended on 28.02.2020) validating the Procedure for Maintaining the State Forest Register and Amending the List, Forms and Procedure for Preparing Documents, on the Basis of which Documented Information is Entered into the State Forest Register and its Change, approved by the Order of the Ministry of Natural Resources of 11.11.2013 N 496 (Registered with the Ministry of Justice of Russia on 04.04.2019 N 54270). Available at:  
[http://www.consultant.ru/document/cons\\_doc\\_LAW\\_321771/](http://www.consultant.ru/document/cons_doc_LAW_321771/)
- 7) Order of the Ministry of Natural Resources of 21.08.2017 N 451 validating the List of Information Included in the Forest Use Report, the Form and Procedure for Submitting the Forest Use Report, as well as Requirements for the Format of the Forest Use Report in Electronic Form (Registered with the Ministry of Justice of Russia on 22.12.2017 N 49380). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_286062/](http://www.consultant.ru/document/cons_doc_LAW_286062/)
- 8) Order of the Ministry of Natural Resources of 21.08.2017 N 451 validating the List of Information Included in the Report on Forest Reproduction and Afforestation, the Form and Procedure for Submitting the Report on Forest Reproduction and Afforestation, as well as Requirements for the Format of the Report on Forest Reproduction and Afforestation in Electronic Form (Registered with the Ministry of Justice of Russia on 25.12.2017 N 49427). Available at:  
[http://www.consultant.ru/document/cons\\_doc\\_LAW\\_286576/](http://www.consultant.ru/document/cons_doc_LAW_286576/)
- 9) Order of the Ministry of Natural Resources of 09.03.2017 N 78 validating the List of Information Included in the Forest Fire Protection Report, the Form and Procedure for Submitting the Forest Fire Protection Report, as well as Requirements for the Format of the Forest Fire Protection Report in Electronic Form, the List of Information Included in the Report on Forest Protection, the Form and Procedure for Submitting the Report on Forest Protection, as well as Requirements for the Format of the Report on Forest Protection in Electronic Form (Registered with the Ministry of Justice of Russia on 30.05.2017 N 46876). Available at:  
[http://www.consultant.ru/document/cons\\_doc\\_LAW\\_217704/](http://www.consultant.ru/document/cons_doc_LAW_217704/)



- 10) Order of the Ministry of Natural Resources of 21.08.2017 N 451 validating the List of Information Included in the Report on the Protection of Forests from Pollution and Other Negative Impacts, the Form and Procedure for Submitting the Protection of Forests from Pollution and Other Negative Impacts, as well as Requirements for the Format of the Protection of Forests from Pollution and Other Negative Impacts in Electronic Form (Registered with the Ministry of Justice of Russia on 15.09.2020 N 59873). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_362600/](http://www.consultant.ru/document/cons_doc_LAW_362600/)
- 11) Federal Law of 05.04.2013 N 44-FZ (as amended on 30.12.2020) on the Contractual System in the Procurement of Commodities, Works, Services for the Provision of State and Municipal Needs (with amendments and supplements entered into force on 01.01.201). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_144624/](http://www.consultant.ru/document/cons_doc_LAW_144624/)
- 12) Regulations on the formation of state assignments for the provision of state services (performance of work) in relation to state institutions of the region and financial support for the implementation of state assignments approved by the resolutions of the Governments of the constituent entities of the Russian Federation. For example: Resolution of the Government Of The Arkhangelsk Region of 18.08.2015 N 338-pp validating the Regulations on the Procedure for the Formation of State Assignments to State Institutions of the Arkhangelsk Region and the Procedure for Financial Support for the Implementation of these Assignments. Available at: <https://docs.cntd.ru/document/462620369>
- 13) Order of the Ministry of Natural Resources of 14.11.2016 N 592 (as amended on 27.02.2020) validating the Procedure of Conducting of the State Forest Inventories (Registered with the Ministry of Justice of Russia on 13.01.2017 N 45233). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_211007/](http://www.consultant.ru/document/cons_doc_LAW_211007/)
- 14) Resolution of the Government of the Russian Federation of 09.12.2020 N 2047 validating the Rules of Sanitary Safety in Forests. Available at: [https://www.consultant.ru/document/cons\\_doc\\_LAW\\_370645/](https://www.consultant.ru/document/cons_doc_LAW_370645/)
- 15) Order of the Ministry of Natural Resources of 09.11.2020 N 913 validating the Rules for the Elimination of Foci of Harmful Organisms (Registered with the Ministry of Justice of Russia on 18.12.2020 N 61585). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_371833/](http://www.consultant.ru/document/cons_doc_LAW_371833/)
- 16) Order of the Ministry of Natural Resources of 09.11.2020 N 910 validating the Procedure of Forest Pathological Surveys and the Form of the Act of Forest Pathological Survey (Registered with the Ministry of Justice of Russia on 18.12.2020 N 61584). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_372177/](http://www.consultant.ru/document/cons_doc_LAW_372177/)
- 17) Order of the Ministry of Natural Resources of 09.11.2020 N 912 validating the Rules for the Implementation of Measures to Prevent the Spread of Harmful Organisms (Registered with the Ministry of Justice of Russia on 16.12.2020 N 61509). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_371458/](http://www.consultant.ru/document/cons_doc_LAW_371458/)
- 18) Resolution of the Government of the Russian Federation of 12.11.2016 N 1158 validating the Regulations on the Implementation of Control Over the Reliability of Information on the Sanitary and Forest Pathological State of Forests and the Validity of Measures Provided for by Acts of Forest Pathological Examinations, Approved by Authorized State Authorities of the Constituent Entities of the Russian Federation, Exercising the Powers of



the Russian Federation Transferred to Them in the Field of Forest Relations. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_207046/](http://www.consultant.ru/document/cons_doc_LAW_207046/)

### 1.3.2. Legal authority

- Federal Forestry Agency (Rosleskhoz).
- Executive authorities at the level of the Constituent Entity of the Russian Federation in the field of forestry relations (for example, the Ministry of Forestry, Department, etc.)
- Representatives of executive authorities at the level of Forest District – Authority of a Forest District.

### 1.3.3. Legally required documents or records

- Forest Management Plan of a Constituent Entity (Forest Plan).
- Forest District Management Plan.
- Forest Concession Management Plan.
- State Contract for the Performance of Work on Guard, Protection, and Regeneration of Forests.
- State Assignment for the Performance of Work on Guard, Protection, and Regeneration of Forests.
- Materials of surveys of forest stands of the Forest District or forest area.
- Reports on forest use, regeneration of forests, guard and protection of forests.
- Information from the State Forest Registry.
- Federal information resources of state forest inventory.
- Forest Pathological Surveys Reports.

### 1.3.4. Sources of information

#### *Government sources*

- 1) The Accounting Chamber of the Russian Federation (2020). There is a forest – there is little order: the Accounting Chamber proposes to solve the problems of forest management without transferring them to the federal level (03.06.2020). The Accounting Chamber of the Russian Federation. [Online]. Available at: <https://ach.gov.ru/checks/lest-poryadka-malo-sp-predlagaet-reshit-problemy-lesoustroystva-bez-peredachi-na-federalnyy-urove> [Accessed 27 January 2021]

#### *Non-Government sources*

- 1) Anna Vasilieva (2018). 600 hectares of clumsy work (10.12.2018). Kommersant. [Online]. Available at: <https://www.kommersant.ru/doc/3826176> [Accessed 27 January 2021]
- 2) TASS (2020). Based on the results of prosecutorial inspections in the field of forest protection, 696 criminal cases were initiated (24.08.2020). TASS. [Online]. Available at: <https://tass.ru/obschestvo/9294249> [Accessed 27 January 2021]

- 3) WWF Russia (N.Y). WWF-Russia's position on Salvage logging. WWF Russia. [Online]. Available at: <https://wwf.ru/en/about/positions/salvage-logging/> [Accessed 27 January 2021]
- 4) WWF Russia (2020). WWF is concerned about illegal salvage logging in Russia. WWF Russia (10.12.2020). [Online]. Available at: <https://wwf.ru/en/resources/news/lesa/wwf-obespokoen-nelegalnostyu-sanitarnykh-rubok-v-rossii-/> [Accessed 27 January 2021]
- 5) Treifeld R.F. candidate of agricultural sciences Honoured Forester of the Russian Federation (2019). On taxation methods in modern forest management. Union of foresters of St. Petersburg (17.10.2019). [Online]. Available at: <http://forstmeisterspb.org/blog26321> [Accessed 27 January 2021]
- 6) A.Y. Grigoriev (2001). We wanted the best ...and what needs to be done so that it doesn't work out as always. Socio-ecological problems of the Russian forest sector and ways to solve them. Chapter 3. Environmental problems of the Russian forest sector. Forest.ru. Everything about Russian forests. [Online]. Available at: <http://old.forest.ru/rus/publications/how/03-2.html> [Accessed 27 January 2021]
- 7) Forest Forum (2013). Forest Forum: the state of forest management, which seemed problematic ten years ago, now seems to be an elusive ideal (19.04.2013). GIS market support association. [Online]. Available at: <http://www.gisa.ru/94915.html> [Accessed 27 January 2021]
- 8) Evgeniya Fedorova (2020). Greenpeace: «Lack of reliable information about forests leads to the fact that the state actually manages them blindly» (24.01.2020). Social Information Agency. [Online]. Available at: <https://www.asi.org.ru/news/2020/01/24/grinpisotsutst/> [Accessed 27 January 2021]
- 9) Earthsight (2021). The illegal Russian wood hidden inside Ikea children's furniture (15.07.2021). Earthsight. [Online]. Available at: <https://www.earthsight.org.uk/news/press-release-illegal-russian-wood-hidden-inside-ikea-children-furniture> [Accessed 15 July 2021]
- 10) Earthsight (2021). Ikea's House of Horrors (15.07.2021). Earthsight. [Online]. Available at: <https://www.earthsight.org.uk/news/investigations/ikea-house-of-horrors> [Accessed 15 July 2021]
- 11) Novaya Gazeta (2021). The largest illegal logging in Russia - how it relates to IKEA (15.07.2021). [Online video]. Available at: [https://www.youtube.com/watch?v=3QOI2nbPjH4&ab\\_channel=Новаягазета](https://www.youtube.com/watch?v=3QOI2nbPjH4&ab_channel=Новаягазета) [Accessed 15 July 2021]
- 12) FSC Russia (2021). FSC International introduces a temporary ban on the sale of timber from sanitary felling in the Irkutsk region (15.07.2021). FSC Russia. [Online]. Available at: <https://ru.fsc.org/ru-ru/news/id/1240> [Accessed 15 July 2021]
- 13) FAO (2021). TimberLex – Russian Federation. [Online database]. Available at: <https://timberlex.apps.fao.org/>

### 1.3.5. Risk determination

#### *Overview of Legal Requirements*

#### **General requirements for forest management planning**

The requirements for forest management planning in the Russian Federation are established in the Forest Code of the Russian Federation and regulatory documents developed to implement the provisions of the Forest Code of the Russian Federation (Applicable laws and regulations – 1).

The basis for planning in forests is the assessment of the quantitative and qualitative indicators of forest stands for all sources of wood origin – forest stands survey (Applicable laws and regulations – 1, 2).

Based on the survey results, planning of forestry activities is carried out at the level of a forest area, transferred to lease or free of charge, with the preparation of a Forest Concession Management Plan and is approved by state authorities (state expertise).

At Forest District level, the preparation of a Forest District Management Plan is being carried out with its subsequent approval by government or local government body (Applicable laws and regulations – 4).

At the level of the constituent entity of the Russian Federation, work plans are combined into the Forest Management Plan of a Constituent Entity (Forest Plan) (Applicable laws and regulations – 3).

Particular details (such as work hours, area, number of seeds, number of trees, annual harvesting volume, etc) for the management on leased forest plots are planned in accordance with the requirements of the forest concession management plan.

Planning of work outside the leased or transferred for permanent (unlimited) use of territories is carried out in accordance with the requirements Forest District Management Plans. In this case, work is carried out either on the basis of State Contracts (Applicable laws and regulations – 4) or is brought as a State Assignment to subordinate institutions created by the executive authorities of the constituent entities of the Russian Federation to perform forestry work (Applicable laws and regulations – 12).

Control over the actual implementation of the plans is carried out at several levels:

- At the federal level, control over forest cover change, including control of the volume and quality of implementation of the activities, is carried out during the state forest inventory (Applicable laws and regulations –13).
- Requirements for reporting on the amount of activities performed, the location of sites, the compliance of the quality of work performed to forest management plans, terms of State Contracts and State Assignments have to be followed by forest users performing forestry activities, including timber harvesting (Applicable laws and regulations – 7-10). Representatives of the executive authorities of the Russian Federation constituent entities take part in the monitoring and approval of forestry activities, such as executive authorities of the forest district and/ or forest departments.

All forest cover changes related to harvesting and other forestry activities are entered into the State Forest Register (Applicable laws and regulations – 6).

#### **Requirements for planning of logging of dead and damaged forest stands (salvage logging)**

There is a specific legislation establishing requirements for the logging of dead and damaged forest stands (The term «salvage logging» is used in legislation). In article 16 of the Forest Code, such logging is allowed not only in mature and over-mature forests, but also in ripening and middle-aged forest stands. Such logging is planned in protective and commercial

forests, with the exception of protected areas (Applicable laws and regulations – 1). For the harvesting of dead and damaged forest stands, the Rules of Sanitary Safety in Forests (Applicable laws and regulations – 14) establish the procedure for their planning. In case of detection of damage to stands from pests and diseases, fires, windblows and other negative impacts, they are evaluated with the subsequent issuance of an Forest Pathological Survey Report. Such surveys are carried out by specialists of the federal subordinate institution Russian Center for Forest Protection together with representatives of the executive authorities of the constituent entities of the Russian Federation. The Report contains recommendations on the method, volume and boundaries of sites for cutting damaged or dead forest stands. The Forest Pathological Survey Report is placed in the public domain for review by interested parties. Appeals of interested parties to the territorial bodies of the Federal Forestry Agency are grounds for control over the validity of sanitary measures (Applicable laws and regulations – 18).

The Forest Pathological Survey Report is subject to approval by the Forestry Departments of the Federal Districts. After approval on the basis of Reports, changes are made to Forest Concession management Plans in leased forest areas, or competitive procedures are carried out to conclude a State Contract for cutting damaged or dead forest stands in non-leased forest areas. In case timber harvesting is carried out in areas planned for cutting damaged or dead forest stands, the subordinate institutions of state authorities will carry out the salvage logging.

#### *Description of Risk*

The main risk influencing the further planning of forestry work, including logging, is the reliability of forest survey data (Non-government sources – 5-8, Government sources – 1). Forest survey materials of part of the Forest Estate are older than 15 years. The survey of forest stands in the 90s and early 2000s was often carried out using the desk-based method, without on-site surveys. Such survey materials do not reflect the changes that genuinely have occurred in the forests. The planning of timber harvesting using such materials can lead to the depletion of standing crop of mature and over-mature stands.

Salvage logging is a common way to avoid damage from wind, fire and the spread of pests and fungi. But the possibility of carrying out logging of damaged and dead forest stands (salvage logging) in middle-aged and ripening stands, protected forests and specially protected areas, except preservation areas (a type of OZU), is sometimes used by lessees of forest areas for illegal increase in timber harvesting. Actual volume of harvested timber is not considered in the AAC in these cases. Such a practice leads to depletion of standing stands in those areas.

Recently an Earthsight investigation has found vast illegal logging in protected Russian forests. Logging sites included several areas of FSC-certified forest. The timber harvested came from illegal sanitary logging. Illegal sanitary logging is the practice of felling trees under the false pretext that they are dead, dying, diseased or otherwise damaged (Non-government sources – 9-11). FSC International has introduced a temporary ban on the sale of timber from sanitary felling in the Irkutsk region (Non-government sources – 12). Despite the revealed fact is not related to European part of Russia, which is the scope of this risk assessment, in the light of the events we cannot consider certification is a robust mitigation measure in relation to timber originating from salvage logging.

Changes in the legislation of recent years make it possible to harvest timber by subordinate institutions created by the executive authorities of the constituent entities of the Russian Federation, without conducting competitive procedures on the basis of the state assignments.

In circumstances of insufficient budgetary provision, these institutions are forced to earn money for forestry activities from the sale of timber, including obtained from the harvesting of timber in damaged and dead forest stands. Using administrative resources to obtain a source of financing for forestry activities or personal enrichment of individual employees, such logging is planned and carried out in excess of the planned volume of timber harvesting or in forest areas where timber harvesting is prohibited.

#### *Risk Conclusion*

The requirements of the legislation on surveys of forest stands listed above in section 1.3.1, are not always enforced by the executive authorities of the constituent entities of the Russian Federation, which creates the prerequisites for errors in assessing timber reserves in areas intended for harvesting.

Failure to comply with the requirements of the legislation when planning and conducting logging of dead and damaged forest stands by executive authorities of the constituent entities of the Russian Federation, subordinate institutions and forest users is confirmed by information from various sources and requires special caution when purchasing.

The conclusions for this indicator are applicable to all types of wood sources.

#### **1.3.6. Risk designation and specification**

All source types: Specified risk

#### **1.3.7. Control measures and verifiers**

*Mitigating the risk of forest survey is not carried out within deadlines established by legislation*

Validity of forest survey data can be checked through document review and consultation with forest authorities.

#### **Review and verify documents:**

- Forest survey data in the Forest Concession Management Plan (long-term use) or Forest District Management Plan (short-term use). Forest management plans shall be reviewed to identify the date when the last forest inventory has been conducted.
- If the forest inventory period exceeds 15 years then:
  - Request documents that provide information on forest survey for each harvesting site prior to harvesting.
  - Consult authorities of the forest district (see below)

#### **Consult:**

In case the forest survey data exceeds 15 years, the authorities of forest districts should be consulted on the issue of conducting the forest survey for each harvesting site.

*Mitigating the risk of non-compliance with legal requirements when planning and conducting salvage logging*

Following steps are recommended to lower the risk of illegal salvage logging. However, please note, that due to a high level of risk it is recommended to avoid purchasing sawlogs and veneer block originating from sites where salvage logging has been conducted.

#### **Review documents and verify:**

- Review the following documentation to identify whether wood originates from salvage logging:
  - Amendments to Forest Concession Management Plan
  - Forest declaration;
  - Reports on forest use;
  - Forest Pathological Surveys.
- Check the documentation listed above and verify that the actual place and area of salvage logging and volumes of harvested timber comply with the Forest Pathological Surveys.
- Check the intensity of cut to check if it is in compliance with the information in the documents reviewed.

**Check online databases:**

Check the availability of Forest Pathological Surveys on the websites of authorities of the constituent entities of the Russian Federation (i.e. [https://les.tver.ru/deyatelnost-iogv/zashchita-lesov-ot-vrediteley-i-bolezney/akty\\_lesopatolog\\_obsledovaniy.php?print=y](https://les.tver.ru/deyatelnost-iogv/zashchita-lesov-ot-vrediteley-i-bolezney/akty_lesopatolog_obsledovaniy.php?print=y), <https://dlk.gov35.ru/deyatelnost/akty-proverki-sanitarnogo-i-lesopatologicheskogo-sostoyaniya/>, etc.)

Check satellite images (i.e. <https://www.sentinel-hub.com/>, <https://earthexplorer.usgs.gov/>, etc.)

**Consult:**

Request from authorities and check the certificates of inspection of felling sites of dead and damaged forest stands for recorded acts of violation of the law.

## 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) Forest Code of the Russian Federation of 04.12.2006 N 200-FZ (as amended on 30.04.2021). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_64299/](http://www.consultant.ru/document/cons_doc_LAW_64299/)
- 2) Order of the Ministry of Natural Resources of 30.07.2020 N 539 validating the Form of the Forest Declaration, the Procedure for Filling and Submitting it, Requirements for the Format of the Forest Declaration in Electronic Form (Registered with the Ministry of Justice of Russia on 18.12.2020 N 61554). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_371362/](http://www.consultant.ru/document/cons_doc_LAW_371362/)



- 3) Resolution of the Government of the Russian Federation of 27.11.2014 N 1261 validating the Provision on Sales of Standing Timber for Harvesting of Wood in Procurement of Activities on Guard, Protection and Regeneration of Forests. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_171565/](http://www.consultant.ru/document/cons_doc_LAW_171565/)
- 4) Federal Law of 05.04.2013 N 44-FZ (as amended on 30.12.2020) on the Contractual System in the Procurement of Commodities, Works, Services for the Provision of State and Municipal Needs (with amendments and supplements entered into force on 01.01.201). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_144624/](http://www.consultant.ru/document/cons_doc_LAW_144624/)
- 5) Resolution of the Government of the Russian Federation of 23.07.2009 N 604 (as amended on 02.09.2020) on the Sale of Wood Obtained by Using Forests Located on Forest Estate Lands, in Accordance with Articles 43-46 of the Forest Code of the Russian Federation (together with the Rules for the Sale of Wood Obtained by Using Forests Located on Forest Estate Lands, in Accordance with Articles 43-46 of the Forest Code of the Russian Federation). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_89919/](http://www.consultant.ru/document/cons_doc_LAW_89919/)
- 6) Order of the Ministry of Natural Resources of 10.07.2020 N 434 validating the Rules for the Use of Forests for the Construction, Reconstruction, Operation of Linear Facilities and the List of Cases of Using Forests for Construction, Reconstruction, Operation of Linear Facilities Without Providing a Forest Plot, with or without Establishing an Easement, Public Easement (Registered with the Ministry of Justice of Russia on 27.11.2020 N 61129). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_369103/](http://www.consultant.ru/document/cons_doc_LAW_369103/)
- 7) Civil Code of the Russian Federation (Part One) of 30.11.1994 N 51-FZ (as amended on 08.12.2020). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_5142/](http://www.consultant.ru/document/cons_doc_LAW_5142/)
- 8) Order of the Ministry of Natural Resources of 07.07.2020 N 417 validating the Rules for the Use of Forests for Geological Exploration of Subsoil, Exploration and Production of Mineral Resources and the List of Cases of Using Forests for the Purpose of Geological Exploration of Subsoil, Exploration and Production of Mineral Resources without Providing a Forest Site, with or without the Establishment of Easement (Registered with the Ministry of Justice of Russia on 27.11.2020 N 61130). Available at: [http://www.consultant.ru/document/cons\\_Rdoc\\_LAW\\_369108/](http://www.consultant.ru/document/cons_Rdoc_LAW_369108/)
- 9) Resolution of the Government of the Tver region of 11.08.2015 N 380-pp on the Implementation of Certain Provisions of Federal Legislation Regulating the Activities of State Institutions, Amending the Resolution of the Administration of the Tver Region of 25.02.2011 N 82-pa and Invalidation of Certain Resolutions of the Administration of the Tver region and of the Government of the Tver Region and Certain Provisions of the Resolution of the Government of the Tver Region. Available at: <https://docs.cntd.ru/document/428659018>
- 10) Decree of the Government of the Arkhangelsk Region of 18.08.2015 N 338-pp validating the Regulations on the Procedure for the Formation of State Assignments to State Institutions of the Arkhangelsk Region and the Procedure for Financial Support for the Implementation of These Assignments. Available at: <https://docs.cntd.ru/document/462620369>

#### 1.4.2. Legal authority



- Federal Forestry Agency (Rosleskhoz)
- Executive authorities at the level of the Constituent Entity of the Russian Federation in the field of forestry relations (for example, the Ministry of Forestry, Department, etc.)
- Representatives of executive authorities at the level of Forest District – Authority of a Forest District.

#### 1.4.3. Legally required documents or records

- Forest Declaration (with Notice of acceptance of a Forest Declaration).
- Forest Stands Purchase Agreement.
- State Contract for the Performance of Work on Guard, Protection, and Regeneration of Forests (State Contract).
- State Assignment for the Performance of Work on Guard, Protection, and Regeneration of Forests (State Assignment).

#### 1.4.4. Sources of information

##### *Government sources*

- 1) Rosleskhoz press service (2021). The volumes of illegal cutting in 2020 decreased in 47 regions of Russia (12.02.2021). Federal Forestry Agency. [Online]. Available at: <http://rosleskhoz.gov.ru/news/2021-02-12/n9747> [Accessed 12 February 2021]
- 2) Decision No. 21-179 / 2019 of June 13, 2019 in case No. 21-179 / 2019. Judicial and regulatory acts of the Russian Federation. Court Decision. [Online]. Available at: [https://sudact.ru/regular/doc/YR0yAqSNLeog/?regular-txt=&regular-case\\_doc=21-179%2F2019&regular-lawchunkinfo=&regular-date\\_from=&regular-date\\_to=&regular-workflow\\_stage=&regular-area=&regular-court=Верховный+Суд+Республики+Карелия+%28Республика+Карелия%29&regular-judge=&\\_id=1624588283364](https://sudact.ru/regular/doc/YR0yAqSNLeog/?regular-txt=&regular-case_doc=21-179%2F2019&regular-lawchunkinfo=&regular-date_from=&regular-date_to=&regular-workflow_stage=&regular-area=&regular-court=Верховный+Суд+Республики+Карелия+%28Республика+Карелия%29&regular-judge=&_id=1624588283364) [Accessed 12 February 2021]

##### *Non-Government sources*

- 1) Elena Berezina (2020). Vopros brevnom (20.08.2020). Rossiyskaya Gazeta. [Online]. Available at: <https://rg.ru/2020/08/20/kak-v-rossii-boriutsia-s-nezakonnoj-vyrubkoj-lesa.html> [Accessed 12 February 2021]
- 2) Svetlana Voronovich (2020). The number of illegal logging has decreased in the Vologda region (27.08.2020). Information agency «Vologda Region». [Online]. Available at: <http://vologdaregion.ru/news/2020/8/27/chislo-nezakonnyh-rubok-lesa-umen-shilos-v-vologodskoy-oblasti> [Accessed 12 February 2021]
- 3) Elena Berezina (2020). Abramchenko: FGIS LK will make forestry as transparent as possible 15.20.2020). Rossiyskaya Gazeta. [Online]. Available at: <https://rg.ru/2020/12/15/abramchenko-fgis-lk-sdelat-lesnoe-hoziajstvo-maksimalno-prozrachnym.html> [Accessed 12 February 2021]
- 4) Dmitry Ivanov (2020). The Vologda region became the fourth in Russia in terms of the volume of illegal logging (31.01.2020). Vologodskaya Pravda. [Online]. Available at: <http://pravda35.ru/vologodskaya-oblast-stala-chetvertoj-v-rossii-po-obemu-nezakonnyx-rubok-lesa/> [Accessed 12 February 2021]

### 1.4.5. Risk determination

#### *Overview of Legal Requirements*

The permit required for harvesting timber depend on whether the harvesting is done under long term use agreements or short term use agreements.

#### **Long term use (Concession, Rosimushestvo, Permanent (unlimited) use)**

Long-term use includes the following types of forest use:

- 1) Lease of forest areas for the purpose of timber harvesting (Concession);
- 2) Lease of forest plots for purposes not related to timber harvesting (Rosimushestvo), such as:
  - 2.1) performance of work on geological study of subsoil, development of mineral deposits;
  - 2.2) construction and operation of reservoirs and other artificial water bodies, as well as hydraulic structures and specialized ports;
  - 2.3) construction, reconstruction, operation of power transmission lines, communication lines, roads, pipelines and other linear objects;
  - 2.4) processing of wood and other forest resources (for example, construction of a sawmill).
- 3) Permanent (unlimited) use.

Prior to harvesting, forest users are obliged to submit to the competent authority a Forest Declaration completed in the prescribed form (Applicable laws and regulations – 1, 2). In this case, a permit for timber harvesting is a notification of the authorized body on the acceptance of a Forest Declaration. It is allowed to make changes to the Forest Declaration, however, the corresponding changes must also be checked by the competent authority and approved by the relevant notice of acceptance of changes to the Forest Declaration. The approved amendments to the Forest Declaration are inherent in the Forest Declaration.

The form of the Forest Declaration requires completing a wide range of information about the planned harvesting, including: location, type of harvesting and the harvesting area, the category of forest protection within which the harvesting area is located (if relevant), the volume of timber planned for harvesting by species. Also, attached to the Forest Declaration are the layouts of the forest areas planned for harvesting with the coordinates of the boundary corner points of the cutting areas. This information is also indicated during the creation or demolition of forest infrastructure.

Timber harvested on leased forest areas provided for the purpose of timber harvesting, as well as on forest areas provided for permanent (unlimited) use, is the property of the forest user (lessee).

Timber harvested on leased forest areas allocated for purposes not related to timber harvesting is federal property and is sold through competitive procedures by the Federal Property Management Agency.

#### **Exceptions relevant for Rosimushestvo. Easement**

- 1) In some cases, timber harvesting is allowed when carrying out works related to the construction, reconstruction and operation of linear facilities without allocating a forest area. In this case, timber harvesting can be carried out both with and without the registration of an easement (Applicable laws and regulations – 1, 6). When registering

an easement, in accordance with the Civil Code (Applicable laws and regulations – 7), an Agreement on the establishment of an easement is mandatorily issued. Also, in some cases, timber harvesting is allowed without registration of easement and other permits. The list of cases is listed in the Appendix to the relevant rules (Applicable laws and regulations – 6).

- 2) In some cases, timber harvesting is allowed when carrying out work related to geological exploration without allocation of a forest area. In this case, timber harvesting is carried out with the registration of an easement (Applicable laws and regulations – 1, 8). When registering an easement, in accordance with the Civil Code (Applicable laws and regulations – 7, 8), an Agreement on the establishment of an easement is mandatorily issued.

The timber harvested under these exceptions is federal property and is sold through competitive procedures by the Federal Property Management Agency.

### **Short term use**

Short-term use with harvesting of forest stands can be carried out in three cases (Applicable laws and regulations – 1, 3):

- 1) under Forest Stands Purchase Agreement;
- 2) under State Contract for the Performance of Work on Guard, Protection, and Regeneration of Forests (State Contract).
- 3) on State Assignments for the Performance of Work on Guard, Protection, and Regeneration of Forests (State Assignment).

In these cases, the permission to carry out harvesting activities will be the Forest Stand Purchase Agreement, State Contracts, and State Assignments themselves respectively.

#### *Forest Stand Purchase Agreements*

Forest Stand Purchase Agreements are concluded based on the results of an open auction. The timber becomes the property of the buyer (harvesting organization) in accordance with the terms of the Forest Stands Purchase Agreement.

Sale of forest stands located on lands that are in state or municipal ownership is carried out under a Forest Stands Purchase Agreement. The period of such an agreement cannot exceed 1 year.

Forest stands purchase agreement is concluded based on the results of tenders for the right to conclude such an agreement, which are held in the form of an open auction, with the exception of cases of procurement of work on guard, protection, and regeneration of forests by state or local authorities.

When carrying out procurement of work on guard, protection, and regeneration of forests, at the same time, the sale of forest stands for timber harvesting is carried out in the manner established by the Government of the Russian Federation (Applicable laws and regulations – 7). The agreement for the performance of work on guard, protection, and regeneration of forests includes the conditions for forest stands purchasing (Applicable laws and regulations – 1).

The template for forest stands purchase agreement is approved by the authorized federal executive body (Applicable laws and regulations – 8).

The auctions held are open for all parties interested. Information about the auction is posted on the official website of the Russian Federation on the Internet used to post information on the conduct of the auction, determined by the Government of the Russian Federation ([www.torgi.gov.ru](http://www.torgi.gov.ru)), and should be available for review to all interested parties free of charge (Applicable laws and regulations – 15).

According to the requirements of the legislation, the organizer of the auction creates a commission for holding the auction. The auction, as a rule, is carried out in electronic form, by increasing the initial price of the subject of the auction (the initial price of harvested timber) by a bid increment. When holding an auction in electronic form, the information about the auction must be posted by the auction organizer on the website in the information and telecommunications network Internet for holding the auction in electronic form (electronic platform) simultaneously with placement on the official website of the auction ([www.torgi.gov.ru](http://www.torgi.gov.ru)). Various electronic platforms are used for holding auctions, for example, the site: [www.i.rts-tender.ru](http://www.i.rts-tender.ru). The winner of the auction is the auction participant who offered the highest price for the subject of the auction. The results of the auction are documented in a protocol, which is signed by the organizer of the auction on the day of the auction.

The auction is declared invalid if:

- 1) none application has been submitted for participation in the auction;
- 2) only one application for participation in the auction has been submitted;
- 3) less than two participants engaged in the auction;
- 4) after the announcement of the initial price of the subject of the auction had been done three times, none of the auction participants announced their intention to conclude a forest stands purchase agreement at the initial price of the subject of the auction.

If the auction winner evaded the conclusion of the forest stands purchase agreement, the agreement shall be concluded with the auction participant who made the penultimate offer on the price of the subject of the auction.

The auction results protocol shall be posted by the auction organizer on the official auction website within one day from the date of signing the auction results protocol.

Signing the forest stands purchase agreement, concluded based on the results of the auction, earlier than ten days from the date of posting information about the results of the auction on the official website of the auction is prohibited.

#### *State Contracts and State Assignments*

State Contracts and State Assignments are used to implement measures for the guard, protection and reproduction of forests, afforestation. As part of these activities, timber harvesting can also be carried out.

State Assignments are conveyed by the executive authority of the constituent entity of the Russian Federation to the subordinate institutions. State Assignments can be executed by state (municipal) budgetary and autonomous institutions, including Authorities of Forest Districts. The procedure for the development of State Assignments is regulated by the Regulations developed at the level of the constituent entities of the Russian Federation. (Applicable laws and regulations – 9, 10).

In cases where the implementation of appropriate measures for the guard, protection and reproduction of forests is not assigned to subordinate institutions, these activities can be carried out by third-party organizations under the State Contract. State Contracts are

concluded based on the results of purchases carried out in accordance with Federal Law (Applicable laws and regulations – 4).

Simultaneously with the implementation of appropriate measures for the guard, protection and reproduction of forests, the sale of forest stands is carried out. The relevant conditions for the sale and purchase of forest stands are included in the State Contract / State Assignment.

Timber harvested under State Contracts and State Assignments becomes the property of the harvesting company only in cases where it is provided for by the relevant permitting document. In other cases, this wood is federal property and is sold through the competitive procedures of the Federal Property Management Agency.

#### *Description of Risk*

Timber harvesting without a Forest Declaration or without a Forest Stand Purchase Agreement / State Contracts / State Assignments is classified as illegal logging, despite the forest user having a valid Forest Concession Agreement and a properly developed and approved Forest Concession Management Plan (Government sources – 2).

Illegal harvesting in the Russian Federation, according to various sources, ranges from 0.5% to 13% of the volume of legal harvesting (Government sources – 1; Non-Government sources – 3).

In most cases, lessees do not have any difficulties in completing a Forest Declaration. However, there is a risk of timber harvesting on the territory of leased forest areas without a properly completed Forest Declaration. This might be due to various reasons, for example, negligence of local specialists, lack of time for the preparation and approval of a Forest Declaration, or cases of harvesting out of bounds. Most often, among the lessees of the Forest Estate, this is an unintentional violation of the requirements of the legislation, appropriately identified by the employees of the competent authorities (Authorities of Forest Districts, Forestry Agency).

There might also be cases when timber harvesting, species, and volumes not declared in the Forest Declaration were cut down.

In addition, taking into account the corruption perception index, there is a risk of incorrect registration of permits, in particular, the introduction of information that does not correspond to reality (Non-Government sources – 4).

The risk assessment in terms of the legality of the conclusion of the Forest Stand Purchase Agreement and State Contracts is similar to the finding related to the process for auctioning and competition of the issuing of Concession forest Agreement in indicator 1.2. The Corruption Perception Index (CPI) of 30 out of 100, indicates a high level of risk of not properly observing the procedures for the conclusion of forest stands purchase agreement and also state contracts / assignments performance of work on guard, protection, and regeneration of forests (Government sources- 6). This is also confirmed by numerous sources (Government sources – 1, Non-government sources – 1-6).

According to these sources, the main risks associated with unfair competition, corruption of officials when conducting auctions of forest areas and contracting are related to forest concession agreements and forest stands purchase agreements. The publications mention the cases of timber sale called as "standing stock sale", facts of understating the volume of

timber put up for auction, understating the initial price of the subject of the auction, collusion during auctions for the sale of the right to conclude a forest stands purchase agreement for small and medium-sized businesses, violation of the law on competition and holding an auction for the lease of forest areas for timber harvesting.

At the same time, it should be noted that the regional divisions of FAS Russia and Rosfinmonitoring on a regular basis carry out inspections of compliance with legal requirements during tenders and suppress all identified violations. In case of suspicion of unfair competition or corruption, potential bidders for the right to conclude a Forest Concession Agreement or standing timber purchase agreement have the right to file complaints with the Antimonopoly Office, on the basis of which an investigation will be conducted (Government sources – 1, 2). Based on the results of the investigation, the relevant agreement, concluded in violation of competitive procedures and bidding, is immediately terminated, and the enforcement activities are considered sufficient to ensure low risk for the process of issuing agreements and contracts / assignments through actions.

State Assignments are one of the most opaque procedures within which timber harvesting and its sale can occur. State Assignments are communicated by the executive authorities to state (municipal) institutions – most often subordinate institutions (hereinafter referred to as the Institutions). Further, the Institutions can carry out the work on their own or hire any organization under a service agreement with the further sale of the harvested wood. When determining a contractor and a buyer, corruption schemes based on bribes may be implemented in order to obtain favorable conditions or, in principle, the very right to harvest and purchase wood. Federal legislation does not provide for the obligation to hold open auctions or tenders for State Assignments.

Timber harvesting with exceptions (Easements) has a low risk of violating legal requirements due to the lack of appropriate permits. This is primarily due to the lack of interest among procurers in the felling of forest stands. In this case, all timber remains in federal ownership and is subject to sale through competitive procedures by the Federal Property Management Agency (Applicable laws and regulations – 5). An analysis of judicial practice, open sources, as well as consultations with experts (representatives from authorities in the field of forestry relations) confirm the low risk of violation during timber harvesting with exceptions (Easements).

#### *Risk Conclusion*

The relevant legislation is not always enforced (Non-government sources – 1, 2). There is a risk of supplying timber harvested without permits. There is also a risk of timber harvesting that does not correspond to the one stated in the harvesting permits. In addition, there is a risk of harvesting and purchasing timber with the use of corruption schemes through the State Assignment.

However, for Exceptions (Easement included in Rosimushestvo), Forest Stands Purchase Agreement and State contract (included in Short-term use) the available evidence confirms the low risk of timber harvesting without permits, due to the specifics of the relevant work and enforcement by the relevant authorities.

#### **1.4.6. Risk designation and specification**

All sources types: Specified risk

Exceptions (Easement included in Rosimushestvo), Forest Stands Purchase Agreement and State contract (included in Short-term use): Low risk

#### **1.4.7. Control measures and verifiers**

*Mitigating the risk lack of valid or any harvesting permits (all sources types, except State Assignment, included in Short Term Use)*

Existence of harvesting permits and its validity can be checked through combination of document review, database verification, consultation with forest authorities and onsite verification.

##### **Review documents and verify:**

Verify that harvesting permits are in place:

- Forest Declaration (for long-term use)
- Forest Stands Purchase Agreement (for short-term use)

Forest Declaration has to be approved by a relevant competent authority.

Verify and compare information on actual composition of supplied timber and harvested volumes with information in the harvesting permit. To verify that the timber purchased could be harvested under the claimed permit, the volumes and species to be harvested shall be possible to cover the supplied material.

##### **Check online databases:**

Verify authenticity and validity of a harvesting permit (Forest Declaration and Forest Stands Purchase Agreement) via The Unified State Automated Information System for Timber Accounting and Associated Transactions (<https://www.lesegais.ru/open-area/declaration> or <https://www.lesegais.ru/open-area/buysell>).

##### **Consult:**

In case of missing information in the database send a request to the relevant competent authority to verify there are no issues with the permit.

##### **Conduct onsite verification:**

- Carry out onsite sample checks/verifications with the purpose to assess declared information in the harvesting permit with the actual data.
- Carry out sample checks/verifications of the accompanying transport documents from the logging sites in order to verify information at the point of dispatch with the actual place of timber origin stated in the harvesting permit.

*Mitigating the risk of corruption when procuring timber via State Assignment (Source Type 3)*

The fact that corruption was not involved when procuring timber via State Assignment can be checked through combination of document review and consultation with authorities in the field of forestry relations.

##### **Review documents and verify:**

Search for and analyze an Administrative Regulation of a Constituent Entity on established procedure for determining both contractors (conducting harvesting activities) as well as buyers.



Request documents from the supplier proving that timber procurement procedure is tender-based (for instance, Protocol of auction results).

**Consult:**

In case Administrative Regulation mentioned above is not available on the Internet it will be necessary to request relevant Regulations directly from the Constituent Entity.

## 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) Forest Code of the Russian Federation of 04.12.2006 N 200-FZ (as amended on 30.04.2021). Article 1, paragraph 11. Articles 73, 76, 94, 98.1. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_64299/](http://www.consultant.ru/document/cons_doc_LAW_64299/)
- 2) Federal Law of 29.07.1998 N 135-FZ (as amended on 31.07.2020) on Appraisal Activities in the Russian Federation. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_19586/](http://www.consultant.ru/document/cons_doc_LAW_19586/)
- 3) Resolution of the Government of the Russian Federation of 22.05.2007 N 310 (as amended on 06.01.2020) on the Rates of Payment Per Unit Volume of Forest Resources and Rates of Payment Per Unit Area of a Forest Area in Federal Ownership. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_68813/](http://www.consultant.ru/document/cons_doc_LAW_68813/)
- 4) Order of the Ministry of Natural Resources of 30.07.2020 N 542 validating the Model Contract of Lease of Forest Sites (Registered with the Ministry of Justice of Russia on 07.12.2020 N 61320). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_370142/](http://www.consultant.ru/document/cons_doc_LAW_370142/)
- 5) Order of the Ministry of Natural Resources of 27.07.2020 N 488 validating the Model Standing-Timber Sales Contract (Registered with the Ministry of Justice of Russia on 07.12.2020 N 61294). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_370025/](http://www.consultant.ru/document/cons_doc_LAW_370025/)
- 6) Resolution of the Government of the Russian Federation of 27.11.2014 N 1261 validating the Provision on Sales of Standing Timber for Harvesting of Wood in Procurement of Activities on Guard, Protection and Regeneration of Forests. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_171565/](http://www.consultant.ru/document/cons_doc_LAW_171565/)
- 7) Resolution of the Government Of The Arkhangelsk Region of 04.03.2014 N 92-pp validating the Regulation on the Ministry of Natural Resources and Timber Industry of the Arkhangelsk Region. Available at: [https://portal.dvinaland.ru/upload/iblock/86a/Polozhenie\\_MPR\\_i\\_LPK.pdf](https://portal.dvinaland.ru/upload/iblock/86a/Polozhenie_MPR_i_LPK.pdf)
- 8) Resolution of the Government of the Russian Federation of 01.02.2016 N 53 validating the Methodology for Determining the Amount of Rent Under a Lease Agreement for a

Forest Area Concluded in Accordance with Paragraph 2 of Part 4 of Article 74 of the Forest Code of the Russian Federation. Available at:

[http://www.consultant.ru/document/cons\\_doc\\_LAW\\_193266/](http://www.consultant.ru/document/cons_doc_LAW_193266/)

- 9) Regulations on 1) the formation of state assignments for the provision of state services (performance of work) in relation to state institutions of the region and 2) financial support for the implementation of state assignments approved by the decrees of the Governments of the constituent entities of the Russian Federation. For example: Resolution of the Government Of The Arkhangelsk Region of 18.08.2015 N 338-pp validating the Regulations on the Procedure for the Formation of State Assignments to State Institutions of the Arkhangelsk Region and the Procedure for Financial Support for the Implementation of These Assignments (as amended on 29.07.2020). Available at: <http://docs.cntd.ru/document/462620369>
- 10) Resolution of the Government of the Russian Federation of 04.12.2015 N 1320 validating the Methodology for Calculating the Coefficient for Determining the Support Cost for the Implementation of Measures for the Guard, Protection, and Regeneration of Forests. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_190116/](http://www.consultant.ru/document/cons_doc_LAW_190116/)
- 11) Federal Law of 05.04.2013 N 44-FZ (as amended on 30.12.2020) on the Contractual System in the Procurement of Commodities, Works, Services for the Provision of State and Municipal Needs (with amendments and supplements entered into force on 01.01.2021). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_144624/](http://www.consultant.ru/document/cons_doc_LAW_144624/)
- 12) Resolution of the Government of the Russian Federation of 23.07.2009 N 604 (as amended on 02.09.2020) on the Sale of Wood Obtained by Using Forests Located on Forest Estate Lands, in Accordance with Articles 43-46 of the Forest Code of the Russian Federation (together with the Rules for the Sale of Wood Obtained by Using Forests Located on Forest Estate Lands, in Accordance with Articles 43-46 of the Forest Code of the Russian Federation). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_89919/](http://www.consultant.ru/document/cons_doc_LAW_89919/)
- 13) Federal Law of 17.01.1992 N 2202-1 (as amended on 30.12.2020) on the Prosecutor's Office of the Russian Federation. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_262/](http://www.consultant.ru/document/cons_doc_LAW_262/)
- 14) Order of the Ministry of Agriculture of the Russian Federation of 24.02.2009 N 75 (as amended on 08.07.2015) validating the Methodological Guidelines for the Preparation, Organization and Holding of Auctions for the Sale of the Right to Conclude Lease Agreements for Forest Areas in State or Municipal Ownership, or the Right to Conclude the Forest Stands Purchase Agreement in Accordance with Articles 78 - 80 of the Forest Code of the Russian Federation (Registered with the Ministry of Justice of Russia on 04.05.2009 N 13883). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_87526/](http://www.consultant.ru/document/cons_doc_LAW_87526/)

#### 1.5.2. Legal authority

- Federal Forestry Agency (Rosleskhoz).
- Executive authorities at the level of the Constituent Entity of the Russian Federation in the field of forestry relations (for example, the Ministry of Forestry, Department, etc.)
- Representatives of executive authorities at the level of Forest District – Authority of a Forest District.

- Federal Property Management Agency (Rosimushestvo)
- The Prosecutor's Office of the Russian Federation and its local subdivisions.

### 1.5.3. Legally required documents or records

- Forest Concession Agreement;
- Forest Stands Purchase Agreement;
- Timber Purchase Agreement;
- State Contract for the Performance of Work on Guard, Protection, and Regeneration of Forests (State Contract);
- State Assignment for the Performance of Work on Guard, Protection, and Regeneration of Forests (State Assignment);
- Documents on tender results:
  - Protocol of auction on the right to conclude Forest Concession Agreement;
  - Protocol of the forest competition;
  - Protocol of auction of right to purchase standing timber

### 1.5.4. Sources of information

#### *Government sources*

- 1) [www.roslehoz.gov](http://www.roslehoz.gov.ru/activity/economy_and_finance/stat) (N.Y). Statistics. Federal Forestry Agency. [Online]. Available at: [http://roslehoz.gov.ru/activity/economy\\_and\\_finance/stat](http://roslehoz.gov.ru/activity/economy_and_finance/stat) [Accessed 31 January 2021]
- 2) [www.dvinaland.ru](https://dvinaland.ru/gov/iogv/minlpk/) (N.Y). Ministry of Natural Resources and Timber Industry. Government of the Arkhangelsk region. [Online]. Available at: <https://dvinaland.ru/gov/iogv/minlpk/> [Accessed 31 January 2021]
- 3) Administration of payments for the use of forests. Ministry of natural resources and ecology of the Republic of Karelia. [Online]. Available at: <http://minprirody.karelia.ru/lesnoe-hozjajstvo/administrirovanie-platezhej/> [Accessed 31 January 2021]
- 4) [dlk.gov.35.ru](https://dlk.gov35.ru/deyatelnost/deyatelnost-strukturnykh-podrazdeleniy/administrirovanie-dokhodov/nedoimka/) (N.Y). Information on working with forest users-under-borrowers. Official website of the Department of the forest complex of the Vologda region. [Online]. Available at: <https://dlk.gov35.ru/deyatelnost/deyatelnost-strukturnykh-podrazdeleniy/administrirovanie-dokhodov/nedoimka/> [Accessed 31 January 2021]

### 1.5.5. Risk determination

#### *Overview of Legal Requirements*

#### **Requirements for determining the amount and period of lease fees for the use of forest areas (Concession)**

Harvesting fees for the use of forest areas is established as the product of the rate per cubic meter of timber by the Annual Allowable Cut (AAC) (Applicable laws and regulations – 1, 2).

The amount of harvesting fees is set depending on the legal basis for concluding a Forest Concession Agreement:

- On the grounds of the approved investment project for the period of its implementation, a rent is set in the amount of minimum rates with a coefficient of 0.5 (Applicable laws and regulations – 3).
- Based on the results of the auction for the right to conclude a Forest Concession Agreement, the maximum price is proposed by the auction participant (Applicable laws and regulations – 1). At the same time, the initial auction price cannot be lower than the price set at the minimum rental rates (Applicable laws and regulations – 14).
- When holding open competitions for the right to conclude a Forest Concession Agreement, the maximum price is proposed by the competition participant, considering other competition criteria. At the same time, the initial competition price is determined based on the results of the assessment of the forest area in accordance with the Federal Law of 29.07.1998 N 135-FZ on Appraisal Activities in the Russian Federation and cannot be lower than the price set at the minimum rental rates.
- When renegotiating a Forest Concession Agreement for a new period upon expiration of its validity period the requirements of Article 74 of the Forest Code of the Russian Federation are used. The methodology approved by the Government of the Russian Federation (Applicable laws and regulations – 8) is applied.

The annual harvesting fee is distributed by payment periods in accordance with the terms of Forest Concession Agreements concluded in relevance with the approved standard form (Applicable laws and regulations – 4).

**Requirements for determining the amount and period of fees (Short term use) and the price of timber obtained in accordance with Articles 43 - 46 of the Forest Code of the Russian Federation (Rosimushestvo)**

- Short term use (Forest stands purchase agreement)
  - Based on the tender results for the right to conclude a Forest Stands Purchase Agreement – the maximum price is proposed by the auction participant (Applicable laws and regulations – 1, 14). At the same time, the initial auction price cannot be lower than the minimum amount of payment under Forest Stands Purchase Agreement. In this case, the requirements of the Forest Stands Purchase Agreement provide for the full payment of the amount under the Forest Stands Purchase Agreement before the start of work on timber harvesting (Applicable laws and regulations – 5).
  - Budgetary (autonomous) institutions created for the purpose of implementing measures for the guard, protection and regeneration of forests are granted the right to conclude Forest Stands Purchase Agreements in the course of these activities (part 3 of Article 19 of the forest Code). The amount of payment under such Forest Stands Purchase Agreements is determined in accordance with Article 76 of the Forest Code (Applicable laws and regulations – 10), as the product of the rate of payment per unit of timber volume and the volume of timber to be harvested. The size of the minimum rates of payment per unit volume of timber in this case also cannot be lower than that established by the government of the Russian Federation (Applicable laws and regulations – 3).
  - Based on the results of the conclusion of a State Contract according to the requirements of the contract system in the field of procurement of goods, works, services to meet state and municipal needs (Applicable laws and regulations – 1).

The amount of fee in this case also cannot be lower than the minimum rates of payment per unit volume of timber.

- Rosimushestvo
  - When selling wood obtained from the use of forests located on the lands of the Forest Estate.

### **Control over the timeliness and completeness of harvesting fees**

Control over the timeliness and completeness of harvesting fees is enforced by regional executive authorities in accordance with their powers (Applicable laws and regulations – 7).

Information on violations of the requirements of Forest Concession Agreements for payment of harvesting fees is sent by regional executive authorities to the federal executive authorities authorized to maintain a register of unscrupulous lessees of forest areas.

Control over the timeliness and completeness of harvesting fees is also enforced by the bodies of the Prosecutor's Office of the Russian Federation within the requirements for prosecutorial supervision over compliance with the requirements of the legislation on payment of harvesting fees (Applicable laws and legislation – 13).

#### *Description of risks*

The procedure for the sale of harvested timber obtained from the use of forests located on the lands of the Forest Estate, in accordance with Articles 43 - 46 of the Forest Code of the Russian Federation on an electronic site, carried out by the Federal Agency for State Property Management, ensures that there are no violations of legal requirements.

Also, the executive authorities ensured full control over payments for timber on the basis of forest auctions, State Contracts and State Assignments. In these cases, it is impossible to obtain the rights to harvesting or harvested timber (in case of Forest Stands Purchase Agreement) without full payment.

Regional executive authorities, in accordance with their powers (Government sources – 2), monitor the performance of lessees obligations in violation of the terms of payment of harvesting fees. Such information is publicly available on the official websites of regional executive authorities (Government sources – 1, 3, 4). For such lessees, measures are taken to eliminate debts up until the termination of Forest Concession Agreements. The process of terminating a Forest Concession Agreement is possible by decision of an arbitration court and takes a fairly long period of time – from six months or more. During the period of the evaluation of a case of non-payment of depth, the timber from a Forest Concession Agreement can freely enter the market”, despite the company operating the forest is in non-compliance with the legal requirements on payment of fees.

#### *Risk Conclusion*

There is a risk of timber entering the market from forest concessions, where harvesting fees were not paid on time.

### **1.5.6. Risk designation and specification**

Concession: Specified risk

Other Source Types: Low risk

### 1.5.7. Control measures and verifiers

*Mitigating the risk of harvesting fees for forest concessions are not paid on time (Concession)*

Timeliness and completeness of harvesting fees can be checked through document review and database verification.

#### Review documents and verify

Request harvesting fees payment statement from the lessee. Verification of the statement confirms due fees are paid within the timelines stated in the Forest Concession Agreement.

In case of debts and disputes request documentation confirming implementation of actions by the lessee to resolve the dispute and to pay the arrears (Court's decision, payment order, etc.)

#### Check online database

Check information about debts on the official Federal Forestry Agency website

[http://rosleshoz.gov.ru/activity/economy\\_and\\_finance/stat](http://rosleshoz.gov.ru/activity/economy_and_finance/stat) or official websites of state and regional executive authorities.

## 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) Tax Code of the Russian Federation (Part Two) of 05.08.2000 N 117-FZ (as amended on 20.04.2021). Chapters 21, 25, 26.2. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_28165/](http://www.consultant.ru/document/cons_doc_LAW_28165/)
- 2) Tax Code of the Russian Federation (Part One) of 31.07.1998 N 146-FZ (as amended on 23.11.2020) (with amendments and supplements entered into force on 01.01.2021). Article 13. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_19671/](http://www.consultant.ru/document/cons_doc_LAW_19671/)
- 3) Order of the Federal Tax Service of 30.05.2007 N MM-3-06/333@ validating the Concept of a Planning System for on-Site Tax Audits. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_55729/](http://www.consultant.ru/document/cons_doc_LAW_55729/)
- 4) Federal Law of 17.01.1992 N 2202-1 (as amended on 30.12.2020) on the Prosecutor's Office of the Russian Federation. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_262/](http://www.consultant.ru/document/cons_doc_LAW_262/)

### 1.6.2. Legal authority

- Federal Tax Service
- Executive authorities at the level of the constituent entities of the Russian Federation - the Service for the constituent entities of the Russian Federation, interregional inspections of the Service, inspections of the Service for districts, districts in cities, cities without regional divisions, inspections of the Interdistrict Service.

- The Prosecutor's Office of the Russian Federation and its local subdivisions.

### 1.6.3. Legally required documents or records

- Tax declaration
- Acts of audits of organizations by the tax service

### 1.6.4. Sources of information

#### *Government sources*

- 1) Database: Unified register of small and medium-sized businesses. Federal Tax Service official website. [Online]. Available at: <https://www.nalog.gov.ru/opendata/7707329152-rsmp/> [Accessed 14 February 2021]
- 2) nalog.gov.ru (N.Y). On debts in taxes and fees, penalties and tax sanctions to the budgetary system of the Russian Federation for the main types of economic activity (Form 4-NOM). Federal Tax Service official website. [Online]. Available at: <https://www.nalog.gov.ru/opendata/7707329152-arrearsoftea/> [Accessed 14 February 2021]
- 3) Prosecutor's Office of the Vologda Region (2017). On the practice of prosecutorial supervision in the field of enforcement of legislation on taxes and fees (11.04.2017). The Prosecutor General's Office of the Russian Federation. [Online]. Available at: <https://genproc.gov.ru/smi/news/regionalnews/news-1181088/> [Accessed 14 February 2021]
- 4) nalog.gov.ru (N.Y). Tax monitoring. Federal Tax Service official website. [Online]. Available at: [https://www.nalog.gov.ru/rn77/taxation/reference\\_work/taxmonit/](https://www.nalog.gov.ru/rn77/taxation/reference_work/taxmonit/) [Accessed 14 February 2021]

#### *Non-Government sources*

- 1) Tax control 2020 in Figures (23.12.2020). Pravosvet Audit. Available at: <https://pravovest-audit.ru/nashi-statii-nalogi-i-buhuchet/nalogovyy-kontrol-2020-v-tsifrah/> [Accessed 14 February 2021]
- 2) How «digital» helps the FTS to collect taxes: just look at these charts (26.11.201). Klerk.. Available at: <https://www.klerk.ru/buh/articles/492803/> [Accessed 14 February 2021]

### 1.6.5. Risk determination

#### *Overview of Legal Requirements*

In Russia, tax legislation has been formed, which allows achieving high results of tax administration and regularly providing income to all levels of the country's budget. Today, taxes related to sales of products – unprocessed and processed wood products – include one type of taxes:

- 1) Value added tax (VAT) is paid when commodities (works, services) are sold on the territory of the Russian Federation and when commodities are imported into the territory of the Russian Federation. The tax rate is usually 20% of the value of the commodities and services sold (Applicable laws and regulations – 1).



### *Description of Risk*

According to the tax service for the past 2020, it was planned to collect 98.72% of the amount of accrued tax payments in the country. Moreover, the dynamics of tax collection in recent years indicates an increase in the amount of collected taxes due to an increase in the efficiency of the tax service and toughening of the requirements for collecting taxes (Non-government sources – 2).

New ways of interaction between the tax service and taxpayers are being introduced, such as tax monitoring (Article 105.26 of the Tax Code of the Russian Federation). It replaces traditional checks with online interaction based on remote access to taxpayer information systems and its accounting and tax reporting. This method of providing data to the tax authority allows you to promptly coordinate with the tax authority the position on taxation of planned and completed transactions.

Access to taxpayer data allows the tax authority to reduce the volume of required documents and focus resources on the verification of those transactions that contain elements of risk. This form of tax control provides preventive identification of tax risks and quick settlement of controversial uncertain tax positions and allows to prevent the emergence of tax risks and controversial situations at the time of planning operations and transactions (Government sources – 4).

In addition, all on-site tax audits are planned based on the results of a risk assessment carried out by the tax authority (Applicable laws and regulations – 3). This procedure for planning and conducting inspections increases its effectiveness and allows claiming revealed tax debts.

Control over the completeness and timeliness of payments for timber harvesting is also carried out by the prosecutor's office of the Russian Federation within the framework of the requirements for prosecutorial supervision over compliance with the requirements of the legislation on payment of tax payments (Applicable laws and regulations – 4).

The requirements of the Federal Tax Service establish the types, terms of payment, the amount of taxes and the procedure for their payment. Public authorities – the tax service and the prosecutor's office ensure effective tax administration, including prevention of violations of legal requirements, additional assessment and payment of additional tax amounts based on the results of audits and bringing to responsibility organizations that violated the requirements of tax legislation.

### *Risk Conclusion*

The current practice of law enforcement of regulatory requirements for payment of taxes, the right of organizations to tax monitoring, statistical data on the completeness of tax payment allow us to consider the risk as low.

#### **1.6.6. Risk designation and specification**

All sources types: Low risk

#### **1.6.7. Control measures and verifiers**

N/A

## 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) Tax Code of the Russian Federation (Part Two) of 05.08.2000 N 117-FZ (as amended on 20.04.2021). Chapters 21, 25, 26.2. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_28165/](http://www.consultant.ru/document/cons_doc_LAW_28165/)
- 2) Tax Code of the Russian Federation (Part One) of 31.07.1998 N 146-FZ (as amended on 23.11.2020) (with amendments and supplements entered into force on 01.01.2021). Article 13. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_19671/](http://www.consultant.ru/document/cons_doc_LAW_19671/)
- 3) Order of the Federal Tax Service of 30.05.2007 N MM-3-06/333@ validating the Concept of a Planning System for on-Site Tax Audits. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_55729/](http://www.consultant.ru/document/cons_doc_LAW_55729/)
- 4) Federal Law of 17.01.1992 N 2202-1 (as amended on 30.12.2020) on the Prosecutor's Office of the Russian Federation. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_262/](http://www.consultant.ru/document/cons_doc_LAW_262/)

### 1.7.2. Legal authority

- Federal Tax Service
- Executive authorities at the level of the constituent entities of the Russian Federation - the Service for the constituent entities of the Russian Federation, interregional inspections of the Service, inspections of the Service for districts, districts in cities, cities without regional divisions, inspections of the Interdistrict Service.
- The Prosecutor's Office of the Russian Federation and its local subdivisions.

### 1.7.3. Legally required documents or records

- Tax declaration
- Acts of audits of organizations by the tax service

### 1.7.4. Sources of information

#### *Government sources*

- 1) Unified register of small and medium-sized businesses. Federal Tax Service official website. [Online]. Available at: <https://www.nalog.gov.ru/opendata/7707329152-rsmp/> [Accessed 14 February 2021]
- 2) Database: On debts in taxes and fees, penalties and tax sanctions to the budgetary system of the Russian Federation for the main types of economic activity (Form 4-NOM). Federal Tax Service official website. [Online]. Available at: <https://www.nalog.gov.ru/opendata/7707329152-arrearsoftea/> [Accessed 14 February 2021]

- 3) Prosecutor's Office of the Vologda Region (2017). On the practice of prosecutorial supervision in the field of enforcement of legislation on taxes and fees (11.04.2017). The Prosecutor General's Office of the Russian Federation. [Online]. Available at: <https://genproc.gov.ru/smi/news/regionalnews/news-1181088/> [Accessed 14February 2021]
- 4) nalog.gov.ru (N.Y). Tax monitoring. Federal Tax Service official website. [Online]. Available at: [https://www.nalog.gov.ru/rn77/taxation/reference\\_work/taxmonit/](https://www.nalog.gov.ru/rn77/taxation/reference_work/taxmonit/) [Accessed 14February 2021]

#### *Non-Government sources*

- 1) Pravosvet Audit (2020). Tax control 2020 in Figures (23.12.2020). Pravosvet Audit. [Online]. Available at: <https://pravovest-audit.ru/nashi-statii-nalogi-i-buhuchet/nalogovyy-kontrol-2020-v-tsifrah/> [Accessed 14 February 2021]
- 2) Proyekt Podderzhka (2019). How «digital» helps the FTS to collect taxes: just look at these charts (26.11.2019). [Online]. Klerk.. Available at: <https://www.klerk.ru/buh/articles/492803/> [Accessed 14 February 2021]

### **1.7.5. Risk determination**

#### *Overview of Legal Requirements*

In Russia, tax legislation has been formed, which allows achieving high results of tax administration and regularly providing income to all levels of the country's budget. Today, there is two types of taxes on income and profit:

- 1) Tax on the profits of organizations. As a general rule, the total income tax rate in Russia is 20 percent of the profit from the sale of commodities and services (Applicable laws and regulations – 1).
- 2) Tax under the simplified taxation system. The tax rate is 6% on turnover or 15% on difference on income and expenses (Applicable laws and regulations – 1).

#### *Description of Risk*

The assessment on Income and Profit Taxes is similar to the indicator on 1.6. Value added taxes and other sales taxes.

According to the tax service for the past 2020, it was planned to collect 98.72% of the amount of accrued tax payments in the country. Moreover, the dynamics of tax collection in recent years indicates an increase in the amount of collected taxes due to an increase in the efficiency of the tax service and toughening of the requirements for collecting taxes (Non-government sources – 2).

New ways of interaction between the tax service and taxpayers are being introduced, such as tax monitoring (Article 105.26 of the Tax Code of the Russian Federation). It replaces traditional checks with online interaction based on remote access to taxpayer information systems and its accounting and tax reporting. This method of providing data to the tax authority allows you to promptly coordinate with the tax authority the position on taxation of planned and completed transactions.

Access to taxpayer data allows the tax authority to reduce the volume of required documents and focus resources on the verification of those transactions that contain elements of risk. This form of tax control provides preventive identification of tax risks and quick settlement of

controversial uncertain tax positions and allows to prevent the emergence of tax risks and controversial situations at the time of planning operations and transactions (Government sources – 4).

In addition, all on-site tax audits are planned based on the results of a risk assessment carried out by the tax authority (Applicable laws and regulations – 3). This procedure for planning and conducting inspections increases its effectiveness and allows claiming revealed tax debts.

Control over the completeness and timeliness of payments for timber harvesting is also carried out by the prosecutor's office of the Russian Federation within the framework of the requirements for prosecutorial supervision over compliance with the requirements of the legislation on payment of tax payments (Applicable laws and regulations – 4).

The requirements of the Federal Tax Service establish the types, terms of payment, the amount of taxes and the procedure for their payment. Public authorities – the tax service and the prosecutor's office ensure effective tax administration, including prevention of violations of legal requirements, additional assessment and payment of additional tax amounts based on the results of audits and bringing to responsibility organizations that violated the requirements of tax legislation.

#### *Risk Conclusion*

The current practice of law enforcement of regulatory requirements for payment of taxes, the right of organizations to tax monitoring, statistical data on the completeness of tax payment allow us to consider the risk as low.

#### **1.7.6. Risk designation and specification**

All sources types: Low risk

#### **1.7.7. Control measures and verifiers**

N/A

## 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) Forest Code of the Russian Federation of 04.12.2006 N 200-FZ (as amended on 30.04.2021). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_64299/](http://www.consultant.ru/document/cons_doc_LAW_64299/)
- 2) Order of the Ministry of Natural Resources of 01.12.2020 N 993 validating the Rules for Timber Harvesting and the Specifics of Timber Harvesting in Forest Management Units Specified in Article 23 of the Forest Code of the Russian Federation (Registered with the Ministry of Justice of Russia on 18.12.2020 N 61553). Available at: <https://minjust.consultant.ru/documents/25117>
- 3) Order of the Ministry of Natural Resources of 27.06.2016 N 367 validating the Types of Logging Operations, the Order and Sequence of their Implementation, the Form of the Technological Map of Logging Operations, the Form of the Report of the Inspection of the Cutting Area and the Procedure for the Inspection of the Cutting Area (Registered with the Ministry of Justice of Russia on 29.12.2016 N 45040). Available at: <https://minjust.consultant.ru/documents/22088>
- 4) Resolution of the Government of the Russian Federation of 09.12.2020 N 2047 validating the Rules of Sanitary Safety in Forests. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_370645/](http://www.consultant.ru/document/cons_doc_LAW_370645/)
- 5) Order of the Federal Forestry Agency of 09.04.2015 N 105 (as amended on 02.07.2015) on Establishing the Age of Logging. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_57134/](http://www.consultant.ru/document/cons_doc_LAW_57134/)
- 6) Order of the Ministry of Natural Resources of 27.02.2017 N 72 (as amended on 27.02.2020) validating the Content of a Forest Management Regulation, Procedure of its Development, Periods of its Validity and Procedure of Modification (Registered with the Ministry of Justice of Russia on 31.03.2017 N 46210). Available at: <https://docs.cntd.ru/document/420395322>
- 7) Order of the Federal Forest Service of 29.02.2012 N 69 validating the Content of a Forest Development Project and a Procedure for its Development (Registered with the Ministry of Justice of Russia on 05.05.2012 N 24075). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_129583/](http://www.consultant.ru/document/cons_doc_LAW_129583/)
- 8) Federal Law of 20.12.2004 N 166-FZ (as amended on 08.12.2020) on Fishing and Conservation of Aquatic Biological Resources. Available at: <https://docs.cntd.ru/document/901918398>

- 9) Resolution of the Government of the Russian Federation of 30.04.2013 N 384 (as amended on 28.09.2020) validating the Federal Agency for Fisheries of the Construction and Reconstruction of Capital Construction Facilities, the Introduction of New Technological Processes and the Implementation of Other Activities Affecting Aquatic Biological Resources and the Environment their Habitat. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_145917/](http://www.consultant.ru/document/cons_doc_LAW_145917/)
- 10) Resolution of the Government of the Russian Federation of 07.10.2020 N 1614 validating the Fire Safety Rules in Forests. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_364560/](http://www.consultant.ru/document/cons_doc_LAW_364560/)
- 11) Order of the Ministry of Natural Resources of 30.07.2020 N 534 validating the Rules for the Care of Forests (Registered with the Ministry of Justice of Russia on 18.12.2020 N 61555). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_371361/](http://www.consultant.ru/document/cons_doc_LAW_371361/)
- 12) Order of the Ministry of Natural Resources of 05.08.2020 N 565 validating the Procedure for the Design, Creation, Maintenance and Operation of Forest Infrastructure Facilities. Available at: [http://www.consultant.ru/document/Cons\\_doc\\_LAW\\_368482/](http://www.consultant.ru/document/Cons_doc_LAW_368482/)
- 13) SP 288.1325800.2016: Forest roads. Rules of design and construction. Available at: <https://docs.cntd.ru/document/456069592>

#### 1.8.2. Legal authority

- Russian Federal Forestry Agency (Rosleskhoz)
- Russian Federal Agency for Fisheries (Rosrybolovstvo)

#### 1.8.3. Legally required documents or records

- Technological Map of logging operations
- Forest Concession Management Plan
- Forest District Management Plan
- Conclusion of the Federal Agency for Fishery on the coordination of activities
- Certificate of inspection of harvesting sites

#### 1.8.4. Sources of Information

##### *Government sources*

- 1) Fourteenth Arbitral Appeal Court (2019). Resolution of the Arbitration Court of the Vologda Region of 13.11.2019 in case No A13-12143 / 2019 (13.11.2019). Judicial and regulatory acts of the Russian Federation. [Online]. Available at: [https://sudact.ru/arbitral/doc/dnImGH4H72LI/?arbitral-txt=&arbitral-case\\_doc=%D0%9013-12143%2F2019&arbitral-lawchunkinfo=&arbitral-date\\_from=&arbitral-date\\_toregion&arbitral&ourbitral=%20&%20arbitral-judge%20=%20&%20%20=%201613920753219%20&%20snippet\\_pos%20=%2024%20#%20snippet](https://sudact.ru/arbitral/doc/dnImGH4H72LI/?arbitral-txt=&arbitral-case_doc=%D0%9013-12143%2F2019&arbitral-lawchunkinfo=&arbitral-date_from=&arbitral-date_toregion&arbitral&ourbitral=%20&%20arbitral-judge%20=%20&%20%20=%201613920753219%20&%20snippet_pos%20=%2024%20#%20snippet) [Accessed: 21.02.2021]
- 2) Thirteenth Arbitral Appeal Court (2019). Resolution of 13.06.2019 in case N 13AP-11331/2019. Judicial and regulatory acts of the Russian Federation. [Online]. Available at: <https://sudact.ru/arbitral/doc/SKqLw6JC5rJ2/?arbitral-txt=&arbitral->

[case\\_doc=13%D0%90%D0%9F-11331%2F2019&arbitral-lawchunkinfo=&arbitral-date\\_from=&arbitral-date\\_to=&arbitral-region=&arbitral-court=&arbitral-judge=&=1613921408132&snippet\\_pos=130#snippet](#) [Accessed: 21.02.2021]

- 3) Regional Prosecutor's Office (Arkhangelsk Region) (2019). Violations of timber harvesting rules were eliminated at the request of the Arkhangelsk Interdistrict Environmental Prosecutor (25.11.2019). General Prosecutor's Office of the Russian Federation. [Online]. Available at: <https://genproc.gov.ru/smi/news/regionalnews/news-1740330/> [Accessed: 16.05.2021]
- 4) Regional Prosecutor's Office (Tver Region) (2020). Two loggers violated fire safety rules for timber harvesting in forests (19.06.2020). General Prosecutor's Office of the Russian Federation. [Online]. Available at: <https://genproc.gov.ru/smi/news/regionalnews/news-1865958/> [Accessed: 16.05.2021]

#### *Non-Government sources*

- 1) RIA Novosti (2020). The Federation Council will propose to increase the number of foresters (30.09.2020). RIA Novosti. [Online]. Available at: <https://ria.ru/20200930/obschestvo-1578007165.html> [Accessed : 21.02.2021]
- 2) LesPromInform (2021). Roslesinform estimated the number of illegal logging in the regions of Russia (13.05.2021). LesPromInform. [Online]. Available at: <https://lesprominform.ru/news.html?id=14713> [Accessed: 16.05.2021]
- 3) GTRK Ivteleradio (2020). In the Ivanovo region, the amount of damage caused by illegal logging increased (19.03.2020). YouTube. [Online]. Available at: [https://www.youtube.com/watch?v=DozUy6Af2R4&ab\\_channel=ГТРКИвтелерадио](https://www.youtube.com/watch?v=DozUy6Af2R4&ab_channel=ГТРКИвтелерадио) [Accessed: 16.05.2021]

### **1.8.5. Risk determination**

#### *Overview of Legal Requirements*

Wood harvesting must be carried out in accordance with the following documents:

- Forest District Management Plan;
- Forest Concession Management Plan;
- Technological Map of harvesting activities.

The Forest District Management Plans are developed in accordance with the approved procedure by the constituent entity of the Russian Federation. This document describes the key requirements for forest management within the forestry (Applicable laws and regulations – 1, 6)

A Forest Concession Management Plan is developed by a forest user (lessee) in cases of long-term forest management. Before starting to use forests, the Forest Concession Management Plan undergoes a mandatory State examination, in order to assess the compliance of the composition of the Forest Concession Management Plan with the requirements of the current legislation and the Forest District Management Plan (Applicable laws and regulations – 1, 7)

The Technological Map is developed by the forest user (lessee) prior to harvesting activities. Upon completion of harvesting activities, the supervisory authorities inspect the harvesting sites and control the compliance of the work performed with the requirements of the current legislation, the Forest Concession Management Plan and the Technological Map. The



Technological Map is developed in accordance with the established form (Applicable laws and regulations – 3).

The current legislation provides for requirements for planning and allocation of harvesting sites, technologies and methods of harvesting activities, including for selective, gradual and clear felling (Applicable laws and regulations – 1, 2). In particular, the Timber Harvesting Rules determine the maximum size of harvesting sites, their location relative to each other, the intensity of selective logging, and the residues left during logging.

Also, the legislation regulates the types of harvesting activities, the procedure and sequence of its implementation (Applicable laws and regulations – 3). In particular, the types of harvesting activities are divided into preparatory, main and final, and include, among other things, the marking of the boundaries of the harvesting sites, requirements for harvesting, skidding and storage of timber, as well as measures for cleaning harvesting sites.

The minimum age of harvesting of forest stands is determined by the current regulation (Applicable laws and regulations – 5) and are also described in the Forest District Management Plan and the Forest Concession Management Plan.

Requirements for the arrangement of skidding trails, loading areas within the harvesting sites, as well as for the maximum allowable area of these facilities are provided for in the Procedure for Harvesting Activities (Applicable laws and regulations – 3).

Also in the legislation, there is a set of requirements for the cleaning of harvesting sites and storage of wood, including for the purposes of sanitary and fire safety, in particular, there are requirements for the maximum storage period of untreated and/or unrooted wood in the forest in the summer, as well as requirements for the minimum permissible distances between the stacks and the border of the forest (Applicable laws and regulations – 4, 10).

In accordance with Order N 565 (Applicable laws and regulations – 12), forest infrastructure facilities are divided into capital and non-capital construction facilities. Objects of non-capital construction (for example, temporary skidding trails, etc.) should be created in accordance with the Forest Concession Management Plan. Capital construction objects (for example, permanent highways, etc.) must be designed and built in accordance with the Code of Rules (Applicable laws and regulations – 13), and operated in accordance with Order N 565.

Measures for the construction and repair of bridges, as well as other types of activities in water protection and spawning protection zones, must be agreed with the Territorial Administration of the Federal Agency for Fisheries (Applicable laws and regulations – 8, 9). When coordinating the activity, the forest user is obliged to assess the impact of the planned activity on water resources and their habitat, determine the amount of damage and, if necessary, provide for compensation measures.

Thinning must also be carried out in accordance with the requirements of the current legislation and forest planning documents (Forest District Management Plan and Forest Concession Management Plan). The rules of forest care regulate the procedure for the maintenance, their intensity, as well as the criteria for selecting trees for felling (Applicable laws and regulations – 1, 11)

#### *Description of Risk*

The relevant requirements are clearly stated in the current legislation and Forest District Management Plans. The supervisory authorities monitor compliance with the current legislation, however, due to the insufficient number of staff of the supervisory authorities and the inaccessibility of some harvesting sites during the snowless period, many cases of

violation of the law are not detected (Government sources – 3, 4; Non-Government sources – 1-3).

Among the most frequent violations: inconsistency in the location of trails and loading platforms with the scheme presented in the technological map at the time of inspection of felling sites, untimely removal of timber, unsatisfactory cleaning of felling sites, non-compliance with the cutting intensity, lack of approval from the Federal Agency for Fishery, non-compliance of harvesting methods during thinning (Government sources – 1-4; Non-Government sources – 1-3).

#### *Risk Conclusion*

Since in some cases the inspection of logging sites may not be carried out or carried out in bad faith, there is a risk of violation of harvesting regulations.

#### **1.8.6. Risk designation and specification**

All source types: Specified risk

#### **1.8.7. Control measures and verifiers**

##### *Mitigating the risk of violation of harvesting regulations*

Compliance with the harvesting regulation can be checked through combination of document review, consultation with forest authorities and onsite verification.

##### **Review and verify documents:**

- Request and analyse Certificate of inspection of harvesting sites to identify potential and most common types of violation.
- Technological map

##### **Consult:**

Consultations with representatives of local supervisory authorities regarding the use and harvesting of forests.

##### **Conduct onsite verification:**

Conducting random field inspections (mainly during the snowless period) of forest users of each supplier to assess the risk of harvesting regulation. When conducting a field inspection, it is necessary to assess the compliance of the actual activities carried out at the harvesting site with the requirements of the Technological Map and the norms of the current legislation.

## **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) Constitution of the Russian Federation (adopted by public vote on 12.12.1993 with amendments approved in an all-Russian vote on 01.07.2020). Article 72. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_28399/](http://www.consultant.ru/document/cons_doc_LAW_28399/)
- 2) Federal Law of 17.02.1995 N 16-FZ on Ratification of the Convention of Biodiversity. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_15582/#dst0](http://www.consultant.ru/document/cons_doc_LAW_15582/#dst0)
- 3) Resolution of the Presidium of the Supreme Soviet of the USSR of 09.03.1998 N 8595-XI, validating the Ratification of the Convention on the Protection of the World Cultural and Natural Heritage. Available at: <https://docs.cntd.ru/document/901871120>
- 4) Resolution of the Presidium of the Supreme Soviet of the USSR of 26.12.1975 N 2737-XI, validating the Ratification of the Convention on Wetlands of International Importance especially as Habitats for Waterfowl. Available at: <https://docs.cntd.ru/document/901792823>
- 5) Federal Law of 10.01.2002 N 7-FZ (as amended on 09.03.2021) on Environment Protection. Articles 58-60. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_34823/](http://www.consultant.ru/document/cons_doc_LAW_34823/)
- 6) Federal Law of 14.03.1995 N 33-FZ (as amended on 30.12.2020) on the Specially Protected Nature Areas. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_6072/](http://www.consultant.ru/document/cons_doc_LAW_6072/)
- 7) Federal Law of 25.06.2002 N 73-FZ on Objects of Cultural Heritage (Historical and Cultural Monuments) of the Peoples of the Russian Federation. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_37318/](http://www.consultant.ru/document/cons_doc_LAW_37318/)
- 8) Land Code of the Russian Federation of 25.10.2001 N 136-FZ (as amended on 30.12.2020) (with amendments and supplements entered into force on 10.01.2021). Articles 95, 105. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_33773/](http://www.consultant.ru/document/cons_doc_LAW_33773/)
- 9) Forest Code of the Russian Federation of 04.12.2006 N 200-FZ (as amended on 30.04.2021). Articles 60.15, 100-119. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_64299/](http://www.consultant.ru/document/cons_doc_LAW_64299/)
- 10) Water Code of the Russian Federation of 03.06.2006 N 74-FZ (as amended on 08.12.2020) (with amendments and supplements entered into force on 01.01.2021). Article 65. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_60683/](http://www.consultant.ru/document/cons_doc_LAW_60683/)
- 11) Urban Planning Code of the Russian Federation of 03.06.2006 N 74-FZ, Chapter 3. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_51040/](http://www.consultant.ru/document/cons_doc_LAW_51040/)
- 12) Resolution of the Government of the Russian Federation of 13.09.1994 N 1050 on Measures to Ensure the Fulfilment of the Obligations of the Russian Party Arising from the Convention on Wetlands of International Importance Mainly as Habitats of Waterfowl of 02.02.1971. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_131979/](http://www.consultant.ru/document/cons_doc_LAW_131979/)
- 13) Resolution of the Government of the Russian Federation of 19.02.2015 N 138 (as amended on 21.12.2018) validating the Rules for the Establishment of Protective Zones of Certain Categories of Specially Protected Natural Areas, the Establishment of their Boundaries, the Determination of the Framework of Protection and Use of Land and Water Bodies within the Boundaries of such Zones. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_106702/](http://www.consultant.ru/document/cons_doc_LAW_106702/)

- 14) Resolution of the Government of the Russian Federation of 23.09.2010 N 736 (as amended on 24.11.2020) on the Federal Forestry Agency. Clauses 5.4.4, 5.4.12, 5.4.18. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_105376/](http://www.consultant.ru/document/cons_doc_LAW_105376/)
- 15) Resolution of the Government of the Russian Federation of 11.11.2015 N 1219 (as amended on 24.11.2020) validating the Regulations on the Ministry of Natural Resources and Environment of the Russian Federation and on amendments and invalidation of certain acts of the Government of the Russian Federation. Clauses 1, 5. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_188947/](http://www.consultant.ru/document/cons_doc_LAW_188947/)
- 16) Resolution of the Government of the Russian Federation of 20.07.2011 N 590 (as amended on 24.11.2020) on the Ministry of Culture of the Russian Federation (p. 1, 5). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_117520/](http://www.consultant.ru/document/cons_doc_LAW_117520/)
- 17) Resolution of the Government of the Russian Federation of 30.07.2004 N 400 (as amended on 28.12.2020) validating the Regulation on the Federal Service for Supervision of Natural Resources and Amendments to the Resolution of the Russian Federation Government of 22.07.2004 N 370. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_48720/](http://www.consultant.ru/document/cons_doc_LAW_48720/)
- 18) Order of the Ministry of Natural Resources of 29.03.2018 N 122 validating the Forest Management Instruction. Section III. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_296757/](http://www.consultant.ru/document/cons_doc_LAW_296757/)
- 19) Order of the Ministry of Natural Resources of 16.07.2007 N 181 (as amended on 12.03.2008) validating the Specific Features of the Use, Guard, Protection, Reproduction of Forests located on the Specially Protected Nature Areas (Registered with the Ministry of Justice of Russia on 03.09.2007 N 10084). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_70835/](http://www.consultant.ru/document/cons_doc_LAW_70835/)
- 20) Order of the Ministry of Natural Resources of 19.03.2012 N 69 validating the Procedure for Maintaining the State Cadastre of Specially Protected Natural Areas. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_128517/](http://www.consultant.ru/document/cons_doc_LAW_128517/)
- 21) Order of Russian Federal Forestry Agency (Rosleskhoz) of 05.12.2011 N 513 validating the List of Species (Breeds) of Trees and Shrubs, the Logging of which is not Allowed. (Registered with the Ministry of Justice of Russia on 19.01.2012 N 22973). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_125221/](http://www.consultant.ru/document/cons_doc_LAW_125221/)
- 22) Order of the Ministry of Natural Resources of 05.29.2017 N 264 validating the Specifics of Protection in Forests of Rare and Endangered Trees, Shrubs, Lianas, other Forest Plants listed in the Red Book of the Russian Federation or the Red Books of the Constituent Entities of the Russian Federation. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_218646/](http://www.consultant.ru/document/cons_doc_LAW_218646/)
- 23) Order of the Ministry of Natural Resources of 01.12.2020 N 993 validating the Rules for Timber Harvesting and the Specifics of Timber Harvesting in Forest Management Units Specified in Article 23 of the Forest Code of the Russian Federation (Registered with the Ministry of Justice of Russia on 18.12.2020 N 61553). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_371476/](http://www.consultant.ru/document/cons_doc_LAW_371476/)
- 24) Resolution of the Government of the Russian Federation of 09.12.2020 N 2047 validating the Rules of Sanitary Safety in Forests. Paragraphs 37, 38. Available at: [https://www.consultant.ru/document/cons\\_doc\\_LAW\\_370645/](https://www.consultant.ru/document/cons_doc_LAW_370645/)

- 25) Order of the Ministry of Natural Resources of 25.10.2005 N 289 validating the Lists (Lists) of Flora Objects Listed in the Red Book of the Russian Federation and Excluded From the Red Book of the Russian Federation (as of 01.06.2005) (Registered with the Ministry of Justice of Russia on 29.11.2005 N 7211). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_56819/](http://www.consultant.ru/document/cons_doc_LAW_56819/)
- 26) Order of the Ministry of Natural Resources of 20.12.2017 N 692 (as amended on 27.02.2020) validating the Model Form and Content of a Forest Plan of a Constituent Entity of the Russian Federation, Procedure of its Development and Modification (Registered with the Ministry of Justice of Russia on 05.04.2018 N 50666). Clauses 1.4, 1.8. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_295497/](http://www.consultant.ru/document/cons_doc_LAW_295497/)
- 27) Order of the Ministry of Natural Resources of 27.02.2017 N 72 (as amended on 27.02.2020) validating the Content of a Forest Management Regulation, Procedure of its Development, Periods of its Validity and Procedure of Modification (Registered with the Ministry of Justice of Russia on 31.03.2017 N 46210). Clause 6. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_214903/](http://www.consultant.ru/document/cons_doc_LAW_214903/)
- 28) Order of the Federal Forest Service of 29.02.2012 N 69 validating the Content of a Forest Development Project and a Procedure for its Development (Registered with the Ministry of Justice of Russia on 05.05.2012 N 24075). Clause 6. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_129583/](http://www.consultant.ru/document/cons_doc_LAW_129583/)
- 29) Order of the Ministry of Culture of Russia of 03.10.2011 N 954 (as amended on 20.11.2020) validating the Regulations on the Unified State Register of Cultural Heritage Objects (Historical and Cultural Monuments) of the Peoples of the Russian Federation. (Registered in the Ministry of Justice of Russia on 19.12.2011 N 22670). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_123967/](http://www.consultant.ru/document/cons_doc_LAW_123967/)
- 30) Regional Law of 24.02.2012 N 242-14-OZ (as amended on 25.11.2020) on Specially Protected Natural Areas of the Arkhangelsk Region. Available at: <https://docs.cntd.ru/document/462614816>
- 31) Regional Law of 30.12.2005, N 121-з (as amended on 04.05.2016) on Specially Protected Natural Areas of the Bryansk Region. Available at: <https://docs.cntd.ru/document/974006195>
- 32) Regional Law of 07.05.2014 N 3361-OZ on Specially Protected Natural Areas of the Vologda Region. Available at: <https://docs.cntd.ru/document/412304355>
- 33) Regional Law of 28.12.2015 N 112-з (as amended on 04.06.2019) on Specially Protected Natural Areas of Regional and Local Importance in the Yaroslavl Region. Available at: <https://docs.cntd.ru/document/432833311>
- 34) Resolution of the Administration of the Pskov region of 18.07.1996 N 196 validating the Regulations on the Wetland of the Pskov-Chudskoy Lakeside Lowland. Available at: <http://www.consultant.ru/regbase/cgi/online.cgi?req=doc&base=RLAW351&n=672&dst=#044560995197828934>
- 35) Resolution of the Government of the Leningrad Region of 12.14.2004 N 297 (as amended on 12.22.2017) on Wetlands in the Leningrad Region, which are of International Importance Mainly as Habitats for Waterfowl. Available at: <http://www.consultant.ru/cons/cgi/online.cgi?from=52316->

[0&rnd=1EB3A86195B04F4A1A63B5D893D56213&req=doc&base=SPB&n=195250&REFD OC=52316&REFBASEk=SPB#3c8](http://0&rnd=1EB3A86195B04F4A1A63B5D893D56213&req=doc&base=SPB&n=195250&REFD OC=52316&REFBASEk=SPB#3c8)

### 1.9.2. Legal authority

- Ministry of Natural Resources and Environment of the Russian Federation
- Russian Federal Forestry Agency (Rosleskhoz)
- Russian Federal Service for Supervision of Natural Resources (Rosprirodnadzor)
- Ministry of Culture of the Russian Federation

### 1.9.3. Legally required documents or records

- Scheme of territorial planning of the constituent entity of the Russian Federation, municipalities
- Provision on:
  - OOPT;
  - buffer zone of OOPT;
  - wetlands;
- Passport of the object of cultural heritage;
- Forest Management Plan of a Constituent Entity (Forest Plan);
- Forest District Management Plan;
- Forest Concession Management Plan.

### 1.9.4. Sources of Information

#### *Government sources*

- 1) The Federation Council of the Federal Assembly of the Russian Federation (2016). Legal problems of the use and protection of lands of specially protected territories and objects (31.10.2016). The Federation Council of the Federal Assembly of the Russian Federation. [Online]. Available at: <http://council.gov.ru/activity/activities/roundtables/72872/> [Accessed 12.12.2020]
- 2) Regional Prosecutor's Office (Novgorod Region) (2019). The results of inspections of compliance with legislation on specially protected natural areas have been summed up (20.12.2019). The General Prosecutor's Office of the Russian Federation. [Online]. Available at: <https://genproc.gov.ru/smi/news/regionalnews/news-1758892/> [Accessed 12.12.2020]
- 3) Palamarchuk A.V. (2017). Prosecutor's supervision over the implementation of legislation on specially protected natural areas, conservation and use of objects of the animal world and their habitat (21.12.2017). The General Prosecutor's Office of the Russian Federation. [Online]. Available at: [https://genproc.gov.ru/upload/iblock/e9f/zak\\_1\\_2018.pdf](https://genproc.gov.ru/upload/iblock/e9f/zak_1_2018.pdf) [Accessed 12.12.2020]
- 4) mpr-tver.ru (N.Y). Specially protected natural areas. Website of the Ministry of Natural Resources and Ecology of the Tver Region. [Online]. Available at: <https://mpr-tver.ru/deyatelnost-iogv/osobo-okhranyaemye-prirodnye-territorii/> [Accessed 09.12.2020]
- 5) The Ministry of Natural Resources of the Tver Region (2020). The Ministry of Natural Resources of the Tver Region continues to carry out a set of measures to develop and approve the boundaries of specially protected natural areas of regional significance (14.10.2020). The Ministry of Natural Resources and Ecology of the Tver Region [Online].



Available at: [https://www.mpr-tver.ru/novosti/novosti/?ELEMENT\\_ID=141018](https://www.mpr-tver.ru/novosti/novosti/?ELEMENT_ID=141018) [Accessed 09.12.2020]

- 6) Information on cultural heritage sites located on the territory of the Leningrad region. Official site of the municipal formation Volodarskoe rural settlement. [Online]. Available at: <http://xn--80adgfydubdsl.xn--p1ai/?p=2257> [Accessed 22.12.2020]

#### *Non-Government sources*

- 1) Elena Kuzmina (2019). In the Novgorod region, illegal logging was found in specially protected areas with a damage of 1.3 billion rubles. (12.07.2019). Information portal Novgorodskie vedomosti. [Online]. Available at: <https://novvedomosti.ru/news/economy/55522/> [Accessed 05.12.2020]
- 2) WWF Russia (2019). WWF Russia: it is necessary to strengthen control over the observance of the borders of the Dvinsko-Pinezhsky reserve (10.12.2019). WWF Russia. [Online]. Available at: <https://wwf.ru/resources/news/lesa/wwf-rossii-neobkhodimo-usilit-kontrol-za-soblyudeniem-granits-dvinsko-pinezhskogo-zakaznika/> [Accessed 05.12.2020]
- 3) Olga Pavlova (2019). With an ax at the ready. Environmentalists have stopped illegal logging in the Gladyshevsky reserve (25.03.2019). Publishing House St. Petersburg Vedomosti. [Online]. Available at: [https://spbvedomosti.ru/news/gorod/s\\_toporom\\_v\\_zakaznik/](https://spbvedomosti.ru/news/gorod/s_toporom_v_zakaznik/) [Accessed 05.12.2020]
- 4) Central District Court of Kaliningrad (Kaliningrad Region) (2017). Decision No. 2-4713/2017 2-4713/2017~M-4382/2017 M-4382/2017 of November 24, 2017 in case No. 2-4713 / 2017 (24.11.2017). Judicial and regulatory acts of the Russian Federation. [Online]. Available at: <https://sudact.ru/regular/doc/jHRknNqnrJW/> [Accessed 05.12.2020]
- 5) Network publication Information resource of the All-Russian Popular Front (2018). All-Russian Popular Front and the Prosecutor's Office are seeking the protection of specially protected natural areas throughout Russia (22.02.2018). Network publication Information resource of the All-Russian Popular Front. [Online]. Available at: <https://onf.ru/2018/02/22/onf-i-prokuratura-dobivayutsya-zashchity-osobo-ohranyaemyh-prirodnih-territoriy-na-vsey/> [Accessed 05.12.2020]
- 6) Leonid Starovoitov (2017). Zhalyniki (11.01.2017). Site of the municipal institution of culture "Palace of culture in Pikalevo. [Online]. Available at: <https://pikalevo.47lib.ru/kraev/zametkioproshlom/123456> [Accessed 22.12.2020]
- 6) fesk.ru (N.Y). Svirskaya Bay of Lake Ladoga. Site Wetlands of Russia. [Online]. Available at: <http://www.fesk.ru/wetlands/29.html> [Accessed 27.12.2020]

#### **1.9.5. Risk determination**

##### *Overview of Legal Requirements*

The Russian Federation is a party to a number of international legal acts in the field of environmental protection, for the implementation of which and the fulfillment of obligations assumed in accordance with them, national legislation is formed.

Among the main international treaties ratified by the Russian Federation, the provisions of which provide for the territorial protection of the environment, it should be noted the Convention on Biological Diversity (Applicable laws and regulations – 2) and the Convention



on the Protection of the World Cultural and Natural Heritage (Applicable laws and regulations – 3), the Convention on Wetlands (Applicable laws and regulations – 4). The provisions of these conventions are enshrined in Russian legislation, including in the part of protected areas.

In the Russian Federation, protected areas include specially protected natural areas (OOPT), protective forests, specially protected forest sites (OZU), territories of cultural heritage sites, territories of traditional nature management of indigenous minorities of the North, Siberia and the Far East of the Russian Federation. The risk assessment also covers rare and endangered tree species and their habitats.

The risk assessment in this indicator was carried out for protected areas, which are located on the lands of the Forest Estate. Some OOPT and territories of cultural heritage sites (mostly federal territories) are located on the lands of specially protected areas and objects and are not assessed (please see the Annex I Timber Source Types). But at the same time, buffer zones can be created around such territories, which are located on the lands of the Forest Estate. Such buffer zones are covered by the risk assessment.

The territories of traditional nature management of the indigenous minorities of the North, Siberia and the Far East of the Russian Federation are considered in the indicator 1.15.

It should be noted that the protected areas under consideration may have several statuses. For example, OOPT and territories of cultural heritage sites can be identified as protected forests or OZU; territories of cultural heritage sites can be identified as OOPT.

#### **Legal requirements for specially protected natural areas (OOPT)**

The Constitution of the Russian Federation (Applicable laws and regulations – 1) places OOPT issues under the joint jurisdiction of the Russian Federation and the constituent entities of the Russian Federation. The use of protected areas are covered in Section IX of the Federal Law On Environmental Protection (Applicable laws and regulations – 5), according to Article 58, for the protection of natural objects that have special environmental, scientific, historical, cultural, aesthetic, recreational, health-improving and other valuable value, a special legal framework is established, including the establishment of specially protected natural areas.

The main legislative act regulating relations in the field of establishment, protection and use of protected areas is the federal law On Specially Protected Natural Areas (Applicable Laws and regulations - 6).

In the constituent entities of the Russian Federation, regional laws on protected areas may be adopted. For example, the regional law On Specially Protected Natural Areas of the Arkhangelsk Region (Applicable laws and regulations – 30), the regional law On Specially Protected Natural Areas of the Bryansk Region (Applicable laws and regulations – 31), the regional law On Specially Protected Natural Areas of the Vologda Region (Applicable laws and regulations – 32), the regional law On Specially Protected Natural Areas of Regional and Local Importance in the Yaroslavl Region (Applicable laws and regulations – 33), etc. Regional laws specify the federal law, taking into account the characteristics of the region, but cannot contradict federal legislation.

The norms affecting the functioning and protection of protected areas, taking into account the peculiarities of the use of the corresponding types of natural resources, are also contained in such legal acts as the Land Code of the Russian Federation (Applicable laws and regulations – 8), the Forest Code of the Russian Federation (Applicable laws and regulations

– 9) , Water Code of the Russian Federation (Applicable laws and regulations – 10), Urban Planning Code of the Russian Federation (Applicable laws and regulations – 11).

The Federal Law On Specially Protected Natural Areas (Applicable laws and regulations – 6) establishes the categories of protected areas: state nature reserves, national parks, natural parks, state nature sanctuaries, natural monuments, dendrological parks and botanical gardens. Protected areas may have federal, regional or local level and be under the jurisdiction of federal executive bodies, executive bodies of the constituent entities of the Russian Federation and local self-government bodies, and in some cases – under the jurisdiction of state scientific organizations and state educational institutions of higher education (dendrological parks, botanical gardens). The laws of the constituent entities of the Russian Federation may establish other categories of OOPT of regional and local level.

To prevent negative impacts on protected areas such as state nature reserves, national parks, natural parks and natural monuments, buffer zones are established on the adjacent land plots and water bodies. The regulation on the buffer zones of OOPT is validated by the Government of the Russian Federation. Restrictions on the use of land and water bodies within the boundaries of the buffer zone are established by the decision on the establishment of the buffer zone of protected areas and the regulation on the buffer zone of protected areas (Applicable laws and regulations – 13).

The need to transfer the land plots on which OOPT are created to the appropriate category of land (land of OOPT) has not been established by law. Therefore, when creating protected areas of regional or local level, the category of land does not change, but restrictions for harvesting and management are introduced.

The main types of permitted use of land located within the boundaries of OOPT are determined by the regulation on protected areas in accordance with the Federal Law On Protected Areas (Applicable laws and regulations – 6), the Order of the Ministry of Natural Resources of Russia validating the Specifics of Use, Guard, Protection, Reproduction of Forests, Located in Protected Areas (Applicable laws and regulations – 19). Provisions on specific OOPT are approved based on their level (federal, regional or local), respectively, by federal executive bodies, executive bodies of the constituent entities of the Russian Federation, or local self-government bodies. In the case of zoning (establishing a differentiated arrangement of special protection) of OOPT, the permitted use of land is provided for by the regulation on protected areas in relation to each specific area of OOPT.

In order to an accounting for OOPT, assessing their condition, and controlling effectiveness, the state cadastre of OOPT is maintained, which is a state information resource (Applicable laws and regulations – 20). Maintaining state cadastres of OOPT of regional and local level is carried out by the authorized executive authorities of the constituent entities of the Russian Federation. For example, the cadastre of protected areas on the website of the Department of Environmental Protection and Natural Resources Management of the Yaroslavl Region ([https://www.yarregion.ru/depts/doosp/Pages/Gos\\_kadastr\\_OOPT.aspx](https://www.yarregion.ru/depts/doosp/Pages/Gos_kadastr_OOPT.aspx)), on the website of the State Institution Directorate of Protected Areas of the Vladimir Region (<http://www.edoopt.ru/cadastre/>), on the website of the State Subordinate institution of the Arkhangelsk Region Center for Nature Management and Environmental Protection (<http://eco29.ru>).

The establishment of OOPT of federal level is carried out by decisions of the Government of the Russian Federation.

The establishment of OOPT of regional level is carried out by decisions of the authorities of the constituent entity of the Russian Federation.

Local authorities establish OOPT of local level on land owned by the corresponding municipality and agree on this decision with the state authority of the corresponding constituent entity of the Russian Federation if the established OOPT occupy more than five percent of the total area of land owned by the municipality (Applicable laws and regulations - 6).

According to paragraph 5 of Art. 95 of the Land Code (Applicable laws and regulations - 8), in order to establish new and expand existing lands of OOPT, state authorities of the constituent entities of the Russian Federation have the right to make decisions on the reservation of lands that are supposed to be declared as lands of OOPT, with the subsequent withdrawal of such lands, and on the limitation of economic activities. Reserving land plots for declaring them in the future OOPT is a right, not a prerequisite for their formation.

Information on the presence and location of existing and projected OOPT is included in the documents of territorial planning of the Russian Federation, constituent entities of the Russian Federation, municipalities (Applicable laws and regulations - 11).

Forest planning documents – Forest Plans, Forest District Management Plans, Forest Concession management Plans – should contain information on the presence of existing and planned OOPT, their location and area (Applicable laws and regulations - 26).

In OOPT of regional level, state supervision in the field of protection and use of OOPT is carried out by authorized executive bodies of the constituent entities of the Russian Federation when they exercise regional state environmental supervision. In OOPT of local level, the authorized bodies of local self-government exercise municipal control in the field of protection and use of OOPT in the manner established by municipal legal acts (Applicable laws and regulations - 6). For example, the state institution Directorate of Specially Protected Natural Areas of Regional Level of the Republic of Karelia (<https://oopt-rk.ru>), the State Subordinate institution of the Komi Republic Republican Center for the Functioning of Specially Protected Natural Areas and Nature Management (<https://mpr.rkomi.ru/gbu-rk-respublikanskiy-centr-obespecheniya-funkcionirovaniya-osobo-ohranyaemyh-prirodnih-territoriy-i-prirodopolzovaniya>), Committee on Natural Resources and Ecology of the Pskov Region (<https://priroda.pskov.ru/vidy-deyatelnosti/vidy-deyatelnosti/ohrana-okruzhayushchey-sredy/oopt-pskovskoy-oblasti>).

In OOPT, which are managed by state institutions, state supervision in the field of protection and use of OOPT is carried out by officials of these state institutions, who are state inspectors in the field of environmental protection (Applicable laws and regulations - 6).

### **Legal requirements for Wetlands**

Wetlands can be located on the lands of the Forest Estate, they can include not only water bodies (swamps, rivers, etc.), but also adjacent forest areas.

The Russian Federation has ratified the Convention on Wetlands of International Importance Mainly as Habitats of Waterfowl, in accordance with which the Russian Federation adopted the Resolution of the Government of the Russian Federation of 13.09.1994 N 1050 Resolution of the Government of the Russian Federation of 13.09.1994 N 1050 on Measures to Ensure the Fulfilment of the Obligations of the Russian Party Arising from the Convention on Wetlands of International Importance Mainly as Habitats of Waterfowl of 02.02.1971 (Applicable laws and regulations - 12). The Resolution validates the list of wetlands in the

Russian Federation, determines that the executive authorities of the respective constituent entities of the Russian Federation together with the Ministry of Environmental Protection and Natural Resources of the Russian Federation (currently the Ministry of Natural Resources of Russia) determine the boundaries of the wetlands indicated in the list; develop, in agreement with the interested federal executive bodies, and validate regulations on wetlands located on their territories, defining in these provisions the procedure for nature management and protection for the indicated wetlands. Currently, for the part of wetlands, such provisions have been developed (for example, Applicable laws and regulations – 34, 35), for some there are no provisions. In some cases, wetlands are partially protected by the OOPT framework. For example, the wetland Svirskaya Bay of Ladoga Lake includes the Nizhne-Svirskiy State Nature Reserve (Non-governmental sources – 7). On the rest of the wetland, the special protection restrictions may not be set if the regulation on the wetland has not been developed and approved (Non-governmental sources – 7).

### **Legal requirements for protective forests and specially protected forest areas (OZU)**

According to article 10 of the Forest Code (Applicable laws and regulations – 9), forests located on the lands of the Forest Estate are divided into protective, operational and reserve ones. The peculiarities of the use, guard, protection, reproduction of protective forests, commercial forests and reserve forests are established by Articles 110-116 of the Forest Code.

Protective forests include forests that are of particular value, and for which a special legal framework for the use, guard, protection, reproduction of forests is established (Applicable laws and regulations – 9). Protective forests are allocated in order to preserve the environment, water protection, sanitary and hygienic, recreational and other useful functions of forests with simultaneous use compatible with the intended purpose of protective forests and their useful functions (Applicable laws and regulations – 18).

The following categories of protective forests are distinguished:

- 1) forests located in OOPT;
- 2) forests located in water buffer zones;
- 3) forests performing the functions of protecting natural and other objects;
- 4) valuable forests;
- 5) urban forests.

The design of operational, protective and reserve forests is carried out within the Forest District on the basis of an analysis of the condition and use of forests, the prospects for their development, the development of OOPT, taking into account the territorial planning documents (territorial planning schemes of the Russian Federation, territorial planning schemes of a constituent entity of the Russian Federation, territorial planning schemes of a municipal district, master plan of the settlement, master plan of the urban district).

Specially protected forest areas (OZU) can be allocated in protective, commercial and reserve forests.

OZU are designed in order to preserve the protective and other ecological functions of forests located in such areas, including the establishment of an appropriate forest management and forest use.

OZU includes (Applicable laws and regulations – 9, 18):

- 1) bank protection, soil protection areas of forests located along water bodies, ravine slopes;

- 2) forest edges bordering treeless spaces;
- 3) forest seed plantations, permanent forest seed plots and other objects of forest seed production;
- 4) reserved forest areas;
- 5) areas of forests with the presence of relict and endemic plants;
- 6) habitats of rare and endangered wildlife;
- 7) natural heritage objects;
- 8) other specially protected areas of forests, provided for by Forest Management Instruction.

The mode of using forests in protective forests and OZU is defined in the Forestry Code (Applicable laws and regulations – 9).

The allocation and abolition of protective forests and OZU, the establishment and change of the boundaries of the lands on which they are located, are carried out by decisions of the authorized federal executive body in accordance with Article 81 of the Forest Code in the manner prescribed by the Forest Management Instruction. (Applicable laws and regulations – 9, 18).

Forest planning documents – Forest Plans, Forest District Management Plans, Forest Concession Management Plans – should contain information on the presence and location of protective forests, but this is not strictly required by law. Information on the availability and location of OZU within the concessions is contained in Forest Concession Management Plans, forest management maps, forest survey descriptions (Applicable laws and regulations – 26, 27, 28).

Federal state forest supervision (forest guard) in accordance with Art. 96 of the Forest Code (in terms of requirements for compliance with the restrictions of use in protective forests and OZU) is carried out by the Russian Federal Forestry Agency (Rosleskhoz) and the executive authorities of the constituent entities of the Russian Federation.

#### **Legal requirements for rare and endangered species**

According to the Federal Law On Environmental Protection (Applicable laws and regulations – 5), in order to protect and account for rare and endangered plants, animals and other organisms, the Red Book of the Russian Federation and the Red Books of the constituent entities of the Russian Federation are established. Plants, animals and other organisms belonging to the species included in the Red Books are not to be used for economic use. Activities leading to a reduction in the number of these plants, animals and other organisms and deteriorating their habitat are prohibited.

The procedure for maintaining the Red Book of the Russian Federation was approved by the authorized federal executive body – the Ministry of Natural Resources of Russia.

The Red Book of the Russian Federation / Red Books of the constituent entities of the Russian Federation contain a set of documented information on the status, distribution, categories of rarity status and status of threat of extinction and protection measures, in order to ensure the conservation and restoration of rare and endangered species (subspecies, populations) of wild animals and wild plants and fungi that live (grow) on the territory (water area) of the Russian Federation, the continental shelf and in the exclusive economic zone of the Russian Federation / on the territory (water area) of the constituent entities of the Russian Federation.

The Red Book of the Russian Federation is maintained by the Ministry of Natural Resources of Russia, the red books of the constituent entities of the Russian Federation are maintained by the authorized authorities of the constituent entities of the Russian Federation.

List of flora and fauna objects are prepared and included in the Red Book of the Russian Federation (Applicable laws and regulations – 25) / Red Books of the constituent entities of the Russian Federation. The Lists are approved by the Ministry of Natural Resources of Russia / authorized authorities of the constituent entities of the Russian Federation.

According to Art. 60.15 of the Forest Code (Applicable laws and regulations – 9) protection of rare and endangered trees, shrubs, lianas, other forest plants listed in the Red Book of the Russian Federation or the Red Data Books of the constituent entities of the Russian Federation is carried out in accordance with the Federal Law On Environmental Protection. The specifics of the protection of these flora objects are established by Order of the Ministry of Natural Resources of Russia of 29.05.2017 N 264 validating the Protection Features in Forests of Rare and Endangered Trees, Shrubs, Lianas, Other Forest Plants Listed in the Red Book of the Russian Federation or the Red Books of the Constituent Entities of the Russian Federation (Applicable laws and regulations – 22). According to this document, Rare plant species are not to be used in economic activities; activities leading to a reduction in the number of rare plant species and worsening the environment are prohibited.

According to Art. 119 of the Forest Code (Applicable laws and regulations – 9) the type of Forest Areas with the Presence of Relict and Endemic Plants are classified as OZU forest. Additionally, clause 14 of the Forest Management Instruction (Applicable laws and regulations – 18) explains: forest areas with relict and endemic plants include relict and endemic plants listed in the International Red Book; the Red Book of the Russian Federation and the Red Books of the constituent entities of the Russian Federation;

Some regulations adopted on the basis of and pursuant to the Forest Code also include requirements for the conservation of rare species.

In accordance with the requirements of part 6 of article 29 of the Forest Code, the List of Species of Trees and Shrubs, the Harvesting of Which is Not Allowed was validated. The list can be found in the Forest Code (Applicable laws and regulations – 21).

According to Clause 14 of the Timber Harvesting Rules, trees, shrubs and lianas listed in the Red Book of the Russian Federation, in the Red Books of the constituent entities of the Russian Federation must be preserved.

According to clause 36 of the Rules of Sanitary Safety forest plants species included in the Red Book, as well as included in the List of Species of Trees and Shrubs of Which Harvesting Is Not Allowed, cutting is allowed only for dead specimens.

In by-laws, such as the rules for reforestation, the rules for forest care, requirements for the conservation of rare species are not included.

The forest planning document – Forest Concession Management Plan – provides information on the presence of rare species. Thus, according to clause 6 of the Composition of the Forest Concession Management Plan (Applicable laws and regulations – 28), the section Information About the Forest Area contains information on the presence of rare and endangered species of trees, shrubs, lianas and other forest plants.

Federal state forest control and enforcement (forest protection) in accordance with Art. 96 of the Forest Code related to protection of species under the Red Book is carried out by the Russian Federal Forestry Agency (Rosleskhoz) and executive authorities of the constituent



entities of the Russian Federation within the framework of the transferred powers of the Russian Federation to implement federal state forest supervision.

### **Legal requirements for cultural heritage sites**

Cultural heritage sites (monuments of history and culture) in accordance with the Federal Law On Objects of Cultural Heritage (Monuments of History and Culture) of the Peoples of the Russian Federation (Applicable laws and regulations – 7) include objects of immovable property (including objects of archaeological heritage) and other objects with territories historically associated with them, works of painting, sculpture, arts and crafts, objects of science and technology and other objects of material culture, arising as a result of historical events, which are of value from the point of view of history, archeology, architecture, urban planning, art, science and technology, aesthetics, ethnology or anthropology, social culture and are evidence of eras and civilizations, true sources of information about the origin and development of culture.

Cultural heritage sites can be categorized as federal, regional or local (Applicable laws and regulations – 7).

A cultural heritage site is the site where the object of cultural heritage is located and (or) the site associated with it historically and functionally. The site of a cultural heritage object may include lands, land plots, parts of land plots, forest lands that are in state or municipal ownership or in the ownership of individuals or legal entities (Applicable laws and regulations – 7). For the preservation of cultural heritage sites, OOPT can be created (Applicable laws and regulations – 6). Objects of cultural heritage can be distinguished as protective forests – Forests of Scientific or Historical and Cultural Significance (forests located on lands of historical and cultural significance and in zones of protection of cultural heritage objects, forests that are objects of research on the genetic qualities of trees, shrubs and lianas (genetic reserves), examples of achievements in forestry science and practice, as well as forests that are unique in terms of productivity (Applicable laws and regulations – 9).

In order to ensure the preservation of the cultural heritage object, buffer zones of cultural heritage objects are established (Applicable laws and regulations – 7).

Information on the boundaries of the site of a cultural heritage object, on the restrictions on the use of an immovable property located within the boundaries of the territory of a cultural heritage object is entered into the Unified State Register of Real Estate. The absence of information on immovable property in the Register is not a reason for non-compliance with the requirements for carrying out activities within the area of the cultural heritage site (Applicable laws and regulations – 7).

The Russian Federation maintains a unified state register of cultural heritage objects (historical and cultural monuments) of the peoples of the Russian Federation, containing information about cultural heritage objects (Open data portal of the Ministry of Culture of the Russian Federation (<https://opendata.mkrf.ru>)). The information contained in the register is the main sources of information on cultural heritage objects and their territories, as well as on protection zones of cultural heritage objects. Personal and legal entities have the right to receive an extract from the register from the federal body for the protection of cultural heritage objects and from the regional body for the protection of cultural heritage objects (Applicable laws and regulations – 7, 29).



If the territory of a cultural heritage site is designated as OOPT, protective forest or OZU, then information about it should be placed in the forest planning documents (please see the subsection related to OOPT, protective forests and OZU).

Enforcement of issues related to the protection of cultural heritage sites and federal state supervision is carried out by the Ministry of Culture of the Russian Federation (Ministry of Culture), its territorial bodies, authorized executive bodies of the constituent entities of the Russian Federation (Applicable laws and regulations – 35).

#### *Description of Risk*

Despite the extensive and multifaceted legislation on protected areas and species, the experience of law enforcement indicates that the existing system of protection of areas and species is not without drawbacks and in practice does not always ensure compliance with the law.

First of all, it should be noted that in the constituent entities of the Russian Federation there are a large number of OOPT of regional level – several dozen or even hundreds, for example, in the Tver region there are 992 OOPT of regional level (Government sources – 4). The problems of using and protecting OOPT are caused by the lack of the ability of a constituent entity of the Russian Federation to perform a complex of cadastral works for the subsequent entry of information about OOPT of regional level in the State Register of Real Estate due to a lack of funds in the regional budget. In regulations on OOPT or its buffer zones, boundaries are often descriptive (for example, 2 km from the village of Ivanovo to the northwest). Information about the exact boundaries, which should contain a graphical description of the location of the boundaries of the territory, the list of coordinates of the characteristic points of these boundaries may not be available. So, for example, in the Tver region, out of 992 OOPT of regional level, only a part of the boundaries of the OOPT have been determined and approved, the data entered into the State Register of Real Estate (Governmental sources – 5). In the Novgorod region, no boundaries have been defined for 88 OOPT (Government sources – 2). This situation is also typical for other regions, which is confirmed by the materials of the prosecutor's inspections and court cases (Government sources – 1, 2, 5; Non-government sources – 3-5). There is also evidence that the boundaries of the buffer zones near OOPT have not been determined (Government sources – 3). The lack of information on the boundaries of protected areas in the State Cadastre of Real Estate causes problems with the allocation of land plots, as well as in determining the mode of use. As a result, such areas can be leased for timber harvesting and assigned to felling, despite the fact that felling in OOPT may be prohibited.

Another reason for establishing a high risk is weak control over the compliance with the restrictions within the OOPT, which is due to the low number of state inspectors who protect OOPT (for example, 1 inspector per 50,000-100,000 hectares), remoteness and inaccessibility of some OOPT, lack of transport infrastructure. In some regions, institutions with powers for the protection and management of OOPT have not been established at all (Government sources – 3).

The third problem is that in most of the analyzed constituent entities of the Russian Federation, a significant part of the OOPT is located on the lands of the state Forest Estate and, at the same time, they may not be classified as protected forests. Forests Located on OOPT, that is, they are listed as commercial forests, which allows to carry out economic activities in OOPT, which may be inadmissible in accordance with the regulation on OOPT (Government sources – 1, 2).

The legislation provides for the maintenance of an cadastre of OOPT. However, it is recognized that such a cadastre is not actually maintained or is not fully maintained (Government sources – 1), since there is often no exact information on the boundaries of OOPT, as described above. Also, in some regions, the authority to manage OOPT is exercised by one executive authority, while forestry is under the authority of another executive authority. As a result of interdepartmental disunity, information about OOPT is not transferred or is not fully transferred to the executive authority in the field of forest relations, while most of the protected areas are located on the lands of the Forest Estate. As a result of the lack of exact boundaries of OOPT, the cadastre of OOPT, interdepartmental disunity, forest planning documents may be missing or incomplete or inaccurate information about OOPT. Working with such forest planning documents, in particular, with Forest Concession Management Plan, in which there is no reliable information about OOPT, a forest user can without knowing carry out economic activities in OOPT and violate the restrictions established for OOPT.

Thus, the main reason for the high risk for this indicator is the failure of the state authorities to fulfill their powers to determine the boundaries of OOPT. Despite the fact that the projected OOPT are included in the territorial planning documents, for many of them the exact boundaries have not been defined, the use restrictions have not been established, there is no decision of the state authorities on the reservation of land for the establishment of OOPT and the withdrawal of such lands from economic circulation, as a result of which such plots are allocated for use, including for timber harvesting.

To a lesser extent, the risk may be due to the mistakes of the forest user. There is a known case, when creating a new reserve, the specialists of a logging enterprise, who plan harvesting sites, were not informed that a part of the newly created OOPT was located within the boundaries of their concession and allocated harvesting sites within the OOPT. Part of the harvesting sites allocated within the OOPT was cut down (Non-government sources – 2).

Similar risks exist in relation to cultural heritage sites, some of which are allocated as OOPT. Some cultural heritage sites do not have the status of OOPT, their location is described approximately, without specifying coordinates. In most cases, information about such objects is not taken into account in the development of Forest Plans, Forest District Management Plans, Forest Concession Management Plans. As an example, we can indicate such objects as ancient burials in the Leningrad region, the location of which is described, for example, as follows: "2 km North from Krasnaya Gorka village, 2 km South from Maloe Konezerye, 500 m east of the river Konezerki (Khvoshchanka)", (Government sources – 6; Non-Government sources – 6). Thus, the exact location of these cultural heritage sites has not been established. It is difficult to preserve such objects, as required by law, in the absence of accurate information about their location.

A risk is also identified for protective forests and OZU, as there is evidence of unjustified salvage logging (please see indicator 1.3). There is also information indicating clear and selective felling of mature and over-mature stands in forests located in protective forests, in OZU in violation of the restrictions established for them. Information about OZU may not be reflected or reflected inaccurately in Forest Concession Management Plans, forest survey materials, which may lead to the appointment of economic activities in OZU that do not correspond to the established restrictions (Non-government sources – 6).

Regarding rare tree species, it should be noted that the source of information on their availability is the Forest Concession Management Plan. For the allotments in which such species are present, the status of the OZU should be established Forest Areas with the Presence of Relict and Endemic Plants, which, in accordance with the Forest Management

Instruction, include forest areas with the presence of relict and endemic plants listed in the International Red Book, The Red Book of the Russian Federation and the Red Books of the Constituent Entities of the Russian Federation. However, according to experts, at present the constituent entities of the Russian Federation are faced with the position of the Federal Forestry Agency, which approves the status of the OZU only for those areas where there are species that are both relict, endemic and listed in the International Red Book, the Red Book of the Russian Federation and the Red Books of the constituent entities of the Russian Federation, based on the wording of the Forest Management Instruction. If only one criterion is met, for example, a species is listed in the Red Book of a constituent entity of the Russian Federation, but is not a relic or endemic, then the OZU status is not approved for a site with the presence of this species. As a result, species that are listed in the Red Books of different levels, but are not relics or endemics, are not preserved geographically. Sites with the presence of such species will not have the status of OZU and can be assigned to harvesting. Previously, it was enough only that the species is included in the Red Book of any level. Previously allocated such OZU is still preserved in those Forest Districts, in which forest survey has not been carried out in the last 2-3 years. However, even with dedicated OZU, there is a risk of cutting down trees of rare species if their number is small. In this case, the presence of rare species may not be reflected in the species composition in the forest stands taxation, and there is a high probability that when clear logging is appointed, trees of rare species will also be cut down.

#### *Risk Conclusion*

The applicable legislation, as defined in clause 1.9.1, is not always fully complied with by organizations and / or is often ignored by the relevant authorities that manage protected areas or rare species.

A risk of violation of the legal restrictions related to OOPT, Wetlands, protective forests, OZU and objects of cultural heritage has been identified.

A risk of rare tree species could be cut has been identified.

The conclusions for this indicator are applicable to all timber source types.

#### **1.9.6. Risk designation and specification**

All source types: Specified risk

#### **1.9.7. Control measures and verifiers**

*Mitigating the risk of violation of the legal restrictions related to OOPT, Wetlands, protective forests, OZU and objects of cultural heritage*

Compliance with the legal requirements related to the listed protective sites can be checked through combination of document review, database verification and consultation with forest authorities.

#### **Check online database:**

- HCVF website (<https://hcvf.ru/ru>)
- Wetlands of Russia website (<http://www.fesk.ru>)
- Information and analytical system Specially Protected Natural Territories of Russia (<http://oopt.aari.ru>)

- Website of the Unified State Register of Cultural Heritage Objects (Historical and Cultural Monuments) of the peoples of the Russian Federation (<https://opendata.mkrf.ru/opendata/7705851331-egrkn>)

to collect the most recent available information about OOPT, Wetlands, protective forests, OZU and objects of cultural heritage.

**Review documents and verify:**

Review Forest Plan, Forest District Management Plan, Forest Concession Management Plan, regulations on OOPT, regulations on Wetlands for the presence of OOPT, Wetlands, protective forests, OZU and objects of cultural heritage, their location, legally established restrictions. Compare the information from databases and from documents.

Verification of Forest Declarations and Reports on the Use of Forests (1-IL) to identify cases of overlapping of the places of timber harvesting and the location of the listed protected sites.

**Consult:**

Consultations with authorities on the cases of harvesting in the listed protective sites and relevant buffer zones.

*Mitigating the risk of rare tree species could be cut*

The fact that rare tree species were not cut can be checked through combination of document review and on-site verification.

**Review documents and verify:**

Verify the Forest Concession Management Plan for the presence of rare species included in the Red Book of the Russian Federation, Red Books of the constituent entities of the Russian Federation, the List of species of trees and shrubs whose timber harvesting is not allowed (Applicable laws and regulations – 21), in places of timber harvesting.

**Conduct onsite verification:**

Carry out onsite sample checks/verifications to confirm the conservation of rare species in the places of timber harvesting.

2e) for objects of cultural heritage

**Check online databases:**

- checking the HCVF website (<https://hcvf.ru/ru>), the website of the information and analytical system "Specially Protected Natural Areas of Russia" (<http://oopt.aari.ru>), the website of the Unified State Register of Cultural Heritage Objects (Historical Monuments and culture) of the peoples of the Russian Federation (<https://opendata.mkrf.ru/opendata/7705851331-egrkn>), forest plans, forestry regulations, forest development projects, provisions on protected areas for the presence of cultural heritage sites, their location, restrictions regime;

- consultations with interested parties - authorized public authorities of cultural heritage objects in places of timber harvesting, compliance with the regime of restrictions for cultural heritage objects;

- verification of forest declarations and reports on the use of forests (1-IL) for the coincidence of the places of timber harvesting and the location of cultural heritage sites, compliance with the regime of restrictions for cultural heritage sites).

## 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) Federal Law of 10.01.2002 N 7-FZ (as amended on 09.03.2021) on Environment Protection. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_34823/](http://www.consultant.ru/document/cons_doc_LAW_34823/)
- 2) Forest Code of the Russian Federation of 04.12.2006 N 200-FZ (as amended on 30.04.2021). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_64299/](http://www.consultant.ru/document/cons_doc_LAW_64299/)
- 3) Water Code of the Russian Federation of 03.06.2006 N 74-FZ (as amended on 08.12.2020) (with amendments and supplements entered into force on 01.01.2021). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_60683/](http://www.consultant.ru/document/cons_doc_LAW_60683/)
- 4) Land Code of the Russian Federation of 25.10.2001 (N 136-FZ) (as amended on 30.12.2020) (with amendments and supplements entered into force on 10.01.2021). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_33773/](http://www.consultant.ru/document/cons_doc_LAW_33773/)
- 5) Federal Law of 04.05.1999 N 96-FZ (as amended 11.06.2021) on the Protection of Atmospheric Air. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_22971/](http://www.consultant.ru/document/cons_doc_LAW_22971/)
- 6) Federal Law of 24.04.1995 N 52-FZ (as amended on 08.12.2020) On the Wildlife. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_6542/](http://www.consultant.ru/document/cons_doc_LAW_6542/)
- 7) Federal Law of 20.12.2004 N 166-FZ (as amended on 08.12.2020) on Fishing and Conservation of Aquatic Biological Resources. Article 25. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_50799/](http://www.consultant.ru/document/cons_doc_LAW_50799/)
- 8) Federal Law of 24.06.1998 N 89-FZ (as amended on 07.04.2020) (with amendments and additions, chap. effective from 14.06.2020) on Industrial and Consumer Waste. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_19109/](http://www.consultant.ru/document/cons_doc_LAW_19109/)
- 9) Federal Law of 19.07.1997 N 109-FZ (as amended on 08.12.2020) on Safe Handling of Pesticides and Agrochemicals. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_15221/](http://www.consultant.ru/document/cons_doc_LAW_15221/)
- 10) Resolution of the Government of the Russian Federation of 26.12.2020 N 2290 on Licensing Activities for the Collection, Transportation, Processing,

Decontamination, Disposal Utilization of Waste of I - IV Hazard Classes. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_372897/](http://www.consultant.ru/document/cons_doc_LAW_372897/)

- 11) Resolution of the Government of the Russian Federation of 09.12.2020 N 2047 validating the Rules of Sanitary Safety in Forests (p. 20-25, 34, 36-38, 45). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_370645/](http://www.consultant.ru/document/cons_doc_LAW_370645/)
- 12) Resolution of the Government of the Russian Federation of 10.07.2018 N 800 on the Recultivation and Conservation of Land. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_302235/](http://www.consultant.ru/document/cons_doc_LAW_302235/)
- 13) Order of the Ministry of Natural Resources of 01.12.2020 N 993 validating the Rules for Timber Harvesting and the Specifics of Timber Harvesting in Forest Management Units Specified in Article 23 of the Forest Code of the Russian Federation (Registered with the Ministry of Justice of Russia on 18.12.2020 N 61553). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_371476/](http://www.consultant.ru/document/cons_doc_LAW_371476/)
- 14) Order of the Ministry of Natural Resources of 27.06.2016 N 367 validating the Types of Logging Operations, the Order and Sequence of their Implementation, the Form of the Technological Map of Logging Operations, the Form of the Report of the Inspection of the Cutting Area and the Procedure for the Inspection of the Cutting Area (Registered with the Ministry of Justice of Russia on 29.12.2016 N 45040). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_210597/](http://www.consultant.ru/document/cons_doc_LAW_210597/)
- 15) Order of the Ministry of Natural Resources of 04.12.2020 N 1014 validating the Rules of Reforestation, Content of a Reforestation Plan, Procedure of its Development and Modification (Registered with the Ministry of Justice of Russia on 18.12.2020 N 61556). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_371824/](http://www.consultant.ru/document/cons_doc_LAW_371824/)
- 16) Order of the Ministry of Natural Resources of 30.07.2020 N 534 validating the Rules for the Care of Forests (Registered with the Ministry of Justice of Russia on 18.12.2020 N 61555). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_371361/](http://www.consultant.ru/document/cons_doc_LAW_371361/)
- 17) Order of the Ministry of Natural Resources of 29.03.2018 N 122 validating the Forest Inventory Instruction. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_296757/](http://www.consultant.ru/document/cons_doc_LAW_296757/)
- 18) Order of the Ministry of Natural Resources of Russia of 09.11.2020 N 908 validating the Rules for the Use of Forests for the Implementation of Recreational Activities. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_370125/](http://www.consultant.ru/document/cons_doc_LAW_370125/)
- 19) Order of the Ministry of Natural Resources of 10.07.2020 N 434 validating the Rules for the Use of Forests for the Construction, Reconstruction, Operation of Linear Facilities and the List of Cases of Using Forests for Construction, Reconstruction, Operation of Linear Facilities Without Providing a Forest Plot, with or without Establishing an Easement, Public Easement (Registered with the Ministry of Justice of Russia on 27.11.2020 N 61129). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_369103/](http://www.consultant.ru/document/cons_doc_LAW_369103/)
- 20) Order of the Ministry of Natural Resources of Russia of 07.07.2020 N 417 validating the Rules for the Use of Forests for Geological Exploration of Subsoil, Exploration and Production of Mineral Resources and the List of Cases of Using Forests for the Purpose of Geological Exploration of Subsoil, Exploration and Production of Mineral Resources without Providing a Forest Site, with the Establishment or without the Establishment of Easement



(Registered in the Ministry of Justice of Russia on 27.11.2020 N 61130). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_369108/](http://www.consultant.ru/document/cons_doc_LAW_369108/)

- 21) Order of the Ministry of Natural Resources of Russia of 09.11.2020 N 913 validating the Rules for the Elimination of Harmful Organisms' foci (Registered by the Ministry of Justice of Russia on 16.12.2020 N 61509). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_371458/](http://www.consultant.ru/document/cons_doc_LAW_371458/)
- 22) Order of the Ministry of Natural Resources of 27.02.2017 N 72 (as amended on 27.02.2020) validating the Content of a Forest Management Regulation, Procedure of its Development, Periods of its Validity and Procedure of Modification (Registered with the Ministry of Justice of Russia on 31.03.2017 N 46210). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_371458/](http://www.consultant.ru/document/cons_doc_LAW_371458/)
- 23) Order of the Federal Forest Service of 29.02.2012 N 69 validating the Content of a Forest Development Project and a Procedure for its Development (Registered with the Ministry of Justice of Russia on 05.05.2012 N 24075). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_129583/](http://www.consultant.ru/document/cons_doc_LAW_129583/)
- 24) State Catalog of Pesticides and Agrochemicals Approved for Use on the Territory of the Russian Federation. 2020. (approved by the Ministry of Agriculture of the Russian Federation) (as of 06.08.2020). Available at: <https://mcx.gov.ru/ministry/departments/departament-rastenievodstva-mekhanizatsii-khimizatsii-i-zashchity-rasteniy/industry-information/info-gosudarstvennaya-usluga-pogosudarstvennoy-registratsii-pestitsidov-i-agrokhimikatov/>
- 25) Resolution of the Chief State Sanitary Doctor of the Russian Federation of 03.02.2010 N 17 (as amended on 06.10.2016) validating the SanPiN 1.2.2584-10 (together with SanPiN 1.2.2584-10. Hygienic Requirements for the Safety of Testing Processes, Storage, Transportation, Sale, Application, Neutralization and Disposal of Pesticides and Agrochemicals. Sanitary Rules and Regulations) (Registered with the Ministry of Justice of Russia on 06.05.2010 N 17126). Section XIV. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_100304/](http://www.consultant.ru/document/cons_doc_LAW_100304/)
- 26) Order of the Ministry of Natural Resources of Russia of 08.12.2020 N 1028 validating the Accounting Procedure in the field of waste management (Registered with the Ministry of Justice of Russia on 24.12.2020 N 61782). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_372204/](http://www.consultant.ru/document/cons_doc_LAW_372204/)

#### **1.10.2. Legal authority**

- Ministry of Agriculture
- Federal Forestry Agency (Rosleskhoz) and its territorial bodies
- Federal Agency for Water Resources (Rosvodresursy) and its territorial bodies
- Federal Service for Supervision of Natural Resources (Rosprirodnadzor) and its territorial bodies
- Federal Agency for Fisheries (Rosrybolovstvo) and its territorial bodies
- Executive authorities in charge of management in the field of forest relations of the constituent entities of the Russian Federation



- Executive authorities in charge of environmental protection of the constituent entities of the Russian Federation

#### 1.10.3. Legally required documents or records

- Forest Management Plan of a Constituent Entity (Forest Plan)
- Forest District Management Plan
- Forest Concession Management Plan
- Waste passports, contracts for the transfer of waste to specialized organizations
- Register of waste generation and movement
- Land recultivation project
- Agreement with Rosrybolovstvo
- Justification of measures to eliminate or suppress the number of pests

#### 1.10.4. Sources of information

##### *Government sources*

- 1) Resolution of the Arbitration Court of the North-West District of 29.08.2019 N F07-9029 / 2019 in case N A05-15993. Court Decision. Website of the Consultant Plus Reference Legal System [Online]. Available at: <http://www.consultant.ru/cons/cgi/online.cgi?req=doc&base=ASZ&n=220202#08903392440477768> [Accessed 22.02.2021]
- 2) Sentence No. 1-1 / 2016 1-47 / 2015 of March 3, 2016 in case No. 1-1 / 2016. Judicial and Regulatory Acts of the Russian Federation. Court Decision. [Online]. Available at: <https://sudact.ru/regular/doc/V5urKM310VIE/> [Accessed 22.22.2021]
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- 4) Forest District Management Plan of the Leningrad region. Website of the Committee for Natural Resources of the Leningrad Region. [Online]. Available at: <https://nature.lenobl.ru/ru/deiatelnost/lesopolzovanie/informaciya-o-lesah-glavnaja/proekty-lesohozyajstvennyh-reglamentov/>
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- 7) Forest District Management Plan of the Vladimirskiy region. Website of the Forestry Department of the Vladimirskiy region. [Online]. Available at: <https://dlh.avo.ru/lesohozajstvennye-reglamenti>

#### *Non-Government sources*

- 1) Vesti Karelii (2016). The court decided to recover compensation from ZAO Zapkarelles for logging in the water protection zone (08.06.2016). Vesti Karelii. [Online]. Available at: [https://vestikarelii.ru/news/sud\\_reshil\\_vzyskat\\_s\\_zao\\_zapkarelles\\_kompensaciyu\\_za\\_rubki\\_v\\_vodoohrannoj\\_zone/](https://vestikarelii.ru/news/sud_reshil_vzyskat_s_zao_zapkarelles_kompensaciyu_za_rubki_v_vodoohrannoj_zone/) [Accessed 22.02.2021]
- 2) Information portal Novgorodskie vedomosti (2019). In the Novgorod region, illegal logging was found in specially protected areas with a damage of 1.3 billion rubles (12.07.2019). [Online]. Available at: <https://novvedomosti.ru/news/economy/55522/> [Accessed 05.12.2020]
- 3) FAO (2021). TimberLex – Russian Federation. [Online database]. Available at: <https://timberlex.apps.fao.org/>

#### **1.10.5. Risk determination**

##### *Overview of Legal Requirements*

General environmental requirements, such as environmental protection and rational use of natural resources, are contained in the Federal Law on Environmental Protection (Applicable laws and regulations – 1). More detailed requirements for individual components of the environment are in the codes, other federal laws and by-laws.

##### **Establishment of buffer zones (e.g., along waterways, open areas, spawning grounds), protection and restoration of water quality**

Protection of water bodies and water quality is regulated by the Water Code of the Russian Federation, aquatic biological resources – by the Federal Law On Fishing and Conservation of Aquatic Biological Resources, forests along/near water bodies – by the Forest Code of the Russian Federation (Applicable laws and regulations – 3, 7, 2). However, all these regulations complement each other and have a common goal – to prevent pollution of water bodies and depletion of their waters, as well as to preserve the habitat of aquatic biological resources and other flora and fauna inhabiting coastal areas.

In accordance with the Water Code of the Russian Federation, in order to prevent pollution, clogging, siltation of these water bodies and depletion of their waters, as well as to preserve the habitat of aquatic biological resources and other objects of flora and fauna, water buffer zones are established with restricted use. Coastal buffer zones are established within the boundaries of water buffer zones, on the territories of which additional restrictions on economic and other activities are introduced. In water buffer zones, for example, the placement of chemical, toxic substances, waste disposal facilities, the movement and parking vehicles (with some exceptions), etc. is prohibited and applicable also when the activities are conducted in relation to forest management practices. In the coastal buffer zones, it is additionally prohibited to plow land, place rejected excavation (sand, clay), etc. (Applicable laws and regulations – 3).

In accordance with Article 50 of the Federal Law of 20.12.2004 N 166-FZ On Fishing and the Preservation of Aquatic Biological Resources in the implementation of economic activities (for example, logging, construction and repair of bridges, etc.) within the boundaries of coastal buffer zones, water buffer zones should apply measures to preserve aquatic biological resources and their habitat. To carry out such economic activity, it is necessary to have a

written agreement with the federal executive authority in the field of fisheries – Rosrybolovstvo (Applicable laws and regulations – 7).

Establishment of the boundaries of water buffer zones and the boundaries of coastal buffer zones of water bodies is carried out by:

- The Federal Agency for Water Resources and its territorial bodies – in relation to water bodies that are completely located on the territories of the respective constituent entities of the Russian Federation, the use of water resources of which is carried out to provide drinking and domestic water supply for 2 or more constituent entities of the Russian Federation and which are included in the list of water bodies established by the Government, as well as seas or their separate parts;
- state authorities of the constituent entities of the Russian Federation – in other cases.

On areas where boundaries of water buffer zones overlap with protective forests and OZU areas, restrictions established by Part 15 of Art. 65 of the Water Code of the Russian Federation, as well as the legal framework of protective forests and OZU (Applicable laws and regulations – 3) apply.

According to the Forest Code, the list of protective forests that perform the function of protecting water bodies, aquatic biological resources, breeding grounds, maintaining water quality includes (Applicable laws and regulations – 2):

- forests located in water buffer zones established in accordance with water legislation;
- forests located in the first and second zones of sanitary protection of sources of drinking and household water supply (forests located within the boundaries of the corresponding zones of sanitary protection of sources of drinking and household water supply, established in accordance with the requirements of the legislation in the field of ensuring sanitary and epidemiological welfare of the population);
- Restricted Forest Belt located along water bodies (forests adjacent directly to the riverbed or the bank of another water body, and in case of a treeless floodplain – to the floodplain of a river that performs water regulation functions);
- spawning protection zones of forests (forests located within the boundaries of fish protection zones or fishery protected areas established in accordance with the legislation on fishing and conservation of aquatic biological resources).

Also, according to the Forest Code of the Russian Federation, OZU are allocated for the following purposes: bank protection, soil protection areas of forests located along water bodies, ravine slopes, allocated within the boundaries of coastal buffer zones.

To protect open spaces in accordance with the Forest Code, the list of protective forests includes:

- state protective forest belts (linear type forests, artificially created in forest-steppe, steppe zones, semi-desert and desert zones, performing climate-regulating, soil-protecting, anti-erosion and water-regulating functions);
- forest-steppe forests (forests located in the steppe zone, forest-steppe zone, performing protective functions);
- forest-tundra forests (forests located in unfavorable natural and climatic conditions on the border with the tundra, performing protective and climate-regulating functions);

and also the OZU are allocated:

- forest edges (100 m wide) bordering on treeless spaces (extending at least 2 km from the forest edge);

- forest belts in mountainous areas 200 m wide along its upper border with treeless spaces;
- small areas of forests (up to 100 hectares), located among treeless spaces.

The allocation and abolition of protective forests and OZU, the establishment and change of the boundaries of the lands on which they are located, are carried out by decisions of the authorized federal executive body in accordance with Article 81 of the Forest Code in the manner established by the Forest Management Instruction (Applicable laws and regulations – 2, 17).

It is prohibited to carry out activities incompatible with their intended purpose and useful functions in protective forests and OZU. It is prohibited to carry out clear cutting of forest stands, except for the following cases:

- provided for in Part 5.1 of Art. 21 of the Forest Code: clear cutting of trees, shrubs, lianas is allowed in cases where the construction, reconstruction, operation of facilities not related to the creation of forest infrastructure, for the purposes provided for in paragraphs 1-4 part 1 of article 5 (geological study of subsoil; development of mineral deposits; construction, reconstruction, operation of power transmission lines, etc.), are not prohibited or limited;
- if selective logging does not ensure the replacement of forest stands that are losing their environmental, water-protective, sanitary-hygienic, health-improving and other useful functions, with forest stands, ensuring the preservation of the designated purpose of protective forests and the useful functions they perform. In OZU, selective logging is allowed only for the purpose of cutting down dead and damaged forest stands (salvage logging) (Applicable laws and regulations – 2).

Forest planning documents – Forest Plan, Forest District Management Plan, Forest Concession Management Plan – should contain information on the presence and location of protective forests. Information on the availability and location of OZU within the concessions is contained in Forest Concession Management Plans, forest management maps, forest survey descriptions (Applicable laws and regulations – 22, 23).

Federal state forest supervision (forest guard) in accordance with Art. 96 of the Forest Code (in terms of requirements for compliance with the restrictions of use in protective forests and OZU) is carried out by the Russian Federal Forestry Agency (Rosleskhoz) and the executive authorities of the constituent entities of the Russian Federation.

### **Soil resources**

Requirements for the conservation of lands and soils are contained in Chapter II of the Land Code of the Russian Federation (Applicable legislation and regulations – 4). In order to protect land, owners of land plots, land users, tenants of land plots are obliged to take measures to protect land from water and wind erosion, waterlogging, compaction, pollution by chemical substances, including radioactive ones, pollution by production and consumption waste and other negative impact. Persons whose activities have led to a deterioration in the quality of land are obliged to ensure their recultivation. Land recultivation is performed to prevent land degradation and (or) restore fertility by bringing lands to a condition suitable for their use in accordance with their intended purpose and permitted use, including by eliminating the consequences of soil pollution, restoring the fertile soil layer, creating protective forest forest stands. During road construction, quarrying and other types of economic activities that can lead to soil pollution, destruction of the fertile soil layer, the forest user must develop a land recultivation project, or the requirements for land

recultivation may be contained in a forest development project. Requirements for land recultivation are contained in the Resolution of the Government of the Russian Federation On Land Recultivation and Conservation (Applicable laws and regulations – 12).

Article 60.12 of the Forest Code of the Russian Federation (Applicable laws and regulations – 2) points the need to comply with the requirements for the protection of forests from pollution (including oil, radioactive and other) and other negative impacts. This is important when using forests and includes measures to preserve forest soils. Recultivation of lands on which forests are located and which have been subjected to pollution and other negative impacts is also a part of this context.

The Forest Code of the Russian Federation covers the allocation of the following protective forests to protect soils from erosion:

- state protective forest belts;
- anti-erosion forests;
- mountain forests.

In order to prevent soil erosion, the Order of the Ministry of Natural Resources of the Russian Federation validating the Types of Logging Works... regulates the area occupied by the elements of the technological network (loading platforms, trails), contains requirements for strengthening trails with logging residues, restrictions for skidding on slopes.

Reforestation Rules, Forest Maintenance Rules (Applicable laws and regulations – 15, 16) also contain requirements to prevent soil erosion.

Control over the fulfillment of soil conservation requirements is carried out by forestry specialists when inspecting logging sites. The violation of the integrity of the soil is checked, including the occurrence of erosion (Applicable laws and regulations – 14).

#### **Preservation of trees left on the plot, nesting places, preservation of biodiversity**

In accordance with article 22 of the Federal Law On the Wildlife (Applicable laws and regulations – 6), in the implementation of economic activities, including the use of forests, measures should be provided and carried out to preserve the habitat of wildlife objects and their habitat conditions, breeding, feeding, resting and migration routes. Large areas of mass migration camps, mass nesting of birds are preserved as key ornithological territories, wetlands, OOPT, indirectly this function is performed by protective forests, especially OZU. The ability to preserve small areas – objects of biodiversity – in logging areas is reflected in the Timber Harvesting Rules (Applicable laws and regulations – 13). Lists of biodiversity objects and sizes of buffer zones for a particular Forest District are indicated in the Forest District Management Plan (Applicable laws and regulations – 13). In accordance with the regulations governing the composition of Forest District Management Plans and Forest Concession Management Plans (Applicable laws and regulations – 22, 23), Forest District Management Plans and Forest Concession Management Plans contain standards and parameters of biodiversity objects and buffer zones to be preserved when carrying out logging operations.

With several reforestation methods apart from the biodiversity objects, the sources of seeding identified during the allocation of harvesting sites are preserved: separate seed plants, seed groups, clumps, belts (Applicable laws and regulations – 15)

According to the Timber Harvesting Rules (Applicable laws and regulations – 15), it is prohibited to cut and damage trees not intended for logging and subject to conservation, including seed trees and plus trees. Control over the fulfillment of the requirements for the

conservation of biodiversity objects and seed trees is carried out by representatives of the Authorities of Forest Districts during the inspection of cutting areas.

### **Seasonal logging restrictions**

In the Russian Federation, seasonal restrictions on harvesting are established for the case when the development of cutting areas is carried out in forests growing on permafrost soils. In this case, harvesting should be carried out in the winter with frozen topsoil (Applicable laws and regulations – 13).

Several requirements for seasonal restrictions are included in the Rules for the Care of Forests (Applicable laws and regulations – 16):

- Liberation and disengagement cuttings should be carried out when the snow cover is not high.
- In deciduous young stands of the steppe zone, forest care should be carried out in the spring.
- Cuttings carried out in order to care for forest stands in berry forest types with the aim of preserving them are carried out mainly with frozen soil and snow cover.

For each section of forest maintenance work, a forest maintenance project is drawn up, which provides for the entry of information on the work performance season and which is coordinated by representatives of the Authorities of Forest Districts.

### **Environmental requirements for forestry equipment, air quality**

There are no legal environmental requirements for forest equipment and air quality for the forest sector.

### **Use of pesticide, other chemicals, and other waste**

In forestry, chemicals and waste can be used (or generated):

- 1) Pesticides are used (Applicable laws and regulations – 11, 13, 15, 16):
  - to destroy or suppress the number of harmful organisms;
  - for processing harvested timber when it is left (stored) in forests in the spring-summer period for a period of more than 30 days;
  - to combat unwanted herbaceous and tree-shrub vegetation during silvicultural care.
- 2) Mineral fertilizers are used (Applicable laws and regulations – 16):
  - in forest nurseries to accelerate the growth of forest cultures and improve the quality of planting material;
  - to increase the productivity of forests and the viability of forest stands in the care of forests.
- 3) During the implementation of economic activities, production and consumption wastes are generated.



The handling of pesticides and mineral fertilizers is carried out in accordance with the Federal Law On the Safe Handling of Pesticides and Agrochemicals (Applicable laws and regulations – 9), the State Catalog of Pesticides and Agrochemicals Permitted for Use on the Territory of the Russian Federation (hereinafter - the Catalog) (Applicable laws and regulations – 24), sanitary rules and regulations (Applicable laws and regulations – 25). The catalog is an official document, contains a list of pesticides and agrochemicals permitted for circulation in the territory of the Russian Federation, including in forestry, as well as norms for the use of pesticides, harmful objects against which this pesticide is recommended, method, time and features of application (Non-Government sources-3, GLE17).

Waste management is regulated by the Federal Law On Production and Consumption of Waste (Applicable laws and regulations – 8). Waste, depending on the degree of negative impact on the environment, is divided into five hazard classes. Individual entrepreneurs, legal entities are obliged to classify waste generated in the course of economic activity to a certain hazard class, to develop a passport (a document certifying that the waste belongs to the waste of the corresponding type and class of hazard and contains information about their composition) for each type of waste of I-IV hazard classes. Waste management activities of I - IV hazard classes: collection, transportation, processing, utilization, disposal, disposal of waste is subject to licensing (Applicable laws and regulations – 9). Without a license, only temporary waste accumulation can be carried out for a period of up to 11 months. All types of waste of I - V hazard classes that legal entities, individual entrepreneurs form or receive from other persons for the purpose of their accumulation, processing and disposal (utilization, neutralization, placement), are subject to accounting. Accounting is carried out in electronic form or on paper (log of the generation and movement of waste). The summarized accounting data based on the results of the calendar year on paper are certified by the signature of the official responsible for keeping records in the field of waste management (Applicable laws and regulations – 26).

#### **Operation of recreational equipment, development of non-forest infrastructure, exploration and mining**

Such types of forest use as recreational activities, geological exploration of subsoil, exploration and extraction of minerals, construction, reconstruction, operation of linear objects (Applicable laws and regulations – 2, 18, 19, 20) do not provide for the purpose of timber harvesting, however in some cases, the logging of forest stands under such types of forest use may be permitted, but the timber does not become the property of the forest user and cannot be sold as a commodity. Such timber is the property of the state and is sold by the Russian Federal Agency for State Property Management (Rosimushchestvo). When using forests for the specified purposes, the requirements are similar to those for using forests for timber harvesting (see above).

#### *Description of Risk*

#### **Creation of buffer zones (e.g. along waterways, open areas, spawning grounds), protection and restoration of water quality**

With regard to protective forests and OZU (allocated for the preservation of water bodies, open spaces, spawning grounds), a risk has been identified, since there is evidence of unjustified salvage logging. There is also information indicating clearcutting and selective logging of mature and over-mature stands in forests located in protective forests, in OZU in violation of the restrictions established for them. Information about OZU may not be reflected



or reflected inaccurately in Forest Concession Management Plans, forest survey materials, which may lead to the conducting of economic activities in OZU that do not correspond to the established restrictions (Non-governmental sources – 2). These risks are described in indicators 1.3, 1.9.

Risks are identified for buffer zones along waterways, and for water quality. In some constituent entities of the Russian Federation, state authorities have not exercised their powers to establish the boundaries of water buffer zones and the boundaries of coastal buffer zones of water bodies. Accordingly, protective forests Forests of Water Buffer Zones and OZU Bank Protection Areas of Forests have not been identified. In Forest District Management Plans, and in Forest Concession Management Plans, there is no information on the presence of water buffer zones and their width.

In addition, due to the outdated forest surveys in some Forest Districts, forest survey materials, forest management maps contain outdated data on the presence and location of watercourses, types of protective forests, OZU, do not meet the current regulatory criteria for allocation, sizes.

As a result, there is a risk of non-observance of the restrictions of water buffer zones and coastal buffer zones, as well as protective forests Forests of Water Buffer Zones and OZU Coastal Protection Areas of Forests (Governmental sources – 1, 2; Non-governmental sources – 1).

According to the experts' (Federal Agency for Fisheries) opinion, there are cases when the requirement for coordination with the Federal Agency for Fishery of economic activities within the boundaries of water buffer zones, coastal buffer zones in accordance with Article 50 of the Federal Law On Fishing and Conservation of Aquatic Biological Resources is not fulfilled. Approval with the Federal Agency for Fishery is necessary in order to take into account the characteristics of the water body, the possible presence of valuable fish species in it, their vulnerability to impacts and take measures to prevent and / or reduce the impact on aquatic biological resources, including on water quality.

### **Soil resources**

When carrying out forestry activities, the impact on soil resources can be in the form of:

- pollution with oil products, production and consumption wastes;
- destruction of the fertile soil layer (for example, in the development of quarries for the extraction of soil for filling roads);
- wind and water erosion of soil.

When analyzing the mass media, no cases of violations of legislative requirements in terms of preventing these negative impacts were revealed. At the same time, consultations with experts (experts in the field of certification, employees of executive authorities in the field of forestry relations) showed that there is a risk of non-compliance with the requirements for land recultivation. For example, in the development of quarries for the extraction of soil for filling roads, the upper fertile soil layer should be preserved and used for further recultivation, but there are cases when the forest user uses the fertile soil layer together with the excavated soil for road construction. In the future, when performing recultivation, the forest user does not restore the fertile soil layer and plant a forest without a fertile layer, that is, does not fulfill the requirements of the approved recultivation project or the requirements for land recultivation contained in the Forest Concession Management Plans.

Waste management issues and, in particular, soil pollution by production and consumption wastes, are taken into account in the risk assessment for pesticides and chemicals.

The risk of soil pollution with oil products was assessed as low by the experts who were consulted (experts in the field of certification, employees of executive authorities in the field of forestry relations). This is because the cost of oil products (mainly fuels and lubricants) is high and significant fuel and lubricants' spills are rather rare. Harvesting is carried out mainly by multi-operation machines. Oil change usually takes place in specialized organizations, and not in the forest. If fuel and lubricants are refueled in the forest, then automatic pumps are provided for multi-operation forestry machines.

To protect against soil damage, and, consequently, from erosion during timber harvesting, the trails are strengthened with logging residues or low-grade wood. According to experts, the risk of violating the legislation in terms of preventing erosion is low.

#### **Preservation of trees left on the plot, nesting places, preservation of biodiversity**

The opportunity to preserve biodiversity objects in logging areas has appeared since 2011, when clauses on the conservation of biodiversity objects during the allocation and development of felling areas were included in the Timber Harvesting Rules. Lists of biodiversity objects and the size of buffer zones for a particular Forest District are indicated in the Forest District Management Plan (Applicable laws and regulations – 11) and it is mandatory to follow. It should be noted that forest users have previously maintained such objects at logging sites for the requirements of voluntary forest certification or simply as forest areas with low economic value. In the Forest District management Plans in different constituent entities of the Russian Federation, biodiversity objects conserved in logging areas include, for example, forest areas near swamps, temporary streams, waterlogged areas, trees with nests, hollows, old-growth trees, dead wood at different stages of decomposition, etc. (Governmental sources – 3, 8). Forest users have developed a practice and understanding of what and how to preserve biodiversity objects in logging areas. The preservation of seed trees is carried out during the planning of natural reforestation and is sufficiently well controlled by specialists of Authorities of Forest Districts. When analyzing the mass media, no cases of violations of the requirements of Forest District Management Plans in terms of preserving biodiversity objects in cutting areas, as well as violations of requirements for the preservation of seed trees, were found. Consultations with experts (certification specialists, employees of scientific organizations) also confirmed low risk in this aspect.

#### **Seasonal logging restrictions**

In Russian legislation, seasonal restrictions on harvesting are established only for harvesting of stands on permafrost soils. Harvesting in such stands is extremely rare. There are some restrictions on thinning, but in these cases the logging is not carried out for the purpose of timber harvesting. When analyzing the mass media, no cases of violations of the law on these aspects of the indicator were revealed. Consultation with specialists of Authorities of Forest Districts confirmed the low risk.

#### **Environmental requirements for forestry equipment, air quality**

There are currently no legal requirements for forest machinery, including emissions from forest machinery, as from mobile sources of emissions. Accordingly, there is no risk of violations of the law.

#### **Use of waste, pesticides and other chemicals**

In the analyzed area, of the above methods of use, pesticides are used mainly for processing harvested timber. Pesticides are used if timber is stored in forests for more than 30 days in spring and summer. Such cases are not common.

When analyzing the mass media, no cases of violation of legislation in the field of pesticide handling were revealed. Consultations with experts (experts in the field of certification, forestry representatives, specialists of branches of the Russian Forest Protection Center) confirmed the low risk of violation of environmental requirements when using pesticides.

When analyzing the media, no cases of violation of legislation in the field of industrial waste management were revealed. At the same time, consultations with experts (experts in the field of certification, representatives of state regulatory structures) showed that during timber harvesting there are cases of violation of legislation in the field of waste management that are generated in the course of production activities (for example, rags contaminated with oil products, tubes from/for lubrication, waste high pressure hoses, waste oil, etc.). The most common ones are the absence of waste passports, the absence of contracts for the transfer of waste to specialized organizations, violation of the period for temporary accumulation of waste established by law – up to 11 months. The main reason for non-compliance with the requirements of legislation on waste management is a small number of specialized organizations to which waste can be transferred, and their location in large settlements. Waste transportation can only be carried out by an organization that has a license for this type of waste management activity. There are also few such organizations. To some settlements where the production base of the logging enterprise is located, there are only dirt roads, along which specialized vehicles cannot pass. Otherwise, the distance of waste removal is very long, and such transportation is very expensive. For these reasons, logging enterprises may violate the established period for temporary waste accumulation – up to 11 months. Inspections of organizations for compliance with waste management requirements are rarely carried out – this is another reason that logging enterprises do not comply with the requirements for preparing waste passports and concluding contracts for the transfer of waste to specialized organizations.

#### **Operation of recreational equipment, development of non-forest infrastructure, exploration and mining**

When using forests for the specified purposes, the requirements are similar to those for using forests for timber harvesting (see above). There are no additional environmental requirements, and, accordingly, the risks of violating these requirements are absent.

#### *Risk Conclusion*

The applicable legislation defined in clause 1.10.1 is not always fully complied with by organizations and / or is often ignored by the relevant government agencies exercising control (the preventive measures applied to suppress cases of violation of the law are not effective).

A risk of violation of the legal restrictions related to buffer zones along waterways has been identified.

A risk of violation of legal requirements in waste management has been identified.

A risk that land is not recultivated as required by law has been identified for Rosimushestvo.

#### **1.10.6. Risk designation and specification**

All source types: Specified risk

#### **1.10.7. Control measures and verifiers**

*Mitigating the risk of violation of the requirements of the legal restrictions related to buffer zones along waterways*

Compliance with the requirements of the legal restrictions related to buffer zones along waterways can be checked through consultation with authorities.

##### **Consult:**

Consultations with Authorities of Forest Districts on the compliance with the restrictions in protective forests "Forests of Water Buffer Zones" and OZU Coastal Protection Areas of Forests.

Consultations with the Federal Agency for Fisheries (Rosrybolovstvo) on the compliance with the restrictions in water buffer zones.

*Mitigating the risk of land is not recultivated as required by law on sites where harvesting in purposes of road construction or development of an outcrop mine was carried out*

Compliance with the legal requirements against land recultivation can be checked through combination of document review, consultation with authorities, and on-site verification.

##### **Review documents and verify:**

Verify Forest Declarations or Forest Stands Purchase Agreements, or a Contract for Timber Harvesting for the presence of felling of forest stands in forest areas intended for the construction, reconstruction and operation of facilities.

In case of timber originates from the site where there was felling for the construction of a road or development of an outcrop mine – check for the availability of information on land recultivation in Forest Concession Management Plan and/or land recultivation projects.

##### **Consult:**

Consultations with representatives of Authorities of Forest District on violations of the requirements for land recultivation.

##### **Conduct onsite verification:**

Carry out onsite sample checks/verifications to confirm there are no violations of the requirements for land recultivation.

*Mitigating the risk of violation of legislation related to waste management*

Compliance with the requirements of the legislation related to waste management can be checked through combination of document review and on-site verification.

##### **Conduct onsite verification:**

Carry out onsite sample checks/verifications visual evidence of appropriate waste management as well as relevant documentation should be evaluated.

##### **Review documents and verify:**

- Check the availability of industrial waste passports, contracts for the transfer of waste to specialized organizations.

- Check the register of waste generation and movement.
- Check the existence of acceptance certificates by specialized organizations (except for cases when the logging enterprise has been operating for less than 1 year).

## 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) Labor Code of the Russian Federation of 30.12.2001 N 197-FZ (as amended on 09.03.2021). Articles 11, 57, 76, 96, 99, 109, 157, 167, 209-231, 253, 254, 259, 264, 265, 268, 282, 330, 423. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_34683/](http://www.consultant.ru/document/cons_doc_LAW_34683/)
- 2) Order of the Ministry of Labor of the Russian Federation of 19.08.2016 N 438n validating of the Model Regulations on the OSH Management System (Registered with the Ministry of Justice of Russia on 13.10.2016 N 44037). Clauses 2 ,3, 5-7. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_205968/](http://www.consultant.ru/document/cons_doc_LAW_205968/)
- 3) Resolution of the Ministry of Labor of the Russian Federation, the Ministry of Education of the Russian Federation of 13.01.2003 N 1/29 (as amended on 30.11.2016) validating of the Procedure for Training in Labor Protection and Testing the Knowledge of Labor Protection Requirements for Employees of Organizations (Registered in the Ministry of Justice of Russia on 12.02.2003 N 4209). Clauses 1.5, 2.1, 2.2, 2.3, 3.1, 3.2, 3.7. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_40987/](http://www.consultant.ru/document/cons_doc_LAW_40987/)
- 4) Order of the Ministry of Labor of the Russian Federation of 23.09.2020 N 644n validating the Rules for Labor Protection in Logging, Woodworking Industries and When Performing Forestry Work (Registered with the Ministry of Justice of Russia on 30.12.2020 N 61950). Available at: [https://www.consultant.ru/document/cons\\_doc\\_LAW\\_372951/](https://www.consultant.ru/document/cons_doc_LAW_372951/)
- 5) Federal Law of 28.12.2013 N 426-FZ (as amended on 30.12.2020) on Special Assessment of Working Conditions (with amendments and supplements entered into force on 01.01.2021) . Articles 3-5, 7. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_156555/](http://www.consultant.ru/document/cons_doc_LAW_156555/)
- 6) Order of the Ministry of Health and Social Development of the Russian Federation of 01.06.2009 N 290n (as amended on 12.01.2015) validating the Interindustry Rules for Providing Workers with Special Clothing, Special Footwear and Other Personal Protective Equipment (Registered with the Ministry of Justice of Russia on 09.10.2009 N 14742). Clauses 4, 5, 9, 10, 13, 14, 19, 20, 25, 26, 30, 34 and appendixes. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_91478/](http://www.consultant.ru/document/cons_doc_LAW_91478/)
- 7) Order of the Ministry of Labor of the Russian Federation of 09.12.2014 N 997n validating the Model Norms for the Free Issuance of Special Clothing, Special Shoes and Other Personal Protective Equipment to Workers of Cross-Professions and Positions of All Types

of Economic Activity, Employed in Work with Harmful and (or) Dangerous Working Conditions, and also at work performed in special temperature conditions or associated with pollution (Registered with the Ministry of Justice of Russia on 26.02.2015 N 36213). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_175841/](http://www.consultant.ru/document/cons_doc_LAW_175841/)

- 8) Resolution of the Ministry of Labor of the Russian Federation of 29.12.1997 N 68 (as amended on 05.05.2012) validating of the Model Industry Standards for the Free Issue of Special Clothing, Special Footwear and Other Personal Protective Equipment to Employees. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_69044/](http://www.consultant.ru/document/cons_doc_LAW_69044/)
- 9) Order of the Ministry of Health and Social Development of the Russian Federation of 20.04.2006 N 297 (as amended on 12.02.2014) validating of the Model Norms for the Free Issuance of Certified Special Signal Clothing of High Visibility to Employees of All Sectors of the Economy. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_60881/](http://www.consultant.ru/document/cons_doc_LAW_60881/)
- 10) Order of the Ministry of Health and Social Development of the Russian Federation of 05.03.2011 N 169n validating the Requirements for the Completion of Medical Products for First Aid Kits for Workers (Registered with the Ministry of Justice of Russia on 11.04.2011 N 20452). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_112966/](http://www.consultant.ru/document/cons_doc_LAW_112966/)
- 11) Order of the Ministry of Healthcare and Social Development of the Russian Federation of 12.04.2011 N 302n (as amended on 18.05.2020) validating the Lists of Harmful and (or) Hazardous Production Factors and Works, During Which Mandatory Preliminary and Periodic Medical Examinations are Carried Out, and the Procedure for Conducting Mandatory Preliminary and Periodic Medical Examination of Workers Engaged in Heavy Work and in Work with Harmful and (or) Hazardous Working conditions (Registered with the Ministry of Justice of Russia on 21.10.2011 N 22111) (with amendments and supplements entered into force on 01.07.2020). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_120902/](http://www.consultant.ru/document/cons_doc_LAW_120902/)
- 12) GOST 12.4.026-2015. Interstate standard. Occupational safety standards system. Safety colours, safety signs and signal marking. Purpose and rules of application. General technical requirements and characteristics. Test methods. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_207653/](http://www.consultant.ru/document/cons_doc_LAW_207653/)
- 13) Order of the Ministry of Labor of the Russian Federation of 15.12.2020 N 903n validating the Rules for Labor Protection During the Operation of Electrical Installations (Registered with the Ministry of Justice of Russia on 30.12.2020 N 61957). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_372952/](http://www.consultant.ru/document/cons_doc_LAW_372952/)
- 14) Order of the Ministry of Labor of the Russian Federation of 28.10.2020 N 753n validating the Rules for Labor Protection During Loading and Unloading and Placement of Goods (Registered with the Ministry of Justice of Russia on 15.12.2020 N 61471). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_370924/](http://www.consultant.ru/document/cons_doc_LAW_370924/)
- 15) Resolution of the Government of the Russian Federation of 16.02.2017 N 197 on Amending Certain Acts of the Government of the Russian Federation. Clause 1a, annex clauses 9, 10. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_213044/](http://www.consultant.ru/document/cons_doc_LAW_213044/)

#### 1.11.2. Legal authority



- Russian Federal Service for Labor and Employment (Rostrud) and its territorial bodies (regional State Labor Inspection).
- Russian Federal Service for Environmental, Technological and Nuclear Supervision (Rostekhnadzor).

### **1.11.3. Legally required documents or records**

- Regulations on the occupational safety management system with all attachments
- A report on a special assessment of working conditions (SAWC) (pages containing the date of approval of the report, a list of workplaces, an expert's opinion based on the results of a SAWC, SAWC cards for workplaces and an action plan to improve working conditions based on the results SAWC). Validity period – 5 years from the date of approval of the report. For new organizations, the registration period of which does not exceed 6 months, SAWC may be absent.
- Outcomes of OSH training:
  - A certificate from the head of the organization, its substitute, a labor protection specialist on the completion of training in a 40-hour program in an accredited specialized organization (the validity of the certificate is 3 years from the date of issue)
  - Protocol of training for workers engaged in logging, according to a 10-hour program (training is conducted annually)
  - Protocol for training drivers who carry out timber haulage, according to a 20-hour program (training is conducted annually)
  - Orders for internships and admission to independent work (for workers engaged in logging and timber truck drivers)
  - Certificate for the right to drive lifting machines and mechanisms (for drivers of lifting machines and mechanisms)
  - Certificate of obtaining a working profession / diploma of secondary vocational education (for workers engaged in logging, for example, a forestry machine driver, a skidder, a forestry equipment repairman, etc.)
- Personal protective equipment (PPE)
  - Personal accounting cards for issuing PPE
  - Certificates of conformity for issued PPE
- H&S training logs
  - Initial (brief) training log
  - Refresher training log
- Instructions on labor protection for all types of work performed
- Documents on passing preliminary and periodic medical examinations

- An agreement with a medical organization of any form of ownership, which has the right to conduct preliminary and periodic examinations, as well as an examination of professional suitability in accordance with the current legislation
- Register of referrals for preliminary and periodic medical examination
- Documents on investigation of accidents at work (Register of accidents at work)

#### 1.11.4. Sources of information

##### *Government sources*

- 1) rostrud.gov.ru (N.Y). Labor Inspection. Federal Service for Labor and Employment [Online]. Available at: <https://rostrud.gov.ru/inspections/> [Accessed 22 November 2020]
- 2) gosnadzor.ru (N.Y). Federal Service for Environmental, Technological and Nuclear Supervision. Carrying out inspections. [Online]. Available at: <http://www.gosnadzor.ru/activity/control/> [Accessed 22 November 2020]

##### *Non-Government sources*

- 1) Marina Berezina (2019). The assistant was accidentally killed by a tractor driver while logging in the Vologda region (19.12.2019). Information portal of the city of Vologda. [Online]. Available at: <https://xn--80adde7arb.xn--p1ai/news/accidents/38640/> [Accessed 22 November 2020]
- 2) Pskov News Feed (PLN) (2018). A criminal case on the death of a man in logging was initiated in the Bezhanitsky region (17.05.2018). Pskov News Feed (PLN). [Online]. Available at: <https://pln-pskov.ru/accidents/312231.html> [Accessed 22 November 2020]
- 3) TIA (2018). The foreman of the site will stand on the death of a worker on a harvesting site during felling (19.03.2018). TIA. [Online]. Available at: <https://tvernews.ru/news/230448/> [Accessed 22 November 2020]
- 4) Investigative Department of the Investigative Committee of the Russian Federation for the Arkhangelsk Region and the Nenets Autonomous District (2017). An individual entrepreneur is suspected of violating health and safety requirements during logging in the Krasnoborsk region (09.06.2017). Investigative Department of the Investigative Committee of the Russian Federation for the Arkhangelsk Region and the Nenets Autonomous District. [Online]. Available at: <https://arh.sledcom.ru/news/item/1134871/> [Accessed 22 November 2020]
- 5) Department of Forestry in the Central Federal District (2018). Inspection of logging sites is being carried out in the Kostroma region (26.02.2018). The first timber industry portal. [Online]. Available at: <http://www.wood.ru/ru/lonewsid-78768.html> [Accessed 22 November 2020]
- 6) Information agency Sever-Media (2020). Investigation into the death of a logging worker has been completed in Komi (08.07.2020). Information agency Sever-Media. [Online]. Available at: <https://www.bnkomi.ru/data/news/114542/> [Accessed 22 November 2020]

#### 1.11.5. Risk determination

## *Overview of Legal Requirements*

### **General requirements for the OSH management**

Occupational health and safety (OSH) issues are reflected in the Labor Code of the Russian Federation (Applicable laws and regulations – 1). The provisions of the Labor Code of the Russian Federation are considered in more detail in a number of documents that comprehensively cover OSH issues (Applicable laws and regulations – 2). In accordance with these documents, each employer is obliged to develop and implement an occupational health and safety management system, which includes the following elements:

- a) the employer's OSH policy;
- b) the goals of the employer in OSH;
- c) ensuring the functioning of the OSH management system (distribution of duties related to OSH between the employer's managers);
- d) procedures aimed at achieving the goals of the employer in the field of labor protection, including:
  - the procedure for OSH training for workers;
  - the procedure for organizing and conducting an assessment of working conditions;
  - professional risk management procedure;
  - the procedure for organizing and conducting monitoring of the health status of employees;
  - the procedure for informing employees about the working conditions at their workplaces, the levels of occupational risks, as well as about the guarantees provided to them, the compensation relying on;
  - the procedure for ensuring optimal work and rest regimes for employees;
  - the procedure for providing workers with personal and collective protective equipment, washing and neutralizing agents;
  - the procedure for providing workers with milk and other equivalent food products, therapeutic and prophylactic nutrition;
  - procedures to ensure the safe performance of contract work and the supply of safe products;
- e) planning of measures for the implementation of procedures;
- f) control over the functioning of the OSH management system and monitoring the implementation of procedures;
- g) planning improvements to the OSH management system performance;
- h) response to accidents, accidents and occupational diseases;
- i) management of OSH documents.

To ensure the functioning of the OSH management system, accompanying documents at the legislative level have also been developed that specify the general requirements (Applicable laws and regulations – 3-5).

### **Personal protective equipment (PPE)**

Each employer is obliged to provide employees engaged in work with harmful and (or) dangerous working conditions with personal protective equipment (PPE), special clothing and special footwear. Standard norms for free issuance are determined at the legislative level, depending on the nature of the work performed (Applicable laws and regulations – 6-9). The employer ensures that employees shall use PPE. Requirements for the need to use PPE by workers are prescribed in the OSH instructions for all types of work performed. Employees are not allowed to perform work without PPE issued to them in the prescribed manner, as

well as with defective, not repaired or soiled PPE. The employer, at his own expense, is obliged to ensure the replacement or repair of PPE that have become unusable before the end of the wearing period for reasons beyond the control of the employee, as well as take care of the PPE and store it, promptly wash, disinfect and dry the PPE (Applicable laws and regulations – 6).

### **Implementing safe harvesting and timber handling practices**

The main provisions that determine the OSH requirements during harvesting, timber storage and loading and unloading operations with various methods of timber harvesting are determined by legislation (Applicable laws and regulations – 4).

The employer is responsible for sanitary and household services and medical support of employees in accordance with OSH requirements. For these purposes, the employer, in accordance with the established standards, equips sanitary facilities, premises for eating, premises for the provision of medical care, rooms for rest during working hours and psychological relief; first aid posts are organized, equipped with first aid kits (Applicable laws and regulations – 1, 10).

In order to determine the suitability of employees to perform work with harmful and (or) hazardous working conditions, as well as to prevent occupational diseases, employees undergo mandatory preliminary (upon admission to work) and periodic (for persons under the age of 21 – annual) medical examinations (Applicable laws and regulations – 1, 11).

### **Establishment of protection zones around harvesting sites**

Inasmuch that logging work is a source of increased danger, both for the direct participants in the process and for people not involved in it, safety zones are created around the harvesting sites and loading areas and appropriate information safety signs are installed in order to prevent accidents, reduce injuries and occupational diseases, elimination of danger to life and harm to human health (Applicable laws and regulations – 12).

### **Safety requirements related to the machinery used**

The main OSH requirements for the types of machinery used during harvesting (manual or mechanized harvesting, various methods of skidding and hauling timber, etc.) are defined in the Rules on OSH During Forestry Operations (Applicable laws and regulations – 4). OSH requirements during the organization and implementation of technological processes during loading and unloading of goods, during the transportation and movement of goods, as well as during the placement of goods, are regulated in the Rules on OSH During Loading and Unloading Operations (Applicable laws and regulations – 14). In view of the active use of electrical installations for workers engaged in the maintenance of electrical installations, conducting operational switching in them, organizing and performing construction, installation, commissioning, repair work, tests and measurements, the requirements are prescribed in the Rules on OSH During the Operation of Electrical Installations (Applicable laws and regulations – 13).

It should be noted that in all the specified OSH rules (Applicable laws and regulations – 4, 13, 14), only general safety requirements associated with the equipment used are established. Specific requirements are indicated in the operating instructions for the corresponding machines and mechanisms that are used in the organization, and are prescribed, depending on the equipment used, in the corresponding OSH instructions for each type of work.

### *Description of Risk*

The main provisions on OSH of employees are fixed in the Labor Code of the Russian Federation (Applicable laws and regulations – 1) and specified in separate regulatory legal acts (Applicable laws and regulations – 2-14). However, the regulatory authorities do not pay sufficient attention to all specifying laws and regulations, since in recent years, only enterprises with more than 300 people have been included in the annual scheduled inspections by the regulatory authorities (small and medium-sized businesses are not subject to inspections). The reason for this is the risk-oriented approach introduced since March 1, 2017 during scheduled inspections by the regulatory authorities of labor legislation (Applicable laws and regulations – 15). According to this approach, there are 5 risk categories (high, significant, medium, moderate and low). The main risk criteria are departmental reporting data on the results of inspections for the previous 3 years; information on injuries for the previous 3 years, as well as information on wage arrears for the previous year. Occupational health and safety inspections, especially in small and medium-sized enterprises, are often carried out only when industrial accidents are detected and investigated. A high level of risk is assigned to an employer, regardless of other indicators, if there has been a fatal occupational accident.

Numerous sources of information indicate a constant violation of OSH requirements, both in the Northwestern Federal District and in the Central Federal District (Non-Government sources – 1-6). In particular, one of the main causes of accidents at work is the lack of training in OSH from responsible persons. Low profitability of harvesting operations and lack of long-term prospects do not motivate companies to pay attention to these issues. The most common health and safety violations during harvesting are:

- incomplete provision of PEE and / or incomplete use of PPE by workers in the technological process (i.e. harvesting, skidding, loading, etc.);
- absence and / or incomplete maintenance of all documentation required by the legislation related to OSH;
- constant violation of the technological process both on the part of employees and on the part of the employer;
- non-observance by employees of the rules and regulations on OSH in logging, including the absence and / or non-observance of the boundaries of protection zones during logging or loading and unloading operations;
- violation of the working hours and rest hours established by law;
- unsatisfactory sanitary and household provision of workers.

### *Risk Conclusion*

The applicable legislation defined in clause 1.11.1 is not always fully complied with by organizations and / or is often ignored by the relevant government agencies exercising control (the preventive measures applied to suppress cases of violation of the law are not effective).

A risk of violations of the legal requirements related to OSH has been identified.

The conclusions for this indicator are applicable to all forest source types.

#### **1.11.6. Risk designation and specification**

All source types: Specified risk

#### **1.11.7. Control measures and verifiers**

### *Mitigating the risk of violation of the legal requirements related to OSH*

Compliance with the requirements of the legal requirements related to OSH can be checked through combination of on-site verification and document verification.

#### **Conduct onsite verification:**

Carry out onsite sample checks/verifications to confirm there are no violations of the legal requirements related to OSH. During onsite verification harvesting sites should be observed and interview with the workers intimately involved in forestry operations should be conducted.

#### **Review documents and verify:**

- Regulations on the occupational safety management system with all attachments;
- A report on a special assessment of working conditions (SAWC) (pages containing the date of approval of the report, a list of workplaces, an expert's opinion based on the results of a SAWC, SAWC cards for workplaces and an action plan to improve working conditions based on the results SAWC);
- Certificates of training in 40-hour program (for management and OSH responsible persons);
- Training certificates relevant for a certain activity (i.e. certificate for the right to drive lifting machines and mechanisms; certificate of obtaining a working profession, etc.);
- Personal accounting cards for issuing PPE;
- OSH training logs;
- OSH instructions;
- Documents on passing preliminary and periodic medical examinations;
- Register of accidents at work.

The listed above documents should be checked for workers who have been interviewed during onsite verification. It is a necessary condition to assess the OSH implementation and management system from different perspectives.

It should be stressed that the list is not exhaustive.

## **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 (adopted by public vote on 12.12.1993 with amendments approved in an all-Russian vote on 01.07.2020). Article 37. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_28399/5e37b9644c66582efdaf762a109a281bf999c28d/](http://www.consultant.ru/document/cons_doc_LAW_28399/5e37b9644c66582efdaf762a109a281bf999c28d/)



- 2) Labor Code of the Russian Federation of 30.12.2001 N 197-FZ (as amended on 09.03.2021). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_34683/](http://www.consultant.ru/document/cons_doc_LAW_34683/)
- 3) Federal Law of 16.07.1999 N 165-FZ (as amended on 24.02.2021) on the Basics of Compulsory Social Insurance. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_4059/](http://www.consultant.ru/document/cons_doc_LAW_4059/)
- 4) Federal Law of 24.07.1998 N 125-FZ (as amended of 24.02.2021) on Compulsory Social Insurance Against Industrial Accidents and Occupational Diseases. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_19559/](http://www.consultant.ru/document/cons_doc_LAW_19559/)
- 5) Tax Code of the Russian Federation (Part Two) of 05.08.2000 N 117-FZ (as amended on 20.04.2021). Article 209. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_28165/1f29c479b0dd23dc5c365b37ac580557586e6af4/](http://www.consultant.ru/document/cons_doc_LAW_28165/1f29c479b0dd23dc5c365b37ac580557586e6af4/)
- 6) Civil Code of the Russian Federation. Article 420 Concept of a Treaty. Article 779 Contract for Paid Services. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_5142/80d946bb2e2c22c74d20a8bdb37d0f0c034aa6bc/](http://www.consultant.ru/document/cons_doc_LAW_5142/80d946bb2e2c22c74d20a8bdb37d0f0c034aa6bc/)
- 7) Criminal Code of the Russian Federation of 13.06.1996 N 63-FZ (as amended on 01.07.2021). Article 171. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_10699/cc12ef68af6f5296cb8a9dad10ca87865d02f12f/](http://www.consultant.ru/document/cons_doc_LAW_10699/cc12ef68af6f5296cb8a9dad10ca87865d02f12f/)
- 8) Code of the Russian Federation on Administrative Offenses of 30.12.2001 N 195-FZ (as amended on 01.07.2021). Article 14.1. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_34661/75bd42f831f7b882297cf0c477ced1e5dcfc89f2/](http://www.consultant.ru/document/cons_doc_LAW_34661/75bd42f831f7b882297cf0c477ced1e5dcfc89f2/)
- 9) Criminal Executive Code of the Russian Federation of 08.01.1997 N 1-FZ (as amended on 11.06.2021). Article 103, paragraph 6. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_12940/](http://www.consultant.ru/document/cons_doc_LAW_12940/)
- 10) Criminal Executive Code of the Russian Federation. ConsultantPlus website. [Online]. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_12940/](http://www.consultant.ru/document/cons_doc_LAW_12940/) [Accessed 08.03.2021]

### 1.12.2. Legal authority

- Ministry of Labor and Social Protection of Russia
- Territorial bodies of the Ministry of Labor of Russia – State Labor Inspections in the constituent entities of the Russian Federation.
- Russian Federal Tax Service
- Executive authorities at the level of the constituent entities of the Russian Federation - the Tax Services for the constituent entities of the Russian Federation, interregional inspections of the Tax Service, inspections of the Tax Service for districts, districts in cities, cities without regional divisions, inspections of the Interdistrict Tax Service.
- The Prosecutor's Office of the Russian Federation and its local subdivisions.

### 1.12.3. Legally required documents or records

- Labor contract
- Income tax declaration
- Declaration of insurance premiums

### 1.12.4. Sources of information

#### *Government sources*

- 1) Database: Unified register of small and medium-sized businesses. Federal Tax Service. [Online]. Available at: <https://www.nalog.gov.ru/opendata/7707329152-rsmp/> [Accessed 14.02.2021]
- 2) Regional offices of the Federal Tax Service of Russia. Federal Tax Service. [Online]. Available at: <https://www.nalog.gov.ru/rn77/opendata/7707329152-regoffice/> [Accessed 28.02.2021]
- 3) The Prosecutor's office of the Russian Federation (2020). In Babushkinsky District, according to the results of the prosecutor's check, an individual entrepreneur was brought to responsibility for violation of labor legislation (08.04.2020). The Prosecutor's office of the Russian Federation. [Online]. Available at: <https://procrf.ru/news/1975460-v-babushkinskom-rayone-po.html> [Accessed 28.02.2021]
- 4) Galich District Court (Kostroma Region) (2015). Decision No. № 2-428/2015 2-428/2015~M-362/2015 M-362/2015 of July 1, 2015 in case No. 2-428/2015 (01.07.2015). Judicial and regulatory acts of the Russian Federation. [Online]. Available at: <https://sudact.ru/regular/doc/Ox6Ua0lACDov/>

#### *Non-Government sources*

- 1) FSC (2020). National FSC Standard for the Russian Federation FSC-STD-RUS-02-2020 RU. Website of the FSC National Office. [Online]. Available at: <https://fsc.org/en/document-centre/documents/resource/183> [Accessed 27.02.2021]
- 2) Rustem Falyakhov, Natalia Eremina, Olga Sherunkova (2019). Trillions in Envelopes: Why the Shadow Sector is Growing in Russia (08.10.2019). Gazeta.Ru. [Online]. Available at: <https://www.gazeta.ru/business/2019/10/08/12744541.shtml> [Accessed 27.02.2021]
- 3) Lumberjack (2018). How employers throw lumberjacks (01.02.2018). Website lumberjack [Online]. Available at: <https://bloglesorub.ru/kak-rabotodатели-kidayut-lesorubov/> [Accessed 27.02.2021]
- 4) Form: Contract for the provision of paid services with an individual (Prepared by ConsultantPlus specialists, 2021). ConsultantPlus website. [Online]. Available at: <https://onlineovp1.consultant.ru/cqi/online.cqi?req=doc&base=PAP&n=44317&dst=0#025000056702638584> [Accessed 08.03.2021]

### 1.12.5. Risk determination

### *Overview of Legal Requirements*

The right of every citizen to choose a profession in the Russian Federation is established by the requirements of Article 37 of the Constitution of the Russian Federation (Applicable laws and regulations – 1). The article prohibits forced labor and supports the employee's right to rest and the right to individual and collective labor disputes. The relationship between an employee and employer is described in more detail in the Labor Code of the Russian Federation (Applicable laws and regulations – 2). The requirements of the ILO conventions on the prohibition of forced labor and discrimination at work, the rights of workers to associate in an organization to represent their interests are implemented in the provisions of the Labor Code of the Russian Federation (Non-governmental sources – 1).

However, when preparing a new version of the FSC forest management standard, the experts concluded that it was impossible to certify the institutions of the Federal Penitentiary Service of the Russian Federation involved in timber harvesting. Convicted persons are prohibited from stopping work to resolve labor conflicts. Prisoners cannot fully negotiate with the employer on working conditions in accordance with ILO Conventions 87 and 98 (Applicable laws and regulations – 9). As this is not incorporated in national law, it is not possible to raise a risk related to violation of Russian legislation.

Article 16 of the Labor Code of the Russian Federation provides for fixing the labor relationship between the employee and the employer – labor contract – in a written form. Article 21 of the Labor Code of the Russian Federation provides for the rights of workers. The first in the list of rights is the right to conclude a labor contract. The article defines the rights to establish organizations representing the interests of employees, to timely and in full payment of wages and rest, compulsory social insurance.

Compulsory social insurance (Applicable laws and regulations – 3, 4) is a part of the state system of social protection of the population, the specificity of which is the insurance of working citizens, carried out in accordance with federal law, against possible changes in the financial and (or) social conditions, including those that do not depend on their circumstances. Rates of insurance are usually paid by the employer in the amount of the salary:

- for pension insurance – 22%;
- for compulsory social insurance in case of temporary disability and in connection with maternity within the established limit value of the base for calculating insurance premiums for this type of insurance – 2.9%;
- for compulsory medical insurance – 5.1 percent.

Employees are required to pay personal income tax in accordance with the requirements of the Tax Code. The tax base is income received by taxpayers, including wages. The personal income tax rate is usually 13% of income. This tax is paid for the employee by the employer.

In addition to a labor contract for performing one-time work, which is not the main activity of the organization (in our case, logging), it is possible to conclude a civil law contract (Applicable laws and legislation – 6) (Non-governmental sources – 4). It should be noted that the substitution of labor contracts with civil law contracts for the systematic (main) type of activity is unacceptable and punishable in accordance with the requirements of Art. 14.1 of the Administrative Code of the Russian Federation, Art. 171 of the Criminal Code of the Russian Federation (Applicable laws and regulations – 7, 8). Substitution of labor relations by concluding a civil law contract in accordance with the requirements of Art. 11 of the Tax Code

of the Russian Federation may lead to additional accrual of social taxes and personal income tax.

#### *Description of Risk*

In Russia, the level of payments of salary off the books (shadow or "gray" wages) remains high. This can be seen from expenses that significantly exceed official income, according to the Federal Tax Service (Non-governmental sources – 2). The data of Rosstat and the Federal Tax Service of Russia reflect a serious excess of expenditures over the incomes of citizens, even taking into account the factor of the population's debt load. According to the deputy head of the department Svetlana Bondarchuk, the problem of "gray" wages is relevant for all regions of Russia. At the same time, the rate of income to the budget of personal income tax and insurance contributions, or "salary payments", significantly lags behind the rates of receipts of other taxes. The volume of "gray" salaries, from which no deductions are made and no taxes are paid, reaches 10 trillion rubles a year. Such estimates are contained in the budget forecast for 2020-2022. In 2019 the head of the Ministry of Finance Anton Siluanov mentioned a similar figure at a meeting of the extended collegium of the department. That is, the Russian government recognizes that the issue of paying 100% of wages cannot be officially resolved in the next 2-3 years.

Moreover, the majority of citizens do not blame themselves, but the state and employers for the existence of gray wages. This was shown by a public opinion poll conducted by the Foundation at the end of last year. More than half of working Russians (69%) receive their salaries officially. About 10% receive their entire salary unofficially, and 12% receive by a mixed scheme. At the same time, 53% of respondents blame the government for the existence of "gray" salaries, which imposes very high taxes. Another 31% complain about employers who do not want to pay taxes.

At the same time, experts estimate that the revenues not monitored by Rosstat amount to about 5.4 trillion rubles. These are revenues that Rosstat cannot classify. Unaccounted for income can include criminal, corruption, and other kinds of income. And accordingly, the difference between income and expenses does not give a real picture of "gray wages" (Non-Government sources – 2).

In addition, during the prosecutor's control, cases of work performed without concluding an employment contract are recorded (Government sources – 3). It is difficult to identify cases of work performed without concluding an employment contract. The likelihood of detecting such cases increases if the employee himself or his relatives apply to the labor inspectorate, the prosecutor's office or the court on the facts of the accidents that have occurred (Government sources – 4). By decisions of the courts, relations are recognized as labor relations.

Also, the Internet describes the practice of presenting unfulfillable requirements for an accepted employee, the result of which is non-payment of wages in full or dismissal (Non-government sources – 3).

According to experts, there are cases of involving Russian citizens in timber harvesting on the basis of civil contracts. This way of formalizing relations for the performance of work allows not to pay social taxes and income tax.

### *Risk Conclusion*

The applicable legislation defined in clause 1.12.1 is not always fully complied with by organizations.

A risk of violations of the legal requirements related to labor contracts when hiring, civil law contracts, payments of illegal wages has been identified.

The conclusions for this indicator are applicable to all forest source types.

#### **1.12.6. Risk designation and specification**

All Source types: Specified risk

#### **1.12.7. Control measures and verifiers**

*Mitigating the risk of violation of the legal requirements related to labor contracts when hiring, civil law contracts, payments of illegal wages*

Compliance with the legal requirements related to labor contracts when hiring, civil law contracts, payments of illegal wages can be checked through combination of on-site verification and document verification.

##### **Conduct onsite verification:**

Carry out onsite sample checks/verifications. During onsite verification harvesting sites should be observed and interview with the workers intimately involved in forestry operations should be conducted.

Interview with staff during onsite verification:

- Identify whether there are complaint from workers on employers do not respect the terms of a labor contract or a civil law contract.
- Identify whether there are complaint from workers on employers do not pay salary or pay salary off the books (gray salary).

##### **Review and verify documents:**

- A labor contract shall exist. Content of the labor contract shall meet the requirements prescribed by the Labor Code;
- If an employee works by civil law contract, the contract shall exist.

The listed above documents should be checked for workers who have been interviewed during onsite verification.

## 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. The indicator is relevant to customary rights other than land and land management rights. Customary land and land management rights are covered under 1.1.*

#### 1.13.1. Applicable laws and regulations

- 1) Forest Code of the Russian Federation of 04.12.2006 N 200-FZ (as amended on 30.04.2021). Article 11. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_64299/](http://www.consultant.ru/document/cons_doc_LAW_64299/)

#### 1.13.2. Legal authority

- Federal Forestry Agency (Rosleskhoz).
- Executive authorities at the level of the Constituent Entity of the Russian Federation in the field of forestry relations (for example, the Ministry of Forestry, Department, etc.)
- Representatives of executive authorities at the level of Forest District – Authority of a Forest District.

#### 1.13.3. Legally required documents or records

Not applicable

#### 1.13.4. Sources of information

##### *Non-Government sources*

- 1) Shevchenko, D. (N.Y). The right to access forests. Deputy Coordinator of the Environmental Watch for the North Caucasus. [Online]. Available at: <http://envirights.tilda.ws/forestaccess>
- 2) Andrianova, I. (2015). Large fencing. Bellona. [Online]. Available at: <https://bellona.ru/2015/10/09/enclosure/>
- 3) Openbereg.ru (N.Y). Leningrad movement "against the captures of lakes". Open Beach [Online]. Available at: <http://openbereg.ru/ленинградское-движение-против-захва/>
- 4) Newslab.ru (2019). Another tenant was forced to demolish a fence illegally erected in a forest near Mana. [Online]. 17. September 2019. Available at: <https://newslab.ru/news/920989>

#### 1.13.5. Risk determination

##### *Overview of Legal Requirements*

We have included an evaluation of legislation that has root in customs, thus being considered as customary rights for the purpose of this risk assessment.

Citizens have the right to be in the forests without restrictions and free of charge and to harvest and collect wild fruits, berries, nuts, mushrooms, other edible forest resources (food



forest resources), as well as non-timber forest resources for their own needs. The right for citizens to access land is also applicable for leased forest areas. Only in special situations can access to land be restricted (Forest Code, art. 11).

#### *Description of Risk*

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. (Non-government source 1-4). However, there are no indication that this is an issue related to forestry, but rather related to hunting and fishing. Therefore, the risk for this sub-category is therefore considered to be low.

#### *Risk Conclusion*

Low risk

#### **1.13.6. Risk designation and specification**

Low risk

#### **1.13.7. Control measures and verifiers**

Not applicable

### **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.*

#### **Not applicable**

There is no 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. Therefore, this indicator is not applicable to Russia.

### **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 right to use certain forest related resources or practice traditional activities, as well as benefit sharing, which may involve forest lands. Land and land management rights related to indigenous/traditional peoples' rights are covered under 1.1.*

#### **1.15.1. Applicable laws and regulations**

- 1) Constitution of the Russian Federation (adopted by public vote on 12.12.1993 with amendments approved in an all-Russian vote on 01.07.2020).Articles 26, 69 paragraph 1, 2. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_28399/](http://www.consultant.ru/document/cons_doc_LAW_28399/)
- 2) Federal Law of 30.04.1999 N 82-FZ (as amended on 13.07.2020) on Guarantees of the Rights of the Indigenous Minorities of the Russian Federation. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_22928/](http://www.consultant.ru/document/cons_doc_LAW_22928/)

- 3) Resolution of the Government of the Russian Federation of 24.03.2000 N 255 (as amended on 26.05.2020) on the Unified List of Indigenous Minorities of the Russian Federation. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_26631/](http://www.consultant.ru/document/cons_doc_LAW_26631/)
- 4) Order of the Government of the Russian Federation of 17.04.2006 N 536-r (as amended on 26.12.2021) validating the List of Indigenous Minorities of the North, Siberia and the Far East of the Russian Federation. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_59703/](http://www.consultant.ru/document/cons_doc_LAW_59703/)
- 5) Resolution of the Government of the Russian Federation of 23.09.2020 N 1520 validating the Rules for Maintaining the List of Persons Belonging to the Indigenous Minorities of the Russian Federation, Providing the Information Contained in it, as well as Interdepartmental Interaction Carried Out in Connection with its Maintenance. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_363124/](http://www.consultant.ru/document/cons_doc_LAW_363124/)
- 6) Order of the Government of the Russian Federation of 08.05.2009 N 631-r (as amended on 11.02.2021) validating the List of Places of Traditional Residence and Traditional Economic Activity of the Indigenous Minorities of the Russian Federation and the List of Traditional Economic Activities of the Indigenous Minorities of the Russian Federation. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_87690/](http://www.consultant.ru/document/cons_doc_LAW_87690/)
- 7) Federal Law of 07.05.2001 N 49-FZ (as amended on 08.12.2020) on the Territories of Traditional Natural Use of the Indigenous Minorities of the North, Siberia and the Far East of the Russian Federation. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_31497/](http://www.consultant.ru/document/cons_doc_LAW_31497/)
- 8) Federal Law of 20.07.2000 N 104-FZ (as amended on 27.06.2018) on the General Principles of Organizing Indigenous Communities of the Indigenous Minorities of the North, Siberia and the Far East of the Russian Federation. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_27908/](http://www.consultant.ru/document/cons_doc_LAW_27908/)
- 9) Civil Code of the Russian Federation (Part One) of 30.11.1994 N 51-FZ (as amended on 08.12.2020). Article 123.16. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_5142/](http://www.consultant.ru/document/cons_doc_LAW_5142/)
- 10) Forest Code of the Russian Federation of 04.12.2006 N 200-FZ (as amended on 30.04.2021). Articles 30, 48. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_64299/](http://www.consultant.ru/document/cons_doc_LAW_64299/)
- 11) Water Code of the Russian Federation of 03.06.2006 N 74-FZ (as amended on 08.12.2020) (with amendments and supplements entered into force on 01.01.2021). Article 3 paragraph 16, 54. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_60683/](http://www.consultant.ru/document/cons_doc_LAW_60683/)
- 12) Land Code of the Russian Federation of 25.10.2001 (N 136-FZ) (as amended on 30.12.2020) (with amendments and supplements entered into force on 10.01.2021). Article 7 paragraph 3; Article 39.14 paragraph 9; Article 39.33 paragraph 5; Article 39.34 paragraph 4; Article 68; Article 97 paragraph 5. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_33773/](http://www.consultant.ru/document/cons_doc_LAW_33773/)
- 13) Federal Law of 24.04.1995 N 52-FZ (as amended on 08.12.2020) On the Wildlife. Articles 9, 48, 49. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_6542/](http://www.consultant.ru/document/cons_doc_LAW_6542/)
- 14) Federal Law of 24.07.2009 N 209-FZ (as amended on 11.06.2021) on Hunting and on the Preservation of Hunting Resources and on Amendments to Certain Legislative Acts of the

Russian Federation. Articles 2, 11, 12, 19. Available at:

[http://www.consultant.ru/document/cons\\_doc\\_LAW\\_89923/](http://www.consultant.ru/document/cons_doc_LAW_89923/)

- 15) Federal Law of 20.12.2004 N 166-FZ (as amended on 08.12.2020) on Fishing and Conservation of Aquatic Biological Resources. Article 25. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_50799/](http://www.consultant.ru/document/cons_doc_LAW_50799/)
- 16) Resolution of the Government of the Russian Federation of 18.09.2020 N 1488 validating the Regulation on the Compensation of the Regulations on the Compensation Caused to the Indigenous Minorities of the Russian Federation, the Associations of the Indigenous Minorities of the Russian Federation and Persons Belonging to the Indigenous Minorities of the Russian Federation, as a Result of the Damage to the Ancestral Habitat of the Indigenous Minorities of the Russian Federation by the Economic Activities of Organizations of all Forms of Property, as well as by Individuals. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_362663/](http://www.consultant.ru/document/cons_doc_LAW_362663/)
- 17) Tax Code of the Russian Federation (Part Two) of 05.08.2000 N 117-FZ (as amended on 20.04.2021). Article 333.2 paragraph 2; Article 397 paragraph 7; Article 422 paragraph 4; Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_28165/](http://www.consultant.ru/document/cons_doc_LAW_28165/)
- 18) Federal Law of 30.12.1995 N 225-FZ (as amended on 08.12.2020) on Production Sharing Agreements. Article 2 paragraph 3; Article 6; Article 7 paragraph 3; Article 13 paragraph 2; Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_8816/](http://www.consultant.ru/document/cons_doc_LAW_8816/)
- 19) Resolution of the Government of the Russian Federation of 18.04.2015 N 368 (as amended on 28.12.2020) on the Federal Agency for Nationalities Affairs (together with the Regulations on the Federal Agency for Nationalities Affairs). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_178389/](http://www.consultant.ru/document/cons_doc_LAW_178389/)
- 20) Federal Law of 19.05.1995 N 82-FZ (as amended on 30.12.2020) on Public Associations. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_6693/](http://www.consultant.ru/document/cons_doc_LAW_6693/)

#### **1.15.2. Legal authority**

- Federal Agency for Ethnic Affairs (FAEA of Russia) (<http://fadn.gov.ru>)

#### **1.15.3. Legally required documents or records**

- Forest Management Plan of a Constituent Entity (Forest Plan)
- Forest District Management Plan
- Forest Concession Management Plan
- Regulations on the territory of traditional nature management

#### **1.15.4. Sources of information**

*Government sources*

N/A

*Non-Government sources*

- 1) Tatyana Smirnova (2020). In Karelia, in the territories of the original habitat of the indigenous people of the Vepsians, they are going to cut down forests (02.12.2020). 7x7 - Horizontal Russia. [Online]. Available at: <https://7x7-journal.ru/posts/2020/12/02/v->

[karelii-na-territoriyah-iskonnoj-sredy-obitaniya-korennogo-naroda-vepsov-sobirayutsya-vesti-vyrubku-lesa](#) [Accessed 25.01.2021]

- 2) Internet newspaper Stolitsa on Onego.ru (2020). Vepsians are ready to complain to the UN about logging in Karelia (02.12.2020). Internet newspaper Stolitsa on Onego.ru. [Online]. Available at: <https://stolicaonego.ru/news/vepsy-gotovy-pozhalovatsja-v-oon-na-lesozagotovku-v-karelii/> [Accessed 25.01.2021]
- 3) Mass media network edition Ecology of Russia - national project ecology of the Russian Federation (2021). The authorities of Karelia explained the logging of trees in the forests of ancient settlements of the Vepsians (04.01.2021). Mass media network edition Ecology of Russia - national project ecology of the Russian Federation. [Online]. Available at: <https://ecologyofrussia.ru/vepsy-kareliya-vyrubka-lesa/> [Accessed 25.01.2021]

### 1.15.5. Risk determination

#### *Overview of Legal Requirements*

Indigenous minorities at the constitutional level (Applicable laws and regulations – 1) are allocated to a special category of citizens and are endowed with special rights, which are reflected in the Federal Law On Guarantees of the Rights of Indigenous Minorities of the Russian Federation (Applicable laws and regulations – 2). For example, indigenous minorities, associations of indigenous minorities, in order to protect their original habitat, traditional way of life, economic activity and crafts, have the right to:

- use, free of charge, in places of traditional residence and traditional economic activity of indigenous minorities, lands of various categories necessary for carrying out their traditional economic activities and engaging in traditional crafts, and common minerals in the manner prescribed by federal legislation and the legislation of the constituent entities of the Russian Federation;
- to participate in the establishing and activities of councils of representatives of minorities under the executive authorities of the constituent entities of the Russian Federation and local governments;
- to compensate for losses caused by them as a result of damage to the primordial habitat of minorities by the economic activities of organizations of all forms of ownership, as well as by individuals, in the manner established by the Government of the Russian Federation;
- to use the privileges for land use and nature management established by federal legislation, the legislation of the constituent entities of the Russian Federation and regulatory legal acts of local governments, necessary for minorities to protect their original habitat, traditional way of life, economic activity, and crafts.

Provisions concerning the rights of indigenous minorities are included in other regulatory legal acts (Applicable laws and regulations – 7-18).

The list of indigenous minorities of the Russian Federation (Applicable laws and regulations – 3) has been legally approved. Among the indigenous minorities, a special place is occupied by the indigenous minorities of the North, Siberia and the Far East of the Russian Federation, for which a separate list has been drawn up (Applicable laws and regulations – 4) in order to provide them with additional rights and benefits (Applicable laws and regulations – 7, 8, 10, 14, 15, 17). Additional rights include, for example, the right to harvest timber for their own needs free of charge (Applicable laws and regulations – 10); the right to carry out traditional fishing (Applicable laws and regulations – 15); the right to hunt in order to ensure the conduct of a traditional way of life and the implementation of traditional economic activities

freely (without any permits) in the amount of hunting resources required to satisfy personal consumption (Applicable laws and regulations – 14). The special rights of the indigenous minorities of the North are due to the geographical and climatic features of their original habitat, which is mainly the land territory of the Arctic zone of the Russian Federation, which predetermined such activities (types of economic activities) as hunting, fishing and reindeer husbandry as the traditional basis of their life. Agriculture is impossible due to natural conditions.

In Russia, the places of traditional residence and traditional economic activity of indigenous minorities and the types of traditional economic activities of indigenous minorities have been determined and approved at the legislative level (Applicable laws and regulations – 6). However, at the moment, for some indigenous minorities, officially recognized Places of Traditional Residence and Traditional Economic Activity have not yet been determined, as shown in the table below. At the same time, information about places of traditional residence and traditional economic activity is reflected on the website of the Association of Indigenous Minorities of the North, Siberia and the Far East of the Russian Federation (<https://raipon.info/>) or on the websites of regional public organizations of the Indigenous Minorities, for example, on the website of the Center for Indigenous Minorities Leningrad region (<https://kmn-lo.ru>).

Table - List of indigenous minorities and places of their traditional residence and traditional economic activities

The constituent entity of the Russian Federation	Indigenous minorities	Places of traditional residence and traditional economic activities
Leningrad region	Vepsians	<ul style="list-style-type: none"> <li>Podporozhsky municipal district (Voznesenskoe urban settlement, Vinnytsia rural settlement)</li> <li>Boksitogorsk municipal district (Radogoschinsky rural settlement)</li> <li>Lodeynopolsky municipal district (Alekhovschinsky rural settlement)</li> <li>Tikhvin municipal district (Pashozerskoe rural settlement)</li> </ul>
	Vod	<ul style="list-style-type: none"> <li>not defined</li> </ul>
	Izhorians	<ul style="list-style-type: none"> <li>not defined</li> </ul>
Republic of Karelia	Vepsians	<ul style="list-style-type: none"> <li>Prionezhsky municipal district (Shoksha Vepsian, Sheltozersky Vepsian, Ryboretsky Vepsian rural settlements)</li> </ul>
Vologodskaya Oblast	Vepsians	<ul style="list-style-type: none"> <li>Babaevsky municipal district (Vepsian national, Pyazhozerskoe rural settlements)</li> <li>Vytegorsky municipal district (Oshta rural settlement)</li> </ul>
Pskov region	Setu (seto)	<ul style="list-style-type: none"> <li>de jure: not defined,</li> <li>de facto: Pechora region</li> </ul>
Komi Republic	Mansi, Khanty, Nenets	<ul style="list-style-type: none"> <li>Urban districts: Vorkuta, Inta (except for Inta), Usinsk (except for Usinsk)</li> <li>Municipal districts: Izhemsky, Ust-Tsilemsky</li> </ul>
Arkhangelsk region	Nenets	<ul style="list-style-type: none"> <li>de jure: not defined,</li> </ul>

		<ul style="list-style-type: none"> <li>de facto: Leshukonsky, Mezensky, Primorsky, Pinezhsky municipal districts</li> </ul>
Nenets Autonomous Okrug	Nenets	<ul style="list-style-type: none"> <li>Municipal District Zapolyarny District (except for the urban settlement of the settlement of Seekers)</li> </ul>
Murmansk region	Saami	<ul style="list-style-type: none"> <li>Urban district Kovdorsky district</li> <li>Municipal districts: Kolsky, Lovozersky, Tersky</li> </ul>

According to article 26 of the Constitution of the Russian Federation, every citizen has the right to determine and indicate their nationality. However, in order to enjoy the special rights that Russian legislation grants to the indigenous minorities, it is necessary to register in the List of persons belonging to the indigenous minorities on the basis of the provision of certain documentation confirming the person's attitude to the indigenous minorities (Applicable laws and regulations – 2, 5).

Individuals belonging to indigenous minorities have the right to create, on a voluntary basis, communities of indigenous minorities and other associations of indigenous minorities in accordance with their national, historical and cultural traditions for the purpose of socio-economic and cultural development of indigenous minorities, protecting their original habitat, traditional way of life, economic activities and trades (Applicable laws and regulations – 2, 20). In addition, on the initiative of persons belonging to the indigenous minorities, indigenous minorities can be created in accordance with the Federal Law On General Principles of Organizing Communities of Indigenous Minorities of the North, Siberia and the Far East of the Russian Federation (Applicable laws and regulations – 8, 9).

On the basis of appeals of persons belonging to the indigenous minorities of the North, and communities of the indigenous minorities of the North or their authorized representatives, territories of traditional nature use can be created – specially protected territories formed for the conduct of traditional nature management and the traditional way of life of the indigenous minorities of the North, of federal, regional or local level (Applicable laws and regulations – 7). The legal restrictions for territories of traditional use of natural resources is established by the provisions on territories of traditional use of natural resources, approved by the federal executive body authorized by the Government of the Russian Federation, executive bodies of the constituent entities of the Russian Federation, local self-government bodies with the participation of individuals belonging to the indigenous minorities of the Russian Federation, and communities of the indigenous minorities of the North, or their authorized representatives (Applicable laws and regulations – 7).

Lands and land plots in places of traditional residence and traditional economic activities of indigenous minorities may also be used by persons belonging to indigenous minorities and indigenous minorities' communities on the basis of a permit from a public authority or local self-government body issued in the case and in accordance with the procedure established by land legislation (Applicable laws and legislation – 7). So, in accordance with Article 3 of the Land Code in places of traditional residence and traditional economic activity of the indigenous minorities and representatives of other ethnic communities in cases stipulated by federal laws, laws and other regulatory legal acts of the constituent entities of the Russian Federation or regulatory legal acts of local governments, special legal restrictions for the use of lands can be established (Applicable laws and regulations – 12). Gatherings, referendums of citizens shall be conducted when providing land plots to third parties for construction of facilities in places of traditional residence and traditional economic activity of indigenous



minorities for purposes not related to traditional economic activities and traditional trades. The provision of land plots is carried out taking into account the results of these gatherings or referendums (Applicable laws and regulations – 12).

According to Art. 7 of the Federal Law On Guarantees of the Rights of Indigenous Minorities of the Russian Federation, indigenous minorities, associations of indigenous minorities have the right to compensation for losses they have experienced caused as a result of damage to the natural habitat of indigenous minorities by economic activities of organizations of all forms of ownership, as well as individuals. The procedure for reimbursing losses caused to indigenous minorities, associations of indigenous minorities and individuals belonging to the indigenous minorities, as a result of damage to the habitat of indigenous minorities by the economic activities of organizations of all forms of ownership, as well as by individuals, is determined by the Resolution of the Government of the Russian Federation of 18.09.2020 N 1488 (Applicable laws and regulations – 16). Compensation for losses is carried out on the basis of agreements on compensation for losses concluded by economic entities and councils of representatives of indigenous minorities, created on a voluntary basis in accordance with paragraph 8 of article 6 of the Federal Law On Guarantees of the Rights of Indigenous Minorities of the Russian Federation with the executive authorities of the constituent entities of the Russian Federation for protection of the rights and legitimate interests of indigenous minorities.

#### *Description of Risk*

For the analyzed territories, there is a risk of violation of legislation on the rights of indigenous minorities only in the regions of traditional residence of indigenous minorities.

There is no judicial practice confirming the violation of the rights of indigenous minorities as a result of timber harvesting in the analyzed territory. According to experts interviewed during the risk assessment development (university professors, legal experts), applying to the court for the protection of violated rights by persons from among the indigenous minorities today is a rarity. This is not due to the lack of the need to resolve disputes in court, but with such circumstances as the lack of knowledge about their rights and opportunities for their protection, lack of understanding of what specific rights are violated and where to apply, as well as the lack of financial ability to pay legal costs. It should be noted that the very appeal to the court by the representatives of the indigenous minorities is perceived as the most extreme and undesirable measure to restore the violated right.

The forest planning documents – Forest Plans, Forest District Management Plans, Forest Concession Management Plans – reflect information on the availability of only officially approved territories of traditional nature management of the indigenous minorities of the North. At the same time, the legislation on indigenous minorities guarantees the protection of the original habitat, which is defined as a historically established area within which indigenous minorities carry out cultural and everyday life activities and which affects their self-identification, way of life (Applicable laws and regulations – 2). This primordial habitat often does not have the official status of a territory of traditional nature use. A forest user, for example, a lessee of a forest area, most often does not know that next to his lease areas there are places of traditional residence of indigenous minorities, the representatives of which can carry out traditional economic activities in forest areas where the forest user is conducting harvesting activities.

Indigenous minorities may carry out cultural and everyday life on the territories that are not legally documented as indigenous minorities' territories. Such a way of living may affect their

self-identification. At the same time, the original land or a historically established area may not fit into the boundaries of the places of traditional residence of indigenous minorities defined by law (Applicable laws and regulations – 6).

Thus, the legal right to preserve and protect the traditional land may be violated. This is exemplified with the case of the lease of forests to a logging company in Karelia close to the places of traditional residence. The issue with the case was that land was lost because it was not covered by a legal act, and therefore not documented. Harvesting was planned according to legislation and the harvesting company did not violate the law. However, the indigenous peoples land rights were violated because the harvesting took place on their land. The lack of documentation of their land rights created an information gap resulting in violation of the rights of indigenous peoples, despite the company were acting in good faith.

Despite the case is almost resolved, the fact of violation takes place (Non-government sources – 2, 3).

#### *Risk Conclusion*

The applicable legislation, as defined in clause 1.15.1, is not always fully complied with by organizations and/or is often ignored by the relevant government agencies exercising control (the preventive measures applied to suppress cases of violation of the law are not effective).

A risk of violation of the legal right to preserve and protect the traditional land may be violated.

The findings for this indicator are applicable to all types of wood sources.

#### **1.15.6. Risk designation and specification**

All Source types: Specified risk.

The territories of the specified risk include places of traditional residence of indigenous minorities – municipalities of the constituent entities of the Russian Federation:

- Arkhangelsk region (Leshukonsky, Mezensky, Pinezhsky, Primorsky municipal districts);
- Vologda Oblast (Babaevsky municipal district (Vepskoe national, Pyazhozerskoe rural settlements); Vytegorsky municipal district (Oshta rural settlement));
- Pskov Region (Pechora Municipal District);
- Leningrad Oblast (Podporozhsky municipal district (Voznesenskoe urban settlement, Vinnytsia rural settlement); Boksitogorsky municipal district (Radogoschinsky rural settlement); Lodeynopolsky municipal district (Alekhovschinsky rural settlement); Tikhvin municipal district (Pashozerskoe rural settlement));
- Murmansk Region (Kovdorsky District Urban District; Municipal Districts: Kolsky, Lovozersky, Tersky);
- Republic of Kareli (Prionezhsky municipal district: Shokshinskoe Vepsskoe, Sheltozerskoe Vepsskoe, Ryboretskoe Vepsskoe rural settlements);
- Komi Republic (Urban districts: Vorkuta, Inta (except for Inta), Usinsk (except for Usinsk); municipal districts: Izhemsky, Ust-Tsilemsky);
- Nenets Autonomous Okrug (Municipal Zapolyarny District (except for the urban settlement of Iskers).

For the rest of the territories, the risk is low.

### 1.15.7. Control measures and verifiers

Mitigating the risk that “the legal right to preserve and protect the traditional land may be violated”

Compliance with the requirements of the legislation on the rights of indigenous minorities can be checked through consultation with authorities.

#### **Consult:**

Consultations with indigenous minorities' public organizations, municipal administrations indicated in the list in section 1.15.6, on the presence of controversial situations related to the rights of use with indigenous communities.

Other websites of relevant organisations (government and non-government) to contact

- The official website of the Federal Agency for Ethnic Affairs. Available at: <http://fadn.gov.ru>
- The official website of the Federation Council Committee on Federal Structure, Regional Policy, Local Self-Government and Northern Affairs. Available at: <http://region.council.gov.ru>
- Website of the Association of Indigenous Minorities of the North, Siberia and the Far East of the Russian Federation, Russian Association of Indigenous Peoples of the North (RAIPON). Available at: <https://raipon.info/>
- Website of the Center for Indigenous Minorities of the Leningrad Region (The site was created with the support of the Committee on Local Self-Government, Interethnic and Interfaith Relations of the Leningrad Region. Available at: <https://kmn-lo.ru>

## 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) Forest Code of the Russian Federation of 04.12.2006 N 200-FZ (as amended on 30.04.2021). Article 29, paragraph 5, Article 49 paragraph 2, Articles 50.1, 50.2, 50.4. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_64299/](http://www.consultant.ru/document/cons_doc_LAW_64299/)
- 2) Resolution of the Government of the Russian Federation of 23.11.2020 N 1898 validating the Timber accounting rules. Available at: <http://publication.pravo.gov.ru/Document/View/0001202011250018>
- 3) Order of the Ministry of Natural Resources of Russia of 30.03.2015 N 154 validating the Procedure for Determining the Species (Species) and Assortment Composition of Wood (Registered in the Ministry of Justice of Russia on 29.04.2015 N 37063). Available at: <https://docs.cntd.ru/document/420266248>
- 4) Order of the Government of the Russian Federation of 13.06.2014 N 1047-r (as amended on 12.05.2017) validating the Lists of Wood Species Subject to the Requirements of Chapter 2.2 of the Forest Code of the Russian Federation . Available at: <https://docs.cntd.ru/document/420201958>
- 5) Resolution of the Government of the Russian Federation of 04.11.2014 N 1161 validating the Regulation on Marking Wood of Valuable Forest Species (Oak, Beech, Ash)". Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_170672/](http://www.consultant.ru/document/cons_doc_LAW_170672/)
- 6) Order of the Ministry of Natural Resources of Russia of 21.08.2017 N 451 validating the List of Information included in the Forest Use Report, the Form and Procedure for Submitting the Forest Use Report, as well as Requirements for the Format of the Forest Use Report in Electronic Form (Registered with the Ministry of Justice Russia 22.12.2017 N 49380). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_286062/](http://www.consultant.ru/document/cons_doc_LAW_286062/)
- 7) Resolution of the Government of the Russian Federation of 16.10.2020 N 1696 on the Accompanying Document for the Transaction of Timber (together with the Rules for Filling in the Accompanying Document for the Transaction of Timber). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_365449/](http://www.consultant.ru/document/cons_doc_LAW_365449/)

#### 1.16.2. Legal authority

- Russian Federal Forestry Agency (Rosleskhoz) and the relevant executive authorities of the constituent entities of the Russian Federation;
- Federal Customs Service and territorial bodies

### 1.16.3. Legally required documents or records

- Accounting results (free form)
- Report on the use of forests (1-IL)
- Accompanying document for the transportation of timber

### 1.16.4. Sources of information

#### *Government sources*

- 1) Leningrad Regional Court (Leningrad Region) (2019). Resolution No. 4A-599/2018 P4A-243/2019 of July 4, 2019 in case No. 4A-599/2018 (04.07.2019). Judicial and Regulatory Acts of the Russian Federation. [Online]. Available at: [https://sudact.ru/regular/doc/Gj0DNw6wsPH1/?regular-txt=&regular-case\\_doc=%D0%9F4%D0%B0-243%2F19&regular-lawchunkinfo=&regular-date\\_from=&regular-date\\_to=&regular-workflow\\_stage=&regular-area=&regular-court=&regular-judge=&=1611521044110](https://sudact.ru/regular/doc/Gj0DNw6wsPH1/?regular-txt=&regular-case_doc=%D0%9F4%D0%B0-243%2F19&regular-lawchunkinfo=&regular-date_from=&regular-date_to=&regular-workflow_stage=&regular-area=&regular-court=&regular-judge=&=1611521044110) [Accessed 27.01.2021]
- 2) Leningrad Regional Court (Leningrad Region) (2018) Resolution No. P4A-417/2018 of October 29, 2018 on case No. P4A-417/2018 (29.10.2018). Judicial and Regulatory Acts of the Russian Federation. [Online]. Available at: [https://sudact.ru/regular/doc/A5BIXm0XjyoY/?regular-txt=&regular-case\\_doc=%D0%9F4%D0%B0-417%2F2018&regular-lawchunkinfo=&regular-date\\_from=&regular-date\\_to=&regular-workflow\\_stage=&regular-area=&regular-court=&regular-judge=&=1611521172224](https://sudact.ru/regular/doc/A5BIXm0XjyoY/?regular-txt=&regular-case_doc=%D0%9F4%D0%B0-417%2F2018&regular-lawchunkinfo=&regular-date_from=&regular-date_to=&regular-workflow_stage=&regular-area=&regular-court=&regular-judge=&=1611521172224) [Accessed 27.01.2021]

#### *Non-Government sources*

- 1) Alexey Yaroshenko (2020). The Government of the Russian Federation approved the new rules for timber (25.11.2020). Greenpeace Forest Forum. [Online]. Available at: <http://www.forestforum.ru/viewtopic.php?f=9&t=25146&hilit=%D0%BF%D1%80%D0%B0%D0%B2%D0%B8%D0%BB%D0%B0+%D1%83%D1%87%D0%B5%D1%82%D0%B0+%D0%B4%D1%80%D0%B5%D0%B2%D0%B5%D1%81%D0%B8%D0%BD%D1%8B> [Accessed 27.01.2021]

### 1.16.5. Risk determination

#### *Overview of Legal Requirements*

The legislation establishes the obligation of legal entities, citizens, using forests, or carrying out measures for the guard, protection, reproduction of forests, to keep records of timber harvested (Applicable laws and regulations – 1) in accordance with the established rules (Applicable laws and regulations – 2). Timber accounting means determining the volume of timber, species, and species composition, as well as recording the results of accounting (Applicable laws and regulations – 2). Timber accounting should be carried out after logging of forest stands and before removal of timber from the forest.

The Government of the Russian Federation has approved a list of wood species that are subject to the requirements, including timber accounting requirements (Applicable laws and regulations – 1, 4). This list cannot be amended and contains both the names of species and assortments that must be used by persons using forests.

Also, the Order of the Federal Forestry Agency established special requirements for the handling of valuable forest species (beech, oak, ash), expressed in mandatory piece-by-piece labeling of wood of these species (Applicable laws and regulations – 1, 5).

Individuals using forests are obliged to provide a report on the use of forests (1-IL) in the prescribed form. This report contains information on the actual volume, species and assortment composition of harvested timber. The reports are submitted to the authorized government bodies, which, in turn, enter these reports into the Unified State Automated Information System for Timber Accounting and Associated Transactions (EGAIS) (Applicable laws and regulations – 1, 6).

During transport, timber owners are obliged to draw up Accompanying Documents in the prescribed form. This Accompanying Document contains factual information about the volume, species and assortment composition of wood in the vehicle (Applicable laws and regulations – 1, 7).

On February 4, 2020, Federal Law N 3-FZ On Amendments to the Forest Code of the Russian Federation and Certain Legislative Acts of the Russian Federation in Terms of Improving the Legal Regulation of Forest Relations was adopted. This regulatory legal act in the period from February 04, 2020 to January 01, 2023 will significantly tighten the requirements in terms of timber accounting, in particular, it is planned to introduce daily reporting of all timber owners in terms of timber movement and balance, as well as the introduction of electronic accompanying documents and installation for logging and transport equipment of geolocation systems with the subsequent transfer of this information to EGAIS. The proposed changes are aimed at introducing full control over the movement of timber from the moment of harvesting at logging sites to export or processing.

#### *Description of Risk*

When determining the assortment of harvested timber, loggers use the approved lists of forest products types (Applicable laws and regulations – 3). However, there are no fixed requirements in the legislation to classify timber to a particular assortment. In the legislation, there are no normatively fixed methods for determining the volume of roundwood, as well as rigidly fixed limits of permissible error in determining the volume of timber (Non-government sources – 1). In fact, there are state standards describing methods for determining the volume, as well as the procedure for determining the assortment composition (Applicable laws and regulations – 4). At the same time, the use of the state standards is not mandatory. In addition, in some cases, organizations can develop their own technical standards that allow them to independently determine the technical characteristics for the assortments they use, as well as independently determine the ways and methods for determining timber volume.

When determining the species composition of timber, enterprises should be guided by the list of wood species (Applicable laws and regulations – 3), determined in accordance with the all-Russian classifier of products by type of economic activity. The species are subject to the requirements of the Forest Code of the Russian Federation on the transport of wood and transactions accounting. However, firstly, the list provides for the division of timber by type (softwood/hardwood), and not by species (Applicable laws and regulations – 4). In addition, in accordance with this list, the organization has the right not to determine a species, but to take into account the timber in the mixture (Applicable laws and regulations – 4). Some species may not be included in the official applicable list, and belong instead to one of the general types of wood, for example logs of other hardwoods. In accordance with the official



species list, the organization can identify only the following tree species: spruce, pine, larch, fir, cedar, birch, aspen, oak, ash, beech, linden, poplar, alder.

Supervisory authorities have authority, and carrying out, the identification and prosecution of forest users, in the case of harvesting tree species that are not intended for logging or prohibited for harvesting.

All data on the wood movement is currently recorded in the EGAIS (Applicable laws and regulations – 1). Data on the species, assortment composition and volume of actual harvested wood are entered there, based on reports on the use of forests, which are provided by forest users at a certain frequency. Further, in this system, information about the movement of wood is recorded in the form of information on the change of its owner.

Forest users and wood owners when exporting valuable tree species outside the Russian Federation are obliged to mark it (Applicable laws and regulations – 1, 5). However, judicial practice shows that, due to the ill-conceived nature of the normative legal act, the fulfillment of this legal requirement in some cases is impossible. For example, when transporting small-section bars, the owner of the wood cannot apply information in the required volume and in compliance with the required dimensional characteristics of the tag on every bar, as required by law. In this case, the courts find the timber owners innocent due to the insignificance of the offense (Government sources – 1, 2).

To summarize; the legislation contains requirements for the implementation of timber accounting. However, organizations can independently choose the methods for determining the volume of timber, as well as apply their own requirements to certain timber when attributing them to the corresponding assortment. In some cases, the current legislation provides for the possibility not to define a specific species of wood. When checking compliance with the requirements for timber accounting, the supervisory authorities check the availability of relevant documents in the EGAIS, accompanying documents for the transport of timber and the marking of valuable timber in cases of its export outside the Russian Federation. Due to the fact that information is entered into the EGAIS through electronic means and excludes the fact of interaction between the forest user and the controlling body, the risk of corruption is minimal. Compliance with the requirements for timber accounting is checked by the supervisory authorities in the framework of the following activities:

- analysis of the data entered by organizations into the EGAIS, in particular, the balance of purchases and sales of timber, the availability of registered permits for timber harvesting, etc. These inspections are carried out in a desk-based manner, without the supervisory authority informing organizations. In this regard, the risk of corruption is minimal.
- checking the Accompanying Documents for the transport of timber by the traffic police inspectors and conducting raids together with representatives of the Authorities of Forest Districts. As part of this check, at least an assessment of the species composition of the transported wood is carried out. Checks are carried out randomly and without prior warning on public roads. The risk of corruption in this case is minimal. In accordance with the Administrative Regulations of the State Traffic Safety Inspectorate of the Russian Federation, traffic supervision should be carried out in the view of video surveillance systems worn by an inspector or placed in a patrol car, if possible.

#### *Risk Conclusion*

The analysis of judicial practice and publications on the Internet for the evaluated area showed the absence of revealed facts of corruption on this issue. Also, no facts of significant

violation of the requirements of this indicator were revealed. In cases of violation of the requirements for marking valuable species wood, the accused were acquitted in court for insignificant violations.

#### 1.16.6. Risk designation and specification

All Source types: Low risk.

#### 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) Forest Code of the Russian Federation of 04.12.2006 N 200-FZ (as amended on 30.04.2021). Articles 50.3 – 50.6. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_64299/](http://www.consultant.ru/document/cons_doc_LAW_64299/)
- 2) Order of the Government of the Russian Federation of 13.06.2014 N 1047-r (as amended on 12.05.2017) validating the Lists of Wood Species Subject to the Requirements of Chapter 2.2 of the Forest Code of the Russian Federation. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_164414/](http://www.consultant.ru/document/cons_doc_LAW_164414/)
- 3) Resolution of the Government of the Russian Federation of 06.01.2015 N 11 (as amended on 21.09.2020) validating the Rules for Submitting a Declaration on Timber Transactions. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_173793/](http://www.consultant.ru/document/cons_doc_LAW_173793/)
- 4) Resolution of the Government of the Russian Federation of 16.10.2020 N 1696 on the Accompanying Document for the Transaction of Timber (together with the Rules for Filling in the Accompanying Document for the Transaction of Timber. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_365449/](http://www.consultant.ru/document/cons_doc_LAW_365449/)
- 5) Federal Law of 06.12.2011 N 402-FZ (as amended on 26.07.2019) on Accounting (as amended and supplemented, entered into force on 01.01.2020). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_122855/](http://www.consultant.ru/document/cons_doc_LAW_122855/)
- 6) Album of Unified Forms of Primary Accounting Documentation for the Accounting of Trade Operations (Forms approved by the Resolution of the State Statistics Committee of the Russian Federation of 25.12.1998 N 132). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_23886/](http://www.consultant.ru/document/cons_doc_LAW_23886/)
- 7) Letter of the Federal Tax Service of Russia of 21.10.2013 N MMB-20-3 / 96 @ on the Absence of Tax risks when Taxpayers Apply a Primary Document drawn up on the Basis

of an Invoice Form". Available at:

[http://www.consultant.ru/document/cons\\_doc\\_LAW\\_153587/](http://www.consultant.ru/document/cons_doc_LAW_153587/)

- 8) Resolution of the Government of the Russian Federation of 21.12.2020 N 2200 validating the Rules for the Carriage of Goods by Road and on Amending Paragraph 2.1.1 of the Traffic Rules of the Russian Federation". Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_371981/](http://www.consultant.ru/document/cons_doc_LAW_371981/)
- 9) Resolution of the Government of the Russian Federation of 23.10.1993 N 1090 (as amended on 31.12.2020) on the Rules of the Road (together with the Basic Provisions for the Admission of Vehicles to Operation and the Obligations of Officials to Ensure Road Safety). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_2709/](http://www.consultant.ru/document/cons_doc_LAW_2709/)
- 10) Federal Law of 21.07.2014 N 206-FZ (as amended on 29.12.2020) on Plant Quarantine. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_165795/](http://www.consultant.ru/document/cons_doc_LAW_165795/)
- 11) Decision of the Council of the Eurasian Economic Commission of 30.11.2016 N 158 (as amended on 08.08.2019) validating the unified list of quarantine objects of the Eurasian Economic Union. Available at: <https://docs.cntd.ru/document/456047397>
- 12) Order of the Ministry of Agriculture of Russia of 13.07.2016 N 293 (as amended on 13.02.2018) validating the Procedure for Issuing a Phytosanitary Certificate, Re-export Phytosanitary Certificate, Quarantine Certificate (Registered in the Ministry of Justice of Russia 12.08.2016 N 43221). Available at: <https://base.garant.ru/71465184/>

#### **1.17.2. Legal authority**

- Russian Federal Forestry Agency (Rosleskhoz)
- Federal tax service and territorial tax authorities
- State Traffic Safety Inspectorate of the Ministry of Internal Affairs of the Russian Federation
- Russian Federal Service for Veterinary and Phytosanitary Control (Rosselkhoz nadzor)

#### **1.17.3. Legally required documents or records**

- Declaration of timber deal
- Accompanying Document for the transportation of timber
- Waybill
- Phytosanitary Certificate (Quarantine Certificate)

#### **1.17.4. Sources of information**

##### *Government sources*

- 1) Department of Forestry for the Northwestern Federal District (2020). Igor Muraev held a videoconferencing meeting with the constituent entities of the Russian Federation of the North-West District on work in the Forest Unified State Automated Information System (13.08.2020). The Federal Forestry Agency. [Online]. Available at: <http://rosleskhoz.gov.ru/news/2020-08->

[13/игорь мураев провел совещание в формате вкс с субъектами рф северо-западного округа по работе в системе лесгаис/сзфо 3387](#) [Accessed 07.02.2021]

- 2) Resolution of the Second General Jurisdiction Court of Cassation dated July 7, 2020 N 16-3215 / 2020. ConsultantPlus reference legal system. Court case [Online]. Available at: <http://www.consultant.ru/cons/cgi/online.cgi?req=doc&base=KSOJ002&n=12368#0051591753672764806> [Accessed 07.02.2021]
- 3) Arbitration Court of the Novgorod Region (AC of the Novgorod Region) (2020). Decision of the Arbitration Court of the Novgorod Region (AC of the Novgorod Region) dated June 9, 2020 in case No. A44-10478 / 2019. Judicial and Regulatory Acts of the Russian Federation (09.06.2020). [Online]. Available at: [https://sudact.ru/arbitral/doc/F4PIYVvGzy15/?arbitral-txt=&arbitral-case\\_doc=%D0%9044-10478%2F2019&arbitral-lawchunkinfo=&arbitral-date\\_from=&arbitral-date\\_to=&arbitral-region=&arbitral-court=&arbitral-judge=&\\_1612089599606](https://sudact.ru/arbitral/doc/F4PIYVvGzy15/?arbitral-txt=&arbitral-case_doc=%D0%9044-10478%2F2019&arbitral-lawchunkinfo=&arbitral-date_from=&arbitral-date_to=&arbitral-region=&arbitral-court=&arbitral-judge=&_1612089599606) [Accessed 07.02.2021]
- 4) Resolution of the Third General Jurisdiction Court of Cassation dated February 25, 2020 N 16-271 / 2020. ConsultantPlus reference legal system website. Court case. [Online]. Available at: <http://www.consultant.ru/cons/cgi/online.cgi?req=doc&base=KSOJ003&n=3486#011758040605668452> [Accessed 07.02.2021]

#### *Non-Government sources*

- 1) Denis Lebedev (2019). Unified State Automated Information System as a dark forest. Buy a couple of boards for office renovation and not be in court (19.05.2019). Internet newspaper Fontanka.Ru. [Online]. Available at: <https://www.fontanka.ru/2019/05/17/038/> [Accessed 07.02.2021]

### **1.17.5. Risk determination**

#### *Overview of Legal Requirements*

#### **Primary accounting documents**

In accordance with the requirements of the accounting legislation (Applicable laws and regulations – 5), each step of an economic activity (deal, transaction, movement) is subject to registration as a primary accounting document. The facts of economic activity also include the purchase/sale of timber and the provision of various services in terms of timber handling. There are no strictly fixed forms of primary accounting documents in the legislation, the organization has the right to determine their form in its own accounting policy. However, the primary accounting document must contain a certain set of information. For the supply of timber, this includes species and assortment composition and volume of timber. It is also allowed to use standard forms of primary accounting documents.

#### **Declaring timber transactions**

Wholesale trade in timber products is not subject to compulsory licensing or other additional permits.

However, in accordance with the legislation (Applicable laws and regulations – 1, 3), organizations must declare transactions of wood in the Unified State Automated Information System for Timber Accounting and Associated Transactions (EGAIS). Both information about the concluded timber purchase agreement and the sale of timber must be declared in the

EGAIS. These requirements apply only to organizations registered in the Russian Federation. Data entry by foreign companies and individuals into the system is not possible. The system requirements apply to a limited list of timber products, determined in accordance with the legislation (Applicable laws and regulations – 2). The list includes information on timber in the form of roundwood and sawn timber. The list does not include other types of timber products, such as: fuel pellets, cellulose, plywood, other timber products, etc. In the declaration of a timber deal, the parties to the contract must be indicated, the number, date and duration of the contract, the volume planned for transfer, the assortment and species composition of timber under the contract, as well as information on the ownership of the timber by the supplier (information on the previous tier in the supply chain, which is the basis for the supplier obtaining ownership of the timber). A declaration on a timber transaction is submitted within 5 working days by both parties to the transaction independently of each other through the EGIAS. Each declaration on a timber deal in the EGAIS is assigned an individual number.

On a monthly basis, organizations are required to submit to EGAIS information on the volumes, assortment and species composition of timber actually transferred under the declared transaction (Applicable laws and regulations – 1, 3).

Until July 2021, companies and individual entrepreneurs created accompanying transport documents and reports on the forest use in the Unified State Automated Information System for Timber Accounting and Associated Transactions (EGAIS) (<https://lesegaais.ru/>). It should be noted that from July 2021 to January 2023, some of documents must be submitted electronically through the State Services Portal or EGAIS. This applies to forest declarations, reports on the use and protection of forests from fires. Currently, companies and individual entrepreneurs have the right to prepare and submit most of the documents on paper. In the future, this possibility will be excluded.

### **Transport of timber**

Transport of timber must be carried out with an Accompanying Document for each vehicle (Applicable laws and regulations – 1, 4). The Accompanying Document is drawn up by the owner or carrier of the timber in the prescribed form. The Accompanying Document must indicate the number of the declaration on the timber deal, within the framework of which the timber is transported, information about the owner, consignor and consignee of timber, the route (dispatch and destination points), assortment and species composition of timber, as well as the transported volume. For the absence or violation of the rules for issuing an Accompanying Document, liability is provided with a possible confiscation of timber and vehicle.

On February 4, 2020, Federal Law No. 3-FZ On Amendments to the Forest Code of the Russian Federation and Certain Legislative Acts of the Russian Federation in Terms of Improving the Legal Regulation of Forest Relations was adopted. This regulatory legal act in the period from February 04, 2020 to January 01, 2023 will significantly tighten the requirements in terms of timber accounting. In particular, it is planned to introduce daily reporting of all timber owners in terms of timber movement and balance, as well as the introduction of electronic accompanying documents and installation for logging and transport equipment of geolocation systems with the subsequent transfer of this information to EGAIS. The proposed changes are aimed at introducing full control over the movement of timber from the moment of harvesting at logging sites to export or processing.

### **Waybill**

In accordance with the Traffic Regulations (Applicable laws and regulations – 9), the driver of the vehicle must have documents for the transported cargo. The rules for the carriage of commodities by road (Applicable laws and regulations – 8) provide for the obligation to draw up a waybill in the prescribed form for the transported commodities. The bill of lading should be drawn up only in cases where the carriage of commodities is a separate service and the price for it is formed separately from the cost of the commodities. Also, the registration of a waybill is mandatory in cases where a third party is involved in transport – the carrier of the cargo (transport company). Checks of the availability and correctness of filling out the waybill are carried out both by the tax authorities during office and field inspections (the waybill may refer to primary accounting documents), as well as by traffic police inspectors when stopping vehicles for documents.

### **Phytosanitary Certificate (Quarantine Certificate)**

When exporting timber, the organization – the owner of the timber, is obliged to obtain a phytosanitary certificate. Phytosanitary certificate – accompanies a batch of quarantined products, certifies the compliance of quarantined products with the quarantine phytosanitary requirements of the country of destination (Applicable laws and regulations – 10).

When exporting timber from quarantine phytosanitary zones, the owner of the timber must issue a quarantine certificate.

Phytosanitary quarantine zone – an area where quarantine objects have been identified.

The corresponding decision (Applicable laws and regulations – 11) established a list of quarantine objects – diseases and pests (for example, a small black spruce barbel), upon detection of which an appropriate quarantine phytosanitary restrictions are introduced, and if appropriate quarantine objects are found on timber, it is an obstacle to transport timber outside the quarantine phytosanitary zone.

A phytosanitary certificate and a quarantine certificate are issued by the territorial authority of the Rosselkhoznadzor in two cases (Applicable laws and regulations – 12):

- if the place of harvesting and storage of timber is not included in the quarantine phytosanitary zone for quarantine objects corresponding to the timber;
- or, if the place of harvesting and storage of timber is included in the quarantine phytosanitary zone for quarantine objects corresponding to the timber – after laboratory studies of regulated products and issuance of an appropriate conclusion on the quarantine phytosanitary state. In case of detection of infection or settlement of regulated products with quarantine objects, it is allowed to implement measures for phytosanitary disinfection. The validity period of quarantine certificates is 15 days. Phytosanitary certificates are valid for 14 days when they are exported to member states of the European Union, 30 days when exported to other countries.

### *Description of Risk*

#### **Primary accounting documents**

In most cases, the following are used as primary accounting documents for timber trade:

- Consignment note (unified form TORG-12) (Applicable laws and regulations – 6);
- Universal transfer document (the document includes both invoice and consignment note) (Applicable laws and regulations - 7).



These forms are optional. Organizations can design their own forms. Any fact of economic activity must be recorded in the primary accounting documents. In most cases, the relevant primary accounting documents are drawn up properly, the facts of revealed violations of the law in the handling of timber have not been revealed in judicial practice.

### **Declaring timber transactions**

Submitting a declaration on the concluded contracts for the supply/purchase of timber is mandatory. However, cases of violation of this requirement are often identified (Government sources – 1). Most often, a violation is expressed in non-compliance with the deadlines for submitting a declaration of a timber deal.

There are also cases of violation of the law in terms of failure to provide information on the actual volumes of timber transport for the declared transaction (Government sources – 3).

Analysis of judicial practice and government sources confirms that supervisory authorities exercise systemic control over compliance with the requirements. Since the declaration on the timber deal and reports to the declarations are submitted electronically through the appropriate platform, there is no risk of corruption in this case. Compliance with these requirements is monitored by the Federal Forestry Agency.

The key risk in this case will be the risk of violation of the law associated with the absence of a declaration on timber transactions and, accordingly, the absence of reports on the actual volumes of timber transported. Illegally harvested timber is not registered in the EGAIS, and accordingly, transactions are also not declared.

### **Transport of timber**

Judicial practice shows a fairly large number of identified violations associated with the absence or incorrect filling of Accompanying Documents for the transport of timber (Government sources – 2, 4). All revealed facts of violations are related to the carriage of commodities by road. First of all, the reason is the small volume of checks and the lack of awareness of the employees of the Ministry of Internal Affairs who carry out document checks during stopping vehicles. When transporting timber by rail and water, no violations were detected. If, when transporting by rail, the risk of the absence or incorrect filling of the Accompanying Document is minimal due to strict regulation and control in this area, then when transporting by water transport (in particular, by rivers and lakes), the risk of the absence or incorrect filling of the Accompanying Document will be much higher, since there is virtually no control by the supervisory authorities. In addition, it is not possible to carry out control after transport since the Accompanying Document for the transport of wood is not a strict accounting document and is not mandatorily kept. Often, during transport, one Accompanying Document is used for several runs. If any characteristics are changed during transport, changes in the Accompanying Document are not made (for example, changed assortment composition or volume). Such violations can occur for various reasons, for example, as a result of forging a document for illegally harvested timber, or this document is not completed in full due to the lack of necessary information (for example, the number of the declaration on a deal with wood, due to the lack of the possibility of entering illegally harvested wood in EGAIS). For legally harvested timber, an Accompanying Document may be missing or may be incorrectly drawn up, since the supplier's document flow lack or is not maintained.

Also, the verification of the conformity of the routes declared in the Accompanying Document by the forces of the regulatory authorities is most often not carried out, due to the complexity of such a check.

Currently, significant changes are planned in the Russian Federation, including changes in the approach to the issuing of an Accompanying Document and the reliability of the data specified in it. It is planned that from 01 July 2021 the information on transport routes will be reliable and based on geotags.

### **Waybill**

Waybills is a fairly common shipping document. Despite the limited number of cases where the issuance of a waybills is mandatory, it is a common practice to issue a waybill for all timber shipments, even in cases where transport is not a separate service. The bill of lading is drawn up by the owner of the cargo or the carrier, depending on the terms of the contract. Checks are carried out by traffic police inspectors when checking documents. Verifications by inspectors are carried out selectively and without prior warning on public roads. In accordance with the Administrative Regulations of the State Traffic Safety Inspectorate of the Russian Federation, traffic supervision, should be carried out in the view of video surveillance systems worn by an inspector or placed in a patrol car, if possible. Several authorities are involved in the chain of control, and the costs of bribing all authorities will likely exceed the efforts to circumvent the legal system and the risk of corruption in this case is considered to be minimal.

### **Quarantine certificate**

When exporting timber through customs control points, verification of the availability and validity of phytosanitary certificates is mandatory. Without an appropriate certificate, product release is impossible.

There is a risk of transporting timber outside the quarantine phytosanitary zone without issuing an appropriate quarantine certificate, or the risk of transporting wood with an expired quarantine certificate.

#### *Risk Conclusion*

The applicable legislation defined in clause 1.17.1 is not always fully complied with by organizations.

A risk of purchase of timber not declared in the EGAIS and/or transported without Accompanying Documents (when transporting by road and water) has been identified.

A risk of transport of timber from quarantine phytosanitary zones without a valid quarantine certificate has been identified.

The risk in terms of primary accounting documents, waybills and phytosanitary certificates is considered as low.

### **1.17.6. Risk designation and specification**

All Source Types: Specified risk

### **1.17.7. Control measures and verifiers**

*Mitigating the risk of purchase of timber not declared in the EGAIS and/or transported without Accompanying Documents (when transporting by road and water)*

Compliance with the legal requirements in terms of declaration deals with timber in EGAIS and issuance of Accompanying Document can be checked through document and database review and on-site verification.

**Review documents, databases and verify:**

- Collect information on the contracts for the supply of timber along the entire supply chain from the supplier to the forest manager;
- Requesting screenshots from the EGAIS from each tier in the supply chain, as well as analyze publicly available data in the EGAIS (<https://www.lesegais.ru/open-area/deal>) and verify the fact and accuracy of the declarations on timber deals;
- Check and compare information on the actual volumes of timber transported for each declaration on a timber deal.

**Conduct onsite verification:**

Carry out onsite sample checks/verifications in order to check the Accompanying Documents for the completeness and reliability of the information indicated in them (including: routes, assortment and species composition, volume of timber).

*Mitigating the risk of transport of timber from quarantine phytosanitary zones without a valid quarantine certificate*

Compliance with the legal requirements in terms of availability and validity of a quarantine certificate when transporting timber from quarantine phytosanitary zones can be checked through document and database review and consultation with authorities.

**Check online database:**

- Search for the information on the phytosanitary quarantine restrictions in relation to quarantine objects inherent in timber (e.g fungi, insects), in places where timber is harvested, stored and processed using official websites of legal authorities (i.e. websites of Rosselkhoznadzor and its territorial bodies).

**Consult:**

In case of lack of information on the official websites, consult with authorities on the phytosanitary quarantine restrictions in relation to quarantine objects inherent in timber, in places where timber is harvested, stored and processed.

**Review documents and verify:**

- Request quarantine certificates from the supplier or sub-supplier;
- Check the compliance of the timber transportation period with the validity periods of the quarantine certificates, as well as the compliance of the name and volume of products to which the issued quarantine certificates apply.

## 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) Tax Code of the Russian Federation (Part One) of 31.07.1998 N 146-FZ (as amended on 23.11.2020) (with amendments and supplements entered into force on 01.01.2021). Sections 3.4; 5.1; Articles 7; 40; 83; 105.1; 105.7; 105.14-105.17; 105.19; 105.22; 284 paragraphs 1, 3; Article 105.3, paragraphs 4-5; Article 246.2; Article 312. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_19671/](http://www.consultant.ru/document/cons_doc_LAW_19671/)
- 2) Budget Code of the Russian Federation of 31.07.1998 N 145-FZ (as amended on 15.10.2020). Article 241. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_19702/](http://www.consultant.ru/document/cons_doc_LAW_19702/)
- 3) Order of the Ministry of Finance of the Russian Federation of 13.11.2007 N 108n (as amended on 02.11.2017) Validating the List of States and Territories Providing a Preferential Tax Regime of Taxation and/or not Providing Disclosure and Provision of Information in the Conduct of Financial Transactions (Offshore Zones). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_73100/](http://www.consultant.ru/document/cons_doc_LAW_73100/)
- 4) Order of the Ministry of Finance of Russia of 02.10.2014 N 111H on Amendments to the List of States and Territories Providing Preferential Tax Treatment and (or) Not Providing for Disclosure and Submission of Information When Conducting Financial Transactions (offshore zones), approved by order of the Ministry of Finance of the Russian Federation of 13.11.2007 N 108n. (Registered with the Ministry of Justice Russia 19.11.2014 N 34776). Paragraph 1. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_171365/](http://www.consultant.ru/document/cons_doc_LAW_171365/)
- 5) Federal Law on Amendments to Certain Legislative Acts of the Russian Federation in Connection with the Improvement of the Principles for Determining Prices for Tax Purposes of 18.07.2011 N 227-FZ. Article 1. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_116968/](http://www.consultant.ru/document/cons_doc_LAW_116968/)
- 6) Federal Law on Amendments to Parts One and Two of the Tax Code of the Russian Federation (in Terms of Taxation of Profits of Controlled Foreign Companies and Income of Foreign Organizations) of 24.11.2014 N 376-FZ. Articles 1, 2. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_171241/](http://www.consultant.ru/document/cons_doc_LAW_171241/)
- 7) Convention on Mutual Administrative Assistance in Tax Matters (Concluded in Strasbourg on 25.01.1988) (as amended and supplemented from 27.15.2010). Chapter 3. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_186124/](http://www.consultant.ru/document/cons_doc_LAW_186124/)

- 8) Federal Law of 26.07.2006 N 135-FZ (as amended on 11.06.2021) on Protection of Competition. Chapter 2, 2.1. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_61763/](http://www.consultant.ru/document/cons_doc_LAW_61763/)
- 9) Federal Law of 09.07.1999 N 160-FZ (as amended on 31.05.2018) on foreign investments in the Russian Federation. Articles 5, 6, 18. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_16283/](http://www.consultant.ru/document/cons_doc_LAW_16283/)
- 10) Letter of the Federal Tax Service of Russia of 02.09.2019 N CA-4-7/17555@ on the Direction of the Review of Judicial Disputes in Relation to Tax Control in the field of Transfer Pricing. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_332896/](http://www.consultant.ru/document/cons_doc_LAW_332896/)
- 11) Federal Law of 07.08.2001 N 115-FZ (as amended on 08.12.2020) on Counteracting the Legalization (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_32834/](http://www.consultant.ru/document/cons_doc_LAW_32834/)
- 12) Letter of the Federal Tax Service of the Russian Federation of 12.01.2012 N OA-4-13/85@ on the Conclusion of Pricing Agreements for Tax Purposes. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_124775/](http://www.consultant.ru/document/cons_doc_LAW_124775/)

#### **1.18.2. Legal authority**

- Russian Federal Tax Service
- Russian Federal Customs Service
- Russian Federal Service for Financial Monitoring (Rosfinmonitoring)

#### **1.18.3. Legally required documents or records**

- Customs declaration
- Tax return
- Foreign economic agreement with annexes
- Invoice
- Agreement on pricing for tax purposes (for the largest taxpayers)

#### **1.18.4. Sources of information**

##### *Government sources*

- 1) International interaction. Federal Tax Service [Online]. Available at: [https://www.nalog.gov.ru/rn78/about\\_fts/inttax/](https://www.nalog.gov.ru/rn78/about_fts/inttax/) [Accessed 18.12.2020]
- 2) Federal Customs Service (2017). Control activity (18.10.2017 last change 01.07.2021). Federal Customs Service. [Online]. Available at: <https://customs.gov.ru/activity/kontrol-naya-deyatel-nost-> [Accessed 13.12.2020]
- 3) fedsfm.ru (N.Y). Activity. Rosfinmonitoring. Federal Service for Financial Monitoring. [Online]. Available at: <https://www.fedsfm.ru/activity> [Accessed 13.12.2020]

#### *Non-Government sources*

- 1) IA REGNUM (2019). Wood from the center of Russia was smuggled to China through an offshore company (05.09.2019). Seldon.News. [Online]. Available at: <https://news.myseldon.com/ru/news/index/215751258> [Accessed 13.12.2020]
- 2) Network edition KarelInform (2019). A warm place: which Karelian companies are hiding in offshore areas (05.03.2019). Network edition KarelInform. [Online]. Available at: <https://karelinform.ru/article/general/05-03-2019/teploe-mesto-kakie-karelskie-kompanii-pryachutsya-v-ofshorah> [Accessed 12.12.2020]
- 3) ConsultantPlus (2020). The State Duma received a bill aimed at improving control over transfer pricing (25.09.2020). ConsultantPlus. [Online]. Available at: <http://www.consultant.ru/law/hotdocs/64770.html/> [Accessed 18.12.2020]
- 4) FAO (2021). TimberLex – Russian Federation. [Online database]. Available at: <https://timberlex.apps.fao.org/>

#### **1.18.5. Risk determination**

##### *Overview of Legal Requirements*

##### **Offshore trade**

In 2007, the list of offshore zones was established at the legislative level by the Ministry of Finance of the Russian Federation (Applicable laws and regulations – 3), and was further amended (Applicable laws and regulations – 4).

Due to the variety of offshore zones, the activities of legal entities registered on their territory are strictly controlled by various departments. One of the measures to protect the country's economy from the activities of offshore companies and from tax evasion with the use of offshore schemes is to control transactions where one of the parties is an offshore company (Applicable laws and regulations – 1, 3-5). If a Russian organization forms a permanent establishment in a state or on a territory belonging to an offshore zone, and a link is identified with the activities of a Russian organization's offshore establishment, then the transaction will be recognized as controlled.

It should also be noted that the state annually strengthens control over taxation in relation to companies registered in offshores. In 2015, amendments to the Tax Code of the Russian Federation came into force in relation to offshore companies in connection with the release of the Law on Controlled Foreign Companies (Applicable laws and regulations – 6). This law introduced a mechanism for taxation in Russia of controlled foreign companies' profits (primarily offshore ones). The retained earnings of these companies were included in the taxation base of their controlling parts – residents of the Russian Federation. Liability of taxpayers for failure to fulfill relevant obligations was also introduced (Applicable laws and regulations – 15). The rules for recognizing organizations as tax residents of the Russian Federation were changed, the criterion of "place of management" was introduced, and the procedure for applying international agreements on the avoidance of double taxation using the rule of "actual recipient of income" was changed.

In 2010, Russia ratified the Convention on Mutual Administrative Assistance in Tax Matters (Applicable laws and regulations – 7). According to this Convention, the participating countries exchange information within the framework of mutual assistance. They also carry out simultaneous tax audits, assist in the collection of taxes, assist in the issue of serving



documents to taxpayers. Russia has joined the clause concerning the exchange of tax information since 2018.

In 2020, Russia initiated a revision of agreements on the avoidance of double taxation in terms of increasing the tax on dividends and interest that are paid from Russia to offshore jurisdictions abroad. Cyprus, Malta and Luxembourg have already approved new rules. Agreements with Switzerland, the Netherlands and Hong Kong are in the negotiation stage. According to the new agreements, it is proposed to raise the withholding tax rate for the base in the agreements to 15% on dividends and interest, which will make it unprofitable to pay abroad for the sole purpose of tax savings. Interest is currently exempt from taxation in many agreements, and dividend rates are 5-10% (Non-government source 4).

There are also some restrictions on the provision of state support to organizations registered in the offshore zone, for example, in terms of providing budgetary investments, purchasing commodities for state and municipal services, etc. (Applicable laws and regulations – 2).

### **Transfer pricing**

Transfer pricing is the establishment of prices in transactions between related parties that are different from market prices, which in many cases makes it possible to settle and redistribute the total profit of the group and optimize the level of taxation. Transfer pricing is regulated by tax legislation in a separate section 5.1. of Tax Code of the Russian Federation (Applicable laws and regulations – 1, 5). The norms prescribed in section 5.1 of the Tax Code of the Russian Federation are similar to the OECD Guidelines on Transfer Pricing for Financial Transactions. Even if Russia is not a member of the OECD, it is on the supervisory board. Respectively, the OECD norms do not apply to Russian practice but are applied only in those moments where there is no Russian regulation. All transactions between related parties are controlled for the regulation of transfer prices. In these cases, the Russian tax authorities have the right to compare prices applied by taxpayers with market prices and to charge additional taxes if deviations from market prices are detected.

The correctness of prices for transactions that are recognized as controlled, including between interdependent taxpayers, is checked by the Federal Tax Service. Based on the results of audits and in case of deviations from the market price, the Federal Tax Service has the right to adjust the tax bases (add additional taxes) for the following taxes:

- corporate income tax;
- personal income tax;
- value added tax (VAT).

At the same time, the main methods of checking prices for transactions are enshrined in the Tax Code of the Russian Federation (clause 1 of article 105.7). When applying these methods, transactions comparable to the transaction of the taxpayer or the reports of comparable organizations are analyzed. To identify such transactions, available public sources of information are used, including data provided by information and price agencies. At the same time, the “method of comparable market prices” has been recognized by the courts as a priority when considering court disputes on transfer pricing issues (Applicable laws and regulations – 10).

Other mechanisms for regulating transfer pricing should also be noted. They include antimonopoly legislation regulating the issues of monopolistic activities and unfair competition, as well as prevention, restriction, elimination of competition from the authorities

of various levels and the Central Bank of the Russian Federation (Applicable laws and regulations – 8).

Issues related to the regulation of relations concerning state guarantees for foreign investors making investments on the territory of the Russian Federation are spelled out in the legislation (Applicable laws and regulations – 9). This law is aimed at guaranteeing the stability of conditions and ensuring the investors' rights to investments, income and profits, as well as protecting the rights and interests of foreign investors.

As one of the measures to strengthen control over taxation, it became possible to conclude agreements on pricing for tax purposes between taxpayers classified as the largest in accordance with Art. 83 of the Tax Code of the Russian Federation and the Federal Tax Service (Applicable laws and regulations – 1). Entering into a pricing agreement allows taxpayers and tax authorities to:

- agree on positions regarding the procedure for determining prices and (or) the application of pricing methods for tax purposes to specific controlled transactions (groups of similar transactions), including even before their execution;
- minimize possible disagreements on controversial issues related to the determination of prices for tax purposes.

#### *Description of Risk*

#### **Offshore trade**

There are obvious benefits when registering a legal entity in an offshore zone:

- a simplified and accelerated procedure for the creation of offshore companies;
- the use of the most attractive import or export price in operations where an offshore company acts as an intermediary;
- the use of a scheme that ensures the minimum price for the transfer of an export product and the maximum market price for the sale of this product by a non-resident of the offshore zone. Such transactions provide profits for the offshore company and at the same time they are subject to preferential (low) tax rates;
- financial institutions with no currency control and maximally expanded banking secrecy are very convenient for international settlements;
- there are prerequisites for doing business anonymously, without disclosing beneficial owners.

In Russia, offshore trading is not prohibited at the legislative level. However, all of the above benefits are covered by careful control of transactions carried out by the tax authorities (Government sources –1). The essence of such control consists in tracking the correspondence of prices of interdependent parts' transactions (and transactions equivalent to them) with market prices. If a difference in prices is revealed, then the transaction amounts can be recalculated, and taxes additionally charged. Verification of the completeness and correctness of the calculation of taxes on transactions with offshore companies is carried out on the basis of a taxpayer's notification to the tax authorities or on the basis of the field or office audits' results. The object of control is the correctness of the calculation of income tax, personal income tax, VAT (Applicable laws and regulations – 1).

Tax authorities are informed about all the main schemes for taxation optimizing. Thanks to the strengthening of tax control over companies located in offshore jurisdictions, the previously developed schemes of working in offshore zones demanded a serious revision and audit by the tax authorities for their legality. Since 01 January 2015, it is required to declare

the entire chain of the transaction (Applicable laws and regulations – 6). Organizations carrying out transactions with monetary funds or other property are required to collect and update information about their clients - legal entities and individuals, and identify them (Applicable laws and regulations – 11). They are also obliged to provide the authorized body (Rosfinmonitoring) with information on clients' transactions, cash flows on accounts and on the beneficial owners of clients, upon request.

These facts speak of a tough anti-offshore policy that reduces the risk of offshore trading.

### **Transfer pricing**

Transfer pricing is a widespread tool for minimizing paid taxes. It allows affiliated companies to redistribute the total profit of the group in favor of the group's members under the jurisdiction of states with lower taxes (offshore zones). At the same time, in recent years, Russia has developed a number of control measures aimed at countering tax optimization schemes in terms of transfer pricing (Applicable laws and regulations – 1, 5, 7-10). So, according to article 40 of the Tax Code of the Russian Federation, the maximum discrepancy between the transfer price and the market price is established – not more than 20%. The Federal Tax Service monitors prices in transactions with related parties. Additionally, since 2012, it has become possible to conclude agreements on pricing for tax purposes between taxpayers classified as the largest and the Federal Tax Service (Applicable laws and regulations – 10, 12).

It should also be noted that several draft documents have been prepared concerning the further improvement of tax control over prices, the procedure for concluding an agreement on pricing for tax purposes, the possibility of applying the pricing methods of another state in transactions with foreign residents, and others (Non-government sources – 3).

The existing legislation regulating transfer pricing issues and the preconditions for its further improvement allow us to assert that significant efforts are being made in Russia to reduce the risks of transfer pricing at the legislative level.

### *Risk Conclusion*

### **Offshore trade**

The Government of the Russian Federation has developed a number of control measures and restrictions that reduce the risks in relation to offshore timber trade. Thus, a list of offshore zones was determined. Measures to control taxation in relation to companies registered in offshore zones were developed. Control of transactions between Russian interdependent companies was strengthened. Control by the state is carried out in full, the applicable legislation is observed by market participants. Therefore, the risk of offshore trading is considered as low.

### **Transfer pricing**

Along with the control of offshore timber trade, the issues of transfer pricing have been regulated at the legislative level, including agreements on pricing for tax purposes between a taxpayer classified as the largest and the Federal Tax Service of Russia. The Federal Customs Service controls all export transactions, comparing contract prices with indicative prices. In case of discrepancy, additional control measures are taken. The Federal Customs Service promptly informs the Bank of Russia about the violation, which in turn blocks payments to the supplier under such a contract until a set of verification measures is carried out. In transactions with related parties, control is exercised by the Federal Tax Service. The

maximum discrepancy between the transfer price and the market price is not more than 20%.

The developed legislative measures and control by the Federal Tax Service and the Federal Customs Service, as well as the absence of detected legislation cases of transfer pricing violation in the media, allow us to state that the risk for this indicator is low.

The findings for this indicator are applicable to all types of wood sources.

#### **1.18.6. Risk designation and specification**

All Source Types: Low risk.

#### **1.18.7. Control measures and verifiers**

N/A

### **1.19. Custom regulations**

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

#### **1.19.1. Applicable laws and regulations**

- 1) Forest Code of the Russian Federation of 04.12.2006 N 200-FZ (as amended on 30.04.2021). Articles 50.3 – 50.6. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_64299/](http://www.consultant.ru/document/cons_doc_LAW_64299/)
- 2) Agreement on the Customs Code of the Eurasian Economic Union (Signed in Moscow on 11.04.2017). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_215314/](http://www.consultant.ru/document/cons_doc_LAW_215314/)
- 3) Customs Code of the Eurasian Economic Union (as amended on 29.05.2019) (Annex N 1 to the Agreement on the Customs Code of the Eurasian Economic Union). Articles 7-11, 19, 20, 29-31, 88, 89, 92. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_215315/](http://www.consultant.ru/document/cons_doc_LAW_215315/)
- 4) Federal Law of 14.11.2017 N 317-FZ on the Ratification of the Eurasian Economic Union Customs Code Treaty. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_282617/](http://www.consultant.ru/document/cons_doc_LAW_282617/)
- 5) Resolution of the Government of the Russian Federation of 30.08.2013 N 754 (as amended on 06.04.2021) validating the Rates of Export Customs Duties on Goods Exported from the Russian Federation Outside the States Parties to the Agreements on the Customs Union, and on Invalidation of Certain Acts of the Government of the Russian Federation. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_151402/](http://www.consultant.ru/document/cons_doc_LAW_151402/)
- 6) Resolution of the Government of the Russian Federation of 30.07.2012 N 779 (as amended on 18.03.2021) on Tariff Quotas for Certain Types of Softwood Timber Exported Outside the Territory of the Russian Federation and the Territory of the States Parties to the Agreements on the Customs Union (together with Rules for the distribution of tariff quotas between participants in foreign Economic activity in respect of Common spruce or European white fir and common pine exported outside the territory of the Russian Federation and the territory of the states - participants of the Customs Union agreements to the European Union, Rules for the distribution of tariff quotas between participants in

Foreign Economic Activity in respect of common spruce or European white fir and common pine exported outside the territory of the Russian Federation and the territory of the states parties to the Customs Union agreements to third countries, with the exception of the European Union). Available at:

[http://www.consultant.ru/document/cons\\_doc\\_LAW\\_133771/](http://www.consultant.ru/document/cons_doc_LAW_133771/)

- 7) Decision of the Customs Union Commission of 20.05.2010 N 257 (as amended on 23.03.2021) on the Form of the Declaration on Goods and the Order of Its Filling out (along with the Order of filling out the declaration on goods). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_101257/](http://www.consultant.ru/document/cons_doc_LAW_101257/)
- 8) Instruction of the Bank of Russia of 16.08.2017 N 181-I (as amended on 05.07.2018) on the Procedure for the Provision of Supporting Documents and Information by Residents and Non-residents to Authorized Banks when Carrying out Foreign Exchange Transactions, on Unified Forms of Accounting and Reporting on Foreign Exchange Transactions, and the Timing of their Submission. Clauses 4.1, 4.2. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_282089/](http://www.consultant.ru/document/cons_doc_LAW_282089/)
- 9) Convention on the Contract for the International Carriage of Goods by Road (CMR) (Concluded in Geneva on 19.05.1956) (Entered into force for the USSR on 12.01.1983). Articles 5, 6. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_4190/](http://www.consultant.ru/document/cons_doc_LAW_4190/)
- 10) Order of the Federal Customs Service of Russia of 20.04.2020 N 380 validating the Administrative Regulations for the Federal Customs Service of Customs Control when Importing (arriving) Goods Transported by Road into the Russian Federation or Exporting (departure) of Goods Transported by Road from the Russian Federation in International Freight Traffic (Registered with the Ministry of Justice Russia 29.05.2020 N 58508). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_353943/](http://www.consultant.ru/document/cons_doc_LAW_353943/)
- 11) Order of the FCS of Russia of 09.01.2020 N 1 validating the Administrative Regulations for the Federal Customs Service of Customs Control when Importing (arriving) Goods Transported by Rail into the Russian Federation or Exporting (departure) of Goods Transported by Rail from the Russian Federation in International Freight Traffic (Registered with the Ministry of Justice Russia 13.02.2020 N 57499). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_345520/](http://www.consultant.ru/document/cons_doc_LAW_345520/)
- 12) Order of the Federal Customs Service of Russia dated 30.08.2019 N 1377 validating the Administrative Regulations for the Federal Customs Service of Customs Control upon Import (arrival) of Goods Transported by Water Transport to the Russian Federation or Export (departure) of Goods Transported by Water Transport from the Russian Federation in International Freight Traffic (Registered with the Ministry of Justice Russia 14.02.2020 N 57503). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_345526/](http://www.consultant.ru/document/cons_doc_LAW_345526/)
- 13) List of Instructions for a Meeting on the Development and Decriminalization of the Forestry Complex (approved by the President of the Russian Federation on 06.11.2020 N Pr-1816). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_367182/](http://www.consultant.ru/document/cons_doc_LAW_367182/)
- 14) Federal Law of 03.08.2018 N 289-FZ on Customs Regulation in the Russian Federation and Amendments to Certain Legislative Acts of the Russian Federation (as amended on 13.07.2020). Chapters 3, 8, 15, 18, 43. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_304093/](http://www.consultant.ru/document/cons_doc_LAW_304093/)

### 1.19.2. Legal authority

- Russian Federal Customs Service
- Russian Federal Service for Veterinary and Phytosanitary Supervision (Rosselkhoznadzor) and its territorial bodies

### 1.19.3. Legally required documents or records

- Foreign economic agreement with annexes
- Registration with the bank (if the sum of obligations under the agreement is equivalent to 6 million rubles and more)
- Specification (one of the main shipping documents).
- Phytosanitary certificate (if required by the country of destination)
- Invoice
- Payment documents for payment of customs duties (only for commodities subject to export duties)
- Customs declaration
- Transport documents, depending on the method of carriage of goods one (or more) transport documents may be submitted: international consignment note (CMR) for road transport; international railway consignment note, when sending goods by rail; bill of lading in case of carriage by sea; air waybill, if shipped by cargo plane)
- Packing list
- A letter to the customs office on the permission of customs clearance at the place of wood products shipment (drawn up if necessary, when shipment of wood products through the customs areas is not required)
- Application to customs for permission of customs clearance on the received detachment.

### 1.19.4. Sources of information

#### *Government sources*

- 1) Federal Customs Service (2019). Database registries (28.06.2019). Federal Customs Service. [Online]. Available at: <https://customs.gov.ru/servisy-i-reestry-bazy-dannyx> [Accessed 03.12.2020]
- 2) Federal Service for Veterinary and Phytosanitary Supervision (Rosselkhoznadzor). Normative documents. [Online]. Available at: <https://fsvps.gov.ru/fsvps/laws/class/14/108> [Accessed 03.12.2020]
- 3) ConsultantPlus (2020). The President of the Russian Federation ordered, a complete ban on the export from Russia of unprocessed or roughly processed timber of coniferous and valuable species from January 1, 2022. Meeting on the development and decriminalization of the forestry complex (information from the official website of the President of the Russian Federation dated 30.09.2020) (30.09.2020). ConsultantPlus. [Online]. Available at: <https://pln-pskov.ru/accidents/312231.html> [Accessed 04.12.2020]



### *Non-Government sources*

- 1) TIA (2018). Export is carried out with numerous violations. Accounts Chamber of the Russian Federation, auditor Shtogrin S.I. (19.03.2018). TIA. [Online]. Available at: <https://tvernews.ru/news/230448/> [Accessed 03.12.2020]
- 2) Alta-Soft (2020). The responsibility for illegal export of timber has been toughened (14.10.2020). Alta-Soft. [Online]. Available at: [https://www.alta.ru/laws\\_news/77063/](https://www.alta.ru/laws_news/77063/) [Accessed 03.12.2020]
- 3) Alexey Strigin (2020). Non-export round timber (13.10.2020). Internet portal of Rossiyskaya Gazeta. [Online]. Available at: <https://rg.ru/2020/10/13/reg-szfo/chto-govoriat-eksperty-o-zaprete-eksporta-neobrabotannoj-drevesiny.html> [Accessed 03.12.2020]
- 4) Network edition KarelInform (2020). A well-known company in Karelia was punished for illegal export of timber to Finland (17.02.2020). Network edition KarelInform. [Online]. Available at: <https://karelinform.ru/news/society/17-02-2020/izvestnuyu-kompaniyu-v-karelii-nakazali-za-nezakonnyy-vyvoz-drevesiny-v-finlyandiyu> [Accessed 04.12.2020]
- 5) FAO (2021). TimberLex – Russian Federation. [Online database]. Available at: <https://timberlex.apps.fao.org/>

### **1.19.5. Risk determination**

#### *Overview of Legal Requirements*

Legal entities and individual entrepreneurs who have made transactions with timber, including for the purpose of importing into the Russian Federation, exporting from the Russian Federation, provides to the operator of the Unified State Automated Information System for Timber Accounting and Associated Transactions (EGAIS), declaration of transactions with timber in electronic form, signed with an electronic signature (Applicable laws and regulations – 1).

In 2017, Russia signed and ratified the code of the Eurasian Economic Community, according to which the Customs Code of the Eurasian Economic Community entered into force on January 1, 2018, replacing the Customs Code of the Customs Community (Applicable laws and regulations – 2-4, 14). The Customs Code uses these customs procedures for the movement of commodities, including timber products, across the customs border of the Eurasian Economic Community (Armenia, Belarus, documents of Kazakhstan, Kyrgyzstan, Russia), customs payments, as well as used ones necessary for passing the customs control procedure.

The Customs Code also defines the Unified Commodity Nomenclature for Foreign Economic Activity of the Eurasian Economic Community. There is a separate list of regulatory legal acts that regulate the filling of customs documents (Applicable laws and regulations – 7-9).

The activities of the Federal Customs Service itself in the implementation of customs control procedures for the import of commodities into and out of the Russian Federation using each type of transport are regulated by administrative regulations (Applicable laws and regulations – 10-12). These regulations spell out the powers and procedure for the implementation of state control, the composition and conduct of administrative procedures, and forms of control over the implementation of state control.

Customs duties on commodities exported from the Russian Federation outside the states – parties to the agreements on the Customs Union are established by law (Applicable laws and regulations – 5). Special attention is paid to the establishment of tariff quotas for Norway spruce (*picea abies*) or European fir (*abies alba*) and Scots pine (*pinus sylvestris*) exported outside the territory of the Russian Federation and the territory of the states – parties to the agreements of the Customs Union, for which the corresponding Rules for the allocation of quotas between foreign economic activity have been established (Applicable laws and regulations – 6). It should be noted that in accordance with clause 26 art. 47 of the Federal Law On Customs Regulation in the Russian Federation and on Amendments to Legislative Acts of the Russian Federation of 03.08.2018 N 289-FZ (Applicable laws and regulations – 14) customs fees for customs operations are not levied in relation to commodities, including timber and timber products placed under customs duties, with the exception of commodities subject to export customs duties (For Russia, tariff quotas are applicable only for Norway spruce or European fir and Scots pine). By default, fees in this case are not charged and there is no line from 1010 in column 47 of the customs declaration for commodities.

#### *Description of Risk*

The documents required for the export of wood products are subject to strict regulatory documents (Applicable laws and regulations – 3, 7-9) and are strictly controlled by employees of the Federal Customs Service (Applicable laws and regulations – 10-12). Among the most common violations that are detected by customs officials, the following can be distinguished:

- underestimation of the cost, quality and volume (or weight) of exported wood products;
- provision of overdue documents or documents executed with violations;
- violation of currency legislation;
- overloaded vehicles;
- execution of documents through fictitious firms (Non-government sources, 1-4).

It should also be noted that the customs legislation of the Russian Federation is constantly introducing new measures to control the turnover of timber, for example:

- a complete ban on the export of unprocessed or roughly processed wood of coniferous and valuable deciduous species from January 1, 2022;
- including timber products of certain types in the list of sensitive goods; and other measures (Applicable laws and regulations – 13; Government sources – 3).

The type of multi-stage inspection of exported products at official customs posts and the use of the electronic test system for foreign economic activity and the Federal customs exported timber products without the necessary documents and multi-stage inspection is impossible (Government sources – 1). However, there is a risk of timber export bypassing official customs points without the required documents.

#### *Risk Conclusion*

Customs legislation in Russia is strictly regulated and implemented, including thanks to clear regulations for customs control (Applicable laws and regulations – 10-12). It is not possible to export timber products through a customs point without permits for export. The risk when products are shipped through customs points is considered as low. However, there is a risk of timber export bypassing official customs. The scale of the risk cannot be evaluated due to the lack of information of violations.

The findings for this indicator are applicable to all timber source types.

#### **1.19.6. Risk designation and specification**

All Source Types: Specified risk

#### **1.19.7. Control measures and verifiers**

*Mitigating the risk of timber export bypassing official customs*

##### **Review and verify documents:**

- Valid (completed and approved) customs declaration to confirm that timber was exported through official customs check-points;
- A phytosanitary certificate (If required by the country of destination);
- Trade and shipping documents.

The customs declaration includes a link to the foreign economic agreement and specification. The document cannot be approved without paying customs duties in case of the shipment of goods subject to export duties.

## **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) Resolution of the Government of the Russian Federation of 04.05.2008 N 337 on Measures to Ensure the Fulfillment of the Obligations of the Russian Federation Arising from the Convention on International Trade in Endangered Species of Wild Fauna and Flora of 03.03.1973, in Relation to Species of Wild Fauna and Flora Endangered, Except for Sturgeon Fish Species. Available at:  
[http://www.consultant.ru/document/cons\\_doc\\_LAW\\_76673/](http://www.consultant.ru/document/cons_doc_LAW_76673/)
- 2) Order of the Ministry of Natural Resources of the Russian Federation of 30.06.2015 N 297 validating the Administrative Regulations of the Federal Service for Supervision of Natural Resource Use for the Provision of State Services for Issuing a Permit for the Export from the Russian Federation and Import into the Russian Federation of Endangered Species of Wild Fauna and Flora, Their Parts or Derivatives Subject to the Convention on International Trade in Endangered Species of Wild Fauna and Flora of 03.03.1973, Except for Sturgeon Fish Species and Products from Them, Including Caviar. Available at:  
[http://www.consultant.ru/document/cons\\_doc\\_LAW\\_187862/](http://www.consultant.ru/document/cons_doc_LAW_187862/)
- 3) Resolution of the Government of the Russian Federation of 30.07.2004 N 400 (as amended on 27.07.2019) validating the Regulation on the Federal Service for Supervision of Natural Resources and Amendments to the Resolution of the Government of the Russian Federation of 22.07.2004 N 370. Available at:  
[http://www.consultant.ru/document/cons\\_doc\\_LAW\\_48720/](http://www.consultant.ru/document/cons_doc_LAW_48720/)
- 4) Resolution of the Government of the Russian Federation of 16.09.2013 N 809 (as amended on 03.06.2019) on the Federal Customs Service (together with the Regulations

on the Federal Customs Service). Available at:  
[http://www.consultant.ru/document/cons\\_doc\\_LAW\\_152009/](http://www.consultant.ru/document/cons_doc_LAW_152009/)

- 5) Order of the Federal Customs Service of the Russian Federation of 04.09.2018 N 1380 validating the Federal Customs Service Regulations. Available at:  
[http://www.consultant.ru/document/cons\\_doc\\_LAW\\_307703/](http://www.consultant.ru/document/cons_doc_LAW_307703/)

#### **1.20.2. Legal authority**

- Federal Service for Supervision of Natural Resource Use (Rosprirodnadzor)
- Federal Customs Service

#### **1.20.3. Legally required documents or records**

- Permission (certificate) CITES of the Federal Service for Supervision of Natural Resources

#### **1.20.4. Sources of information**

*Government sources*

*Non-Government sources*

#### **1.20.5. Risk determination**

*Overview of Legal Requirements*

The Russian Federation, as part of the former USSR, has been a party to the CITES Convention since 1976 and, as the legal successor of the USSR, has become an independent party since 1992, and a member of the CITES Standing Committee since 2016.

In accordance with the obligations to implement the CITES Convention, the Administrative and Scientific bodies of CITES have been defined in the Russian Federation (Applicable laws and regulations – 1).

The functions of the CITES Administrative Body (with the exception of sturgeon species) are performed by the federal executive body – Rosprirodnadzor.

The functions of CITES scientific bodies (in terms of plants) are performed by: the All-Russian Research Institute for Environmental Protection of the Ministry of Natural Resources of Russia.

The import into the territory of the Russian Federation of endangered species of wild fauna and flora, their parts or derivatives subject to the Convention, except for sturgeon fish species (hereinafter referred to as CITES species), is allowed in the cases discussed in the Convention. For the legal import there should be permits from the administrative body under the Convention or other competent authority of the exporting state and the authorization (certificate) of the administrative authority under the Convention.

The administrative body under the Convention maintains a register of issued permits (certificates) for the export from the territory of the Russian Federation and the import into the territory of the Russian Federation of CITES species (Applicable laws and regulations – 1).

The Administrative Regulations of Rosprirodnadzor in the field of nature management were developed and approved. The regulations include the provision of state services for issuing a permit for the export from the Russian Federation and import into the Russian Federation of endangered species of wild fauna and flora, their parts or derivatives falling under the Convention on International Trade in Wild Species fauna and flora that are under threat of extinction (Applicable laws and regulations – 2).

#### *Description of Risk*

On the territory of the Russian Federation, there are only 4 species of tree included in the CITES Appendices (<http://checklist.cites.org/#/en>):

Japanese yew – *Taxus cuspidata* Siebold et Zucc. ex Endl. (annex II)

Korean pine – *Pinus koraiensis* Siebold et Zucc. (annex III)

Mongolian oak – *Quercus mongolica* Fisch. ex Ledeb. (annex III)

Manchurian ash – *Fraxinus mandshurica* Rupr. (annex III)

Harvesting of these species in the analyzed area is out of the question, since the distribution area of these species is far beyond the analyzed regions. On the territory of Russia, these species are found in Transbaikalie and in the Far East: the Amur Region, Primorsky and Khabarovsk Territories, Sakhalin, the Kuril Islands.

#### *Risk Conclusion*

This indicator has been evaluated as low risk since the distribution area of these species is far beyond the analyzed forest areas.

#### **1.20.6. Risk designation and specification**

All sources types: Low risk

#### **1.20.7. Control measures and verifiers**

N/A.

### **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.*

#### **Not applicable**

There is no 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. Therefore, this indicator is not applicable to Russia.

## Annex I. Timber source types

The table **Timber Source Types in European part of 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 issued 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
Natural forest	Central Federal District and the Northwestern Federal District	Lands of the forest estate	State	Government Business	Forest Concession Agreement	<p><b>Concession</b></p> <p><b>Long term use</b></p> <p>Lease term from 10 to 49 years</p> <p>Areas leased out under a Forest Concession Agreement. The lessor (state) provides the lessee (legal entity or individual entrepreneur) with a forest area for the purpose of timber harvesting.</p> <p>The timber harvested on such areas is the property of the lessee.</p>
Natural forest	Central Federal District and the Northwestern Federal District	Lands of the forest estate	State	Government Business	Forest Stands Purchase Agreement State contract State assignment	<p><b>Short term use</b></p> <p>Valid up to one year. There are three types of Short term use (see below), depending on main purpose of harvesting and actors involved. The harvested timber can be sold commercially, regardless of whether it has been harvested for the main purpose of commercial harvesting, or for protection and regeneration of forests.</p> <ol style="list-style-type: none"> <li>1) Forest stands assigned to legal entities or individual entrepreneurs by state authorities for harvesting under a <b>Forest Stands Purchase Agreement</b>.</li> <li>2) <b>State contract</b>. Grounds for Forest Stands Purchase Agreement is a State Contract for the Performance of Work on Guard, Protection, and Regeneration of Forests (hereinafter – State Contract). State contracts are legal relationship</li> </ol>

						<p>arising between the Government and legal entities or individual entrepreneurs. These are regulated by the Federal Law of 05.04.2013 N 44-FZ.</p> <p>3) <b>State assignment.</b> Grounds for Forest Stands Purchase Agreement is a State Assignment for the Performance of Work on Guard, Protection, and Regeneration of Forests (hereinafter – State Assignment). State Assignments are legal relationship arising between the founder (Government) and subordinate institutions. Funds for this assignment are subsidies. These amounts are provided in accordance with the Resolution of the Government of the Russian Federation of 02.09.2010 N 671</p> <p>Land management rights are not allocated under these permits.</p> <p>The timber becomes the property of the permit holder in accordance with the terms of the Forest Stands Purchase Agreement.</p>
Natural forest	Central Federal District and the Northwestern Federal District	Lands of the forest estate	State	Government Business	<p>Land use: Forest Concession Agreement</p> <p>Timber harvesting: Contract on timber harvesting</p> <p>Sale of timber:</p>	<p><b>Rosimushestvo (Federal Property Management Agency)</b></p> <p>Forest areas assigned for the use of forests under the Forest Concession Agreement for the purposes of:</p> <ol style="list-style-type: none"> <li>1) performance of work on geological study of subsoil, development of mineral deposits;</li> <li>2) construction and operation of reservoirs and other artificial water bodies, as well as hydraulic structures and specialized ports;</li> <li>3) construction, reconstruction, operation of power transmission lines, communication</li> </ol>

					Timber Purchase Agreement	<p>lines, roads, pipelines and other linear objects;</p> <p>4) processing of timber and other forest resources (for example, construction of a sawmill).</p> <p>The main purpose is thus, not for harvesting, but in some cases, timber harvesting is allowed when carrying out works related to the construction, reconstruction and operation of linear facilities without allocation of forest areas. In this case, timber harvesting can be carried out both with and without the registration of an easement. If an easement has been registered, the same permits as for concession shall be in place. In case harvesting is carried without the registration of an easement, no harvesting permits are required by the legislation.</p> <p>Timber is harvested by contractors and remains the property of the state (Federal Property Management Agency (Rosimushchestvo))</p> <p>The timber is sold under a Timber Purchase Agreement between the Federal Property Management Agency and any buyer.</p>
Natural forest	Central Federal District and the Northwestern Federal District	Lands of the forest estate	State	Government and municipalities	Permanent (Unlimited) Use Agreement	<p><b>Permanent (unlimited) use.</b></p> <p>Forest areas are assigned for an indefinite period on the basis of a <b>Permanent (Unlimited) Use Agreement</b> between the Prison Service and an executive authority with a constituent entity of the Russian Federation.</p> <p>The timber harvested in such areas is the property of the Prison Service.</p>
Natural forest	Central Federal District and the Northwestern	Lands of the forest estate	State	Government and municipalities Business	N/A	<p>Out of the scope. Not a source of commercial timber.</p> <p>Free use on the basis of Article 39.10 of the Land Code of the Russian Federation</p>

	Federal District			Private		Land is allocated for purposes other than timber harvesting.
Natural forest	Central Federal District and the Northwestern Federal District	Agricultural lands	State Constituent entity Municipal Private	Government and municipalities Business Private	N/A	Not evaluated under the risk assessment. Until September 21, 2020, there was no legal regulation regulating forestry and timber harvesting on agricultural land, On September 21, 2020, the Resolution of the Government of the Russian Federation of N 1509 was adopted allowing harvesting on agricultural land, however, there is contradicting laws in place as the land code does not allow for forest growth on agricultural lands.
Natural forest	Central Federal District and the Northwestern Federal District	Lands of industry and other special purposes	State Constituent entity Municipal Private	Government and municipalities Business Private	N/A	Out of the scope. Not a source of commercial timber. Industrial and other special-purpose lands in Russia occupy 1% national average. Covered by forest – 25% of the total area of these lands. Most of the forests are protected forests and, for example, forests on defense and security lands. The designated purpose of such lands is not compatible with the presence of forests. Even if the forest is present and felled for production purposes, it is mostly disposed of by the owner.
Natural forest	Central Federal District and the Northwestern Federal District	Lands of settlements	State Constituent entity Municipal Private	Government and municipalities Business Private	N/A	Out of the scope. Not a source of commercial timber. The lands of settlements in Russia occupy 1.2% national average. Covered by forest – 12% of the total area of these lands. Most of the forests are protected forests and, for example, recreation areas, etc., in which felling is limited by law.

Natural forest	Central Federal District and the Northwestern Federal District	OOPT lands	State Constituent entity	Government and municipalities	N/A	<p>Out of the scope. Not a source of commercial timber.</p> <p>The lands of OOPT in Russia occupy 2.9% national average. Covered by forest – 37% of the total area of these lands.</p> <p>Forest districts are created on the lands of the specially protected natural areas (OOPT) where forests are located. For such territories, their own Forest District Management Plans are established. Economic activity on the lands of OOPT is prohibited or limited. In some cases, small-scale felling may be allowed for the own needs of OOPT and for the needs of the local population.</p>
Natural forest	Central Federal District and the Northwestern Federal District	Water reserve lands	State Constituent entity Municipal	Government and municipalities	N/A	<p>Out of the scope. Not a source of commercial timber.</p> <p>Water reserve lands includes:</p> <ol style="list-style-type: none"> <li>1) covered with surface waters concentrated in water bodies;</li> <li>2) occupied by hydraulic engineering and other structures located on water bodies.</li> </ol> <p>Forest does not grow on water reserve lands.</p>
Natural forest	Central Federal District and the Northwestern Federal District	Reserve lands	State Constituent entity Municipal	Government and municipalities	N/A	<p>Out of the scope. Not a source of commercial timber.</p> <p>The use of reserve lands is allowed after their transfer to another category, except for cases where reserve lands are included in the boundaries of hunting grounds, cases of work related to the use of subsoil on such lands, and other cases provided for by federal laws.</p>

## Annex II. Terms and Definitions

**AAC (Annual Allowable Cut) (Расчётная лесосека)** – the average volume of wood allowed to be harvested annually within a predefined area, normally expressed in cubic meters of wood per year (Verification Protocol for Sustainable Solid Biomass for Energy Applications).

**Authority of a Forest District (Лесничество)** – representatives of executive authorities at the level of Forest District.

**Constituent Entity of the Russian Federation (Субъект Российской Федерации)** – region of the Russian Federation (i.e., Tver region, the Republic of Karelia, etc.). The list of all Constituent Entities is provided in article 65 of the Constitution of the Russian Federation.

**EGAIS (ЕГАИС, Единая государственная автоматизированная информационная система «УЧЁТ ДРЕВЕСИНЫ И СДЕЛОК С НЕЙ»)** – the Unified State Automated Information System for Timber Accounting and Associated Transactions.

**Forest Concession Agreement (Договор аренды лесного участка)** – Under a Forest Concession Agreement for areas in state or municipal ownership, the lessor (state) provides the lessee with a forest area for one or several purposes provided for in Article 25 of the Forest Code (Article 72 of the Forest Code).

**Forest Concession Management Plan (Проект освоения лесов)** – A document describing the purpose of using the forest plot leased from the lessor and the future activities that the lessee must carry out on the plot. According to article 88 of the Forest Code Persons to whom forest plots are provided for permanent (perpetual) use or lease, as well as persons using forests on the basis of an easement or a public easement established for the purposes provided for in Article 39.37 of the Land Code of the Russian Federation, draw up a forest concession management plan in accordance with Article 12 of this Code.

**Forest District (Лесничество)** – the main territorial management unit in the field of use, guard, protection, regeneration of forests (Article 23 of the Forest Code).

**Forest District Management Plan (Лесохозяйственный регламент лесничества)** – the use, guard, protection, regeneration of forests located within the boundaries of a Forest District are carried out in accordance with the Forest District Management Plan (Article 87 of the Forest Code).

**Forest Management Plan of a Constituent Entity (Forest Plan) (Лесной план субъекта Российской Федерации)** – the Forest Management Plan of a Constituent Entity of the Russian Federation defines the goals and objectives of forest planning, as well as measures for the implementation of the planned development of forests and the zone of such development (Article 86 of the Forest Code).

**Forest Subdistrict (Участковое лесничество)** – the territorial management unit which can be created as part of a Forest District (Article 23 of the Forest Code).

**Specification (Спецификация)** – The list of information that should be contained in the specification is not legally established, but, as a rule, it contains detailed information on the supply of specific goods within the framework of a foreign economic contract, such as: name, description and quantity of goods; price per unit of goods and the total price of goods with indication of currency; term and procedure for payment for goods; terms and conditions of delivery of goods, etc.



## About Supporting Legal Timber Trade



Supporting Legal Timber Trade is a joint project run by Preferred by Nature 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.



Preferred by Nature (formerly known as NEPCo) is an international non-profit organisation working to support better land management and business practices that benefit people, nature and the climate. We do this through a unique combination of sustainability certification services, projects supporting awareness raising, and capacity building.

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