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# RUSSIAN COMPANIES IN THE 21ST CENTURY

A SURVEY BY WWF'S TRADE AND INVESTMENT PROGRAMME

NINA POUSSENKOVA AND ELENA SOLNTSEVA

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# RUSSIAN COMPANIES IN THE 21ST CENTURY: TOWARDS COMPETITIVE CORPORATE CITIZENSHIP

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NINA POUSSENKOVA AND ELENA SOLNTSEVA, WWF-RUSSIA



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This report is part of a series of studies by WWF's Trade and Investment Programme, which aims to identify and cooperate with actors in the BRICS group of key emerging economies (Brazil, Russia, India, China and South Africa) to champion sustainable international trade and investment. The Programme examines the scope for these countries to become leading exporters of, and investors in, sustainable goods and services, whilst emerging as key actors in promoting a proactive international sustainable development agenda.

For more information see: [www.panda.org/investment](http://www.panda.org/investment) or email: [trade@wwfint.org](mailto:trade@wwfint.org)

# EXECUTIVE SUMMARY

In a world which has changed almost immeasurably over the past two decades, nowhere have these changes been as profound and controversial as in Russia. From a closed command-and-control economy, to an emerging market that is becoming increasingly integrated into the global community, the modern Russia is almost unrecognisable from the country that emerged after the collapse of the Soviet Union over 15 years ago.

The evolution which has taken place in Russia is multifaceted and sometimes controversial, generating a complex new set of economic, social, environmental and demographic challenges, which affect not only the country itself, but also exert a significant influence on the international economic and political scene.

Russia's current economic growth is based primarily upon the natural resource sectors, and is fueled by high oil prices, a situation which raises pertinent questions regarding the impact of this growth on the environment within the country, and makes the challenge of ensuring sustainable development even more important. Having lost its former status as nuclear superpower, Russia is in the process of establishing itself as energy superpower and a guarantor of global energy security. This ambition again raises questions regarding the country's development path, which looks to continue to be dominated by the fuel and energy complex, and the impact this will have on the global climate.

Russian companies, particularly those from natural resource sectors and heavy industries, are becoming global players, acquiring assets in various parts of the world. It is therefore essential for the international community to gain an understanding of these new transnational corporations and the manner in which they do business, particularly in developing countries and especially in the area of environmental responsibility and sustainable development.

Within this environment, a key question raised by the unique specifics of Russia's economic, political and social background, concerns the sector of Russian society that will prove to be the key driver of sustainable development in the country; namely government, business, NGOs or the public. As a result, the methodology adopted by WWF's Trade and Investment Programme of surveys conducted within the BRICS countries, aimed at identifying the role of the domestic business sector in promoting sustainable development, is of particular interest for Russia.

This report therefore reflects the results of a survey of 315 of the largest companies in Russia, aimed at establishing their views regarding environmental sustainability and corporate social responsibility (CSR). Based on these results, WWF would like to highlight the summarised results and outline possible steps forward, as discussed below.

The general WWF questionnaire that was developed for the BRICS group of countries, to ascertain the level of environmental awareness and responsibility of companies in these countries, was adapted to reflect certain unique aspects of the Russian economy.

As mentioned, it was distributed to 315 of the largest Russian companies as identified by a ranking published in *Expert* magazine<sup>1</sup>. Of these, 67 companies (21%) responded, with the oil and gas sector providing the best level of response. Significant levels of response were also received from companies in the forestry, ferrous and non-ferrous metals, chemical and petrochemical, and machinery sectors, while the financial services, information technology (IT), telecommunications and construction sectors provided very few or no responses.

From the responses received, it appears that a close correlation exists between the environmental responsibility of companies and their level of integration into the international economy. Companies that are global players and are exposed to international best practices within the environmental sphere, demonstrate a clear understanding of the fact that environmental policy and practice can prove useful in enhancing their competitiveness, and none of these companies believe that environmental efforts reduce their productivity or efficiency. Only a handful of companies, drawn primarily from the financial services sector and possessing no international presence, expressed no interest in environment issues.

A further important motivation for companies, particularly those in industries with a large environmental impact, to engage in activities which mitigate this impact, is a desire to ensure an acceptable quality of the environment for their workers and family members living in the regions of their operations.

The responses provided indicate that most companies in Russia currently implement environmental practices that were prevalent in developed countries

some decades ago, and which are primarily reactive and focused upon mitigation of their environmental impact. Specifically, companies attempt to decrease pollution levels through the use of “end-of-pipe” technologies and equipment. However, some respondents are being proactive in attempting to introduce preventive measures in terms of the application of the best available technologies. A handful of companies are making efforts to go even further and develop human capital within their organisations, for example through the promotion of an environmental culture and the education of employees, as well as through engagement with local communities and relevant NGOs. Some of them are becoming more open in their relationships with key stakeholders such as regional authorities or local communities, exhibiting an awareness of the need to provide information regarding both the positive and negative environmental implications of their business activities.

In general, Russian companies seem to be aware of key environmental principles and technologies, and many actively apply tools such as environmental impact assessments, environmental audits and due diligence within their operations. International standards such as the ISO 14001 environmental certification and Forest Stewardship Council (FSC) certification have also become relatively commonplace in Russian business practices, being applied by 31 and 7 companies respectively. However, some other environmental standards and practices, such as the Equator Principles and Marine Stewardship Council certification are still relatively unknown amongst Russian companies, a situation which provides an opportunity for education by NGOs and other relevant stakeholders.

In their responses to the survey, many companies proposed initiatives which they could implement to improve the level of environmental awareness and protection in Russia. The majority of these initiatives are technical in nature, but a number of respondents did provide suggestions containing very original and proactive approaches that are described in Appendix D. The overwhelming majority of the respondents (93%) felt that the Russian government should promote investments that reduce CO<sub>2</sub> emissions and support companies that export environmentally responsible products and services.

WWF-Russia considers the results of this survey to be an important indication of the general environmental awareness of Russian companies, and of their intention to protect the domestic environment and conduct environmentally responsible business. At the same time, of course, the survey in no way reduces the requirement for independent verification of the operational and environmental practices of the respondents or any other Russian company. In general, the survey shows that Russian companies can serve as positive role models for their counterparts in other emerging economies, since they have managed to achieve significant progress in the environmental protection

sphere, within a far from favorable economic and political situation. Furthermore, members of the BRICS group of countries face many similar economic, political and social challenges, quite different from those currently being experienced by OECD (Organisation for Economic Cooperation and Development) countries. As a result, creative solutions developed by companies in the BRICS countries are often more appropriate for their counterparts, taking into account their history, level of sophistication and corporate culture, than approaches borrowed from the developed world.

Based upon the findings of the survey, a number of possible steps forward are suggested for various actors, as follows:

#### RUSSIAN COMPANIES

- Companies that wish to contribute to sustainable development could interact with the government and NGOs, in order to improve the regulatory framework and create an export and investment agenda that supports sustainability.
- Companies that export sustainable goods and services could cooperate with the government and NGOs in developing appropriate export strategies.
- Companies could collaborate, for example through relevant industrial associations, to streamline and improve the existing Russian environmental regulations and propose solutions that take into account regional or sectoral specifics.
- Companies could creatively utilise international best practices in environmental protection, and could in some cases apply successful approaches of their peers from other BRICS countries, which may prove more relevant than those applied in developed nations.
- Russian companies could communicate more actively with their Chinese, Indian, Brazilian or South African counterparts to develop a common sustainability agenda that would take into account specifics of this group of countries.
- Companies could interact closely with NGOs and local communities before implementing major investment projects, in order to identify potential environmental risks and opportunities.

#### THE RUSSIAN GOVERNMENT

- The government could support environmentally and socially responsible companies, for example through the provision of fiscal benefits and financial incentives. At the same time, it could penalise environmental offenders by the imposition of meaningful fines. Such punitive measures, however, cannot be implemented without taking into account the fact that in certain cases polluting industries and companies provide the only source of livelihood for the populations of particular regions. Every attempt should therefore be made to ensure that these punitive measures do not jeopardise the continued existence of such companies, since this would result in a host of negative socio-economic consequences for the local populations.

- The government authorities could streamline and improve existing environmental laws and regulations, taking into account the recommendations of environmentally responsible and proactive companies and NGOs.
- The government could focus on incorporating environmental aspects into its overall objective of GDP growth, poverty reduction and solution of demographic problems in Russia.
- The government could support educational efforts in the environmental sphere, particularly those that are broad-based and target all segments of the Russian population.
- The relevant governmental authorities, such as the Ministry of Finance or Central Bank of Russia, could work with financial institutions, in order to involve them in environment protection activities, for example by promoting the Equator Principles or introducing ratings for “the most environmentally-responsible bank or mutual fund”.
- The relevant government authorities could cooperate with Russian companies and NGOs to promote the export of sustainable goods and services.
- The government could promote and advertise the environmental and social activities of progressive Russian companies within the framework of its campaign to improve the image of Russia internationally.
- The relevant government authorities could cooperate more closely with their counterparts from other BRICS countries, in order to implement sustainable development strategies that are most applicable for emerging markets.
- The government could focus on strengthening the disclosure requirements for companies in terms of basic environmental information, preferably in line with international standards such as the Global Reporting Initiative (GRI).
- The relevant government authorities could selectively introduce environment protection principles that have been tried and tested in developed countries, ensuring that they are appropriate for the Russian situation.
- The relevant government authorities could organize regular fora in which representatives of the legislative and executive authorities, business and NGOs could meet to discuss sustainability issues.

FOREIGN  
GOVERNMENTS  
AND COMPANIES

- Foreign governments and companies could support those Russian companies that exhibit a high degree of environmental and social responsibility in their exports of sustainable goods and services.
- Foreign companies could investigate both their Russian suppliers and customers, in order to ensure that they ally themselves with environmentally responsible companies rather than offenders. In particular, Chinese and Indian companies, through dialogue with suppliers in Russia, could help support leaders in the field of sustainability.
- Given the current political and economic situation in Russia, and the focus on limiting foreign investments in strategic sectors of the economy, such as natural resources, and particularly the oil and gas industries, by allocating to foreigners the role of junior partners to Russian companies, foreign companies could make special efforts to act as good corporate citizens when implementing projects in Russia.
- Foreign companies and governments could bear in mind that environmental issues currently became an important political lever that is used to put pressure on certain companies or projects, and, therefore, it might make sense for them not only to strictly observe the effective environmental legislation, but in some cases be proactive and go beyond the existing Russian environmental standards.
- Foreign companies that work with Russian partners could promote and introduce proactive environment protection solutions that have been successfully implemented in other countries, with the proviso that these solutions are tested and found to be appropriate to the Russian economic and business environment.
- Foreign companies and governments could increase their educational efforts in the environmental sphere in Russia, targeting all segments of the population.
- Foreign financial institutions doing business in Russia could incorporate increased levels of environmental responsibility into their business practices, particularly in terms of their requirements when providing finance to Russian companies.
- Foreign financial institutions doing business in Russia could educate their Russian counterparts in issues of sustainability.



1.

# INTRODUCTION

Over the past 15 years, since the collapse of the Soviet Union, Russia has been undergoing a process of profound and dramatic changes and reforms within its political, economic and social systems. These changes continue to have a significant impact on the role the country plays in global economic and political affairs.

Currently Russia is actively attempting to position itself as an energy superpower and guarantor of global energy security, and this tactic will impact not only on domestic economic development, but will also have far-reaching global political and economic implications. The country's long-term development path, particularly in the fossil fuel and energy sectors, and the means by which it pursues sustained economic growth, is sure to impact significantly on global environmental concerns, particularly in the areas of climate change and greenhouse gas (GHG) emissions.

Russian companies are actively pursuing the objective of becoming global players that exert considerable influence in the international economic and political arenas. Gazprom is currently the largest gas company in the world, while Rosneft has voiced its ambitions to equal ExxonMobil and BP by 2010<sup>2</sup>, and the merger of RUSAL and SUAL in 2006<sup>3</sup> created the world's number one aluminum producer. The manner in which these and other major Russian companies act both domestically and in the international arena, for example through their outward foreign investments and acquisitions, will certainly hold serious long-term implications for global sustainability.

This survey and resulting report regarding the attitudes of Russian companies towards issues of sustainability and the environment is the first of its kind to be completed in Russia. The role of Russian business in ensuring sustainable development has in the past not been researched to any significant degree, and as a result, this project is of particular academic and practical relevance. For this reason, the project has enjoyed the support of Alexander Shokhin, the chairman of the Russian Union of Industrialists and Entrepreneurs (RSPP), an influential voluntary organisation of major Russian businesses.

Another practical aspect of the project, highlighted by both the RSPP and WWF-Russia, concerns the fact that the general reputation of Russian businesses abroad leaves much to be desired, and all too often Russian companies are associated with a lack of environmental awareness, or worse, an uncaring attitude toward the environment as a whole. Moreover, Russian companies themselves tend to underestimate the importance of this component of their image; a survey of Russian CEOs, conducted in 2004 by the PBN Company<sup>4</sup>, revealed that only 20% of those CEOs interviewed believed that environmental accidents can undermine reputation of their companies. The findings of this study may therefore prove useful in determining an accurate profile of Russian companies in the sphere of sustainability, by distinguishing the prevailing myths regarding their levels of environmental responsibility from the current realities. The analysis contained in the report can demonstrate to foreign corporations and governments, as well as international organisations, the sustainability challenges and opportunities that they might face when doing business in Russia or with Russian companies. It can assist foreign companies in adapting their strategies towards Russia, taking into account the reality of the environment protection situation in the country, as well as in gaining a better understanding of the type of environmental awareness and responsibility that might be displayed by Russian companies when they begin to operate internationally.



2.

# THE RUSSIAN CONTEXT

## 2.1 Historical Overview of the Russian Economy

Occupying an area of 17,075,200 square kilometers, Russia is the largest country in the world. It was the largest republic of the former Soviet Union, and, much like the Soviet Union, is a collection of diverse territories with vastly differing stages of development; currently Russia consists of 86 Federation Subjects.

Russia boasts some of the largest reserves of mineral resources of any country in the world, especially mineral fuels. According to conservative estimates, it contains 17.3% of the world's proven coal reserves, 6.2% of oil reserves, and 26.6% of natural gas reserves<sup>5</sup>.

In contrast to other fast-growing BRICS countries such as China and India, Russia faces the serious demographic concern of a shrinking population; during the turbulent 1990s the country's population began declining due to high mortality, low birth rates and widespread emigration, and this trend continued even during the relatively prosperous period after the turn of the century. Since 1991, the country's official population has declined from 148.7 million to 147.9 million in 1995, 146.3 million in 2000 and 143.2 million in 2005<sup>6</sup>.

According to the World Bank's classification, Russia is a middle income country<sup>7</sup>. In 2006, the country's estimated Gross Domestic Product (GDP) per capita by Purchasing Power Parity (PPP) was \$ 12,100, versus \$ 8,600 in Brazil, \$ 3,700 in India, \$ 7,600 in China, and \$ 13,000 in South Africa<sup>8</sup>.

Russia's development since 1991, the year in which the Soviet Union collapsed, can be roughly divided into two periods, each possessing unique problems and challenges in the field of environment protection. The first of these is the early and mid-1990s, during which the country experienced significant economic upheaval in the form of declining production, a widespread culture of non-payments, galloping inflation, low international oil prices, and political and social instability, culminating in the August 1998 financial crisis, in which

the government defaulted on its domestic debt and the domestic stock market and the rouble collapsed. Following this crisis, the second period has been characterised by the beginning of an economic recovery (driven largely by high international oil prices) and enhanced political stability.

#### CURRENT GROWTH TRENDS

Between 1998 and 2006, Russia's GDP expanded by an estimated 57.6%, while the average real income of the population grew by 65%. Total GDP in current US dollar terms was \$ 259.7 billion in 2000, 590.4 billion in 2004 and \$ 763.7 billion in 2005<sup>10</sup>, and, according to preliminary estimates by the Russian Ministry of Economic Development and Trade, GDP growth during 2006 was 6.6%<sup>11</sup>. In line with this trend, in 2004, the Russian President, Vladimir Putin, formulated an ambitious goal of doubling GDP by 2012<sup>12</sup>. This objective raises concerns regarding further environmental degradation and increased CO<sub>2</sub> emissions (which dropped by some 30% during the 1990s owing to the overall production decline<sup>13</sup>), as this projected economic growth is based largely upon mineral extracting and heavy industries. The dynamics of CO<sub>2</sub> emissions in Russia in the future will depend largely on macroeconomic factors, in terms of the type of economic growth that is pursued in the country (specifically, growth based on energy-intensive heavy industries, or alternatively knowledge-intensive and services sectors)<sup>14</sup>. The situation is further aggravated by the very high energy intensity of the economy, which is currently approximately six times higher than that of Japan and about three times higher than that of Canada, the country possessing the most similar climatic conditions to Russia<sup>15</sup>.

In spite of the economic growth target set by President Putin, however, the levels of growth enjoyed in 2003 and 2004 seem to be slowing. GDP increased by 6.4% in 2005, versus 7.3% in 2004, investments by 10.5% as opposed to 10.9% the previous year, and manufacturing by 4.0%, down from 7.3%. The slowdown in inward investment growth has proved even more marked in 2006, with this figure growing by 5% in the first quarter of the year, versus 8% during the same period of 2005<sup>16</sup>. Oil production growth has virtually ceased despite the record oil prices seen in 2005 and 2006; during 2006, the volume of oil production in Russia increased by only 2.4% over the 2005 level<sup>18</sup>. Industrial production rose by only 4.0 % in 2005 and 4.2% from January to July 2006, relative to the same period in 2005<sup>19</sup>. This trend appears to reflect the high level of uncertainty which exists in the business and regulatory environment, particularly in the oil sector, as well as significant increases in production costs, resulting from high factor prices and the real appreciation of the Russian rouble. This slowdown has heightened concerns within Russia regarding a loss of competitiveness in some sectors, and intensified debates over appropriate policy measures to address resource dependency and promote more diversified growth.

## LIVING STANDARDS

Since 1998, poverty rates have halved and regional disparities declined to some degree. Real disposable income of the population therefore increased by an estimated 11.4 % in the period January to July 2006, while real average wages surged by 13.2%<sup>20</sup>. In mid-2006, the average nominal salary was \$380<sup>21</sup>. The rate of unemployment (according to the International Labour Organisation definition) in the Russian economy also fell from 8.4% in 2003 to 7.6% in 2005 and 7.7% in the first six months of 2006. The number of people living below subsistence level decreased from 25% in 2002 to 20.4% in 2003, and to 15.8% in 2005. Inflation rates remain rather high, at 10.9% in 2005<sup>22</sup>.

According to a report issued by Goldman Sachs, Russia's GDP per capita will by 2050 be the highest of the BRIC group<sup>23</sup> and comparable to those of the G6<sup>24</sup>, although it will remain the smallest of the BRIC economies in absolute terms.

## FINANCIAL, TRADE AND INVESTMENT FIGURES

The current macroeconomic stability of the Russian economy was achieved in the context of strong budgetary and current account surpluses. The country's financial indicators have improved considerably since 1998, again mainly owing to an extremely favorable global commodity pricing situation. Gold and foreign exchange reserves surged from \$ 36.6 billion in 2001 to \$ 182.2 billion in 2005<sup>25</sup>, and to \$ 309.5 billion as of February 2007<sup>26</sup>, while the Stabilisation Fund amounted to \$ 99.7 billion as of 1 February, 2007<sup>27</sup>.

For the same reasons, export revenue has soared since 2000. The surplus resulting from trade with countries other than the former Soviet Union republics has grown consistently in current price terms, from \$ 30 billion in 1995 to \$ 66.9 billion in 2000, \$ 128 billion in 2005 and \$ 140.7 billion in 2006<sup>28</sup>. Of the BRICS countries, China appears to be the most influential trading partner for Russia, with its share of Russia's exports in 2005 amounting to 5.4%, and of Russian imports to 7.4%<sup>29</sup>.

Russia's export basket is heavily dominated by mineral products, primarily oil and gas, and this dominance is increasing; the share of mineral products in Russia's total exports grew from 57.8% in 2004 to 64.8% in 2005<sup>30</sup>. At the same time, the share of high-technology products as a percentage of total exports is declining; from 13.5% of manufactured exports in 2000 to 9.1% in 2004<sup>31</sup>, testifying to the loss of international competitiveness in high-technology sectors that Russia possessed in the past, and the country's move towards being a resource provider to the rest of the world.

Despite concerns expressed by international investors regarding the adverse investment climate in Russia<sup>32</sup>, foreign investment has been growing steadily – from \$ 29.6 billion in 2003 to \$ 55.1 billion in 2006. Of this 2006 figure, however, \$ 31.4 billion was from Cyprus, the Netherlands, Luxembourg, Great Britain and the Virgin Islands<sup>33</sup>. It can therefore be assumed that a

significant percentage of inward investment is made up of reinvestment by Russian companies, as evidenced by the high share of total investments received from Luxembourg, the Virgin Islands, and Cyprus, countries to which many Russian companies reportedly transfer funds in order to protect their assets from domestic instability.

The fuel and energy industries have traditionally been the most attractive for foreign direct investment (FDI), followed by the food industry, machinery, ferrous metals, forestry and timber processing, the chemical industry and the retail sector. As the Russian government is currently attempting to limit foreign involvement in the country's oil and gas sector, foreign investors are seeking other spheres of activity, and in 2006 the primary focus was on the automotive industry<sup>35</sup>, banking and residential construction<sup>36</sup>. The fact that the bulk of foreign investment into Russia is channeled into extractive and traditional manufacturing industries rather than into high-technology sectors, raises concerns regarding the relocation of polluting industries to Russia. At the same time, however, the business environment in which multinational companies operate, in terms of increased transparency and the role of consumers and NGOs in ensuring environmental responsibility, makes it clear that a system of "double standards" when operating in Russia would prove completely unviable<sup>37</sup>, in the sense that these corporations are highly unlikely to risk their international reputations by taking advantage of less strenuous regulations in Russia to engage in environmentally harmful practices.

In January 2005, in response to the macroeconomic, financial and political successes achieved by Russia over the previous several years, Standard and Poor's joined Fitch and Moody's in awarding Russia an investment grade rating. In September 2006, following a similar decision by Fitch earlier in the year, Standard and Poor's further upgraded Russia's sovereign rating to BBB+ for foreign currency obligations and to A- for domestic currency obligations<sup>38</sup>. Despite these successes, and this endorsement by the international investment community, however, significant concerns remain regarding their long-terms sustainability.

#### THE "RESOURCE CURSE"

Russia's dependence on the fuel and energy sector has steadily increased over the past several years, with the share of oil, gas and petroleum products in total exports expressed in dollar terms rising from 38% in 1995 to 54% in 2000, and to 62% in 2006<sup>39</sup>. Currently, the fuel and energy complex accounts for approximately one-quarter of GDP, one-third of industrial production and half of the federal budget and currency revenues<sup>40</sup>. This trend has led a number of economists and analysts, including Mr. Andrei Illarionov, the former economic advisor to President Putin, to voice concerns that the country risks turning into a "petrostate" and has "become addicted to oil"<sup>41</sup>.

In fact, although Russia possesses abundant oil and gas resources, the country cannot realistically expect to increase prosperity based on petroleum riches alone; due to the large population, the annual physical volume of net oil and gas exports amounts to only 3 tons of oil equivalent per capita (2004)<sup>42</sup>. Compared with other “petrostates”, primarily in the Middle East, Russia ranks lowest in terms of the ratio between oil and gas export volumes and the volume of domestic petroleum consumption. This serves to limit the ability of the country to convert the national hydrocarbon potential into national prosperity. As a result, only 3% of the Russians believe that they benefited from the increase in oil prices, while 10% are of the opinion that higher oil prices have negatively affected their living standards<sup>43</sup>.

High oil prices and the growing wealth of a small proportion of the population bring into sharp focus the disparity of income within the Russian population. By 2006, the income differential between the richest and the poorest 10% of the population reached a factor of 13-15, implying a serious threat of social unrest should the situation remain unchanged.

A number of new challenges have also been created by higher oil prices, and these have been further aggravated by the growing role of the state in the economy and the re-nationalisation of certain large businesses, including Yuganskneftegas, the former subsidiary of the oil company YUKOS that was taken over by the state-owned Rosneft; Sibneft, acquired by the state gas monopoly Gazprom; and AvtoVAZ, the biggest domestic vehicle manufacturer, which has fallen under the control of the state's Rosoboronexport. As a result, economic growth in Russia is largely driven by high oil prices, while the pace of economic reform is far slower than during President Putin's first term of office and the state has begun to subsidise inefficient industries and projects.

#### INTANGIBLE INDICATORS

While a number of “tangible” indicators of the Russian economy, particularly those that are financial in nature, are improving, several “intangible” indicators are exhibiting a steady deterioration. All global comparative studies that focus on intangible aspects have in the past year or two downgraded Russia's status. In the *A.T.Kearney Globalization Study*, for example, Russia's globalisation rating fell eight places in 2005 to 52nd position<sup>45</sup>. In the Economic Freedom Ratio compiled in 2006 by the Heritage Foundation and Dow Jones, Russia ranked 120th out of 157 states, a lower rating than in 2005<sup>46</sup>. Of the major developing economies, Russia is the least attractive for foreign investors, according to a recent ranking (the Capital Hospitality Index) compiled by the U.S. edition of *Forbes* magazine. As a destination for foreign investment, Russia ranks 103rd out of 135 countries, behind all the other BRICS countries, with China ranked 102nd, India 77th, Brazil 46th and South Africa 36th<sup>47</sup>.

Russia is also close to the bottom of the competitiveness list of the International Institute of Management Development (IMD), being ranked 54th out of 61 countries<sup>48</sup>. The country fares relatively well only in terms of categories such as budget surplus, gold and currency reserves, GDP per capita growth rates, foreign trade and balance of payments. In terms of inflation, government efficiency, development of infrastructure, bureaucracy and corruption Russia has the lowest possible rating<sup>49</sup>.

In addition, Russia is precariously and ambiguously positioned between the developing and the developed world. Though a member of the G8, Russia corresponds to only one criterion of that group, namely the size of the economy calculated in purchasing power parity terms. The Russian rouble is not yet a freely convertible currency in terms of capital transactions, and Russia is not a member of the OECD or the International Energy Agency (IEA). It cannot truly be considered a developed country; in terms of GDP per capita by purchasing power parity Russia is ranked 69th in the world, while in terms of average annual inflation over the past five years, it ranks 161st out of 180 countries.

#### FUEL AND ENERGY SECTOR CHALLENGES

The situation within Russia's fuel and energy complex is of particular importance in terms of issues of sustainability, as it accounts for approximately 90% of the country's GHG emissions<sup>51</sup>. There exists a high level of uncertainty regarding Russia's future CO<sub>2</sub> emissions, since these will largely depend on macroeconomic factors, such as the type of economic growth that is pursued in the country, the progress of market reforms, the scope and success of energy saving measures at the national and company levels, and the efforts to restructure the energy balance within Russia, which is currently dominated by natural gas. Based upon some of the available scenarios, Russia's CO<sub>2</sub> emissions will exceed their 1990 level by 2020 (at present they are still well below this mark)<sup>52</sup>.

A recent trend that raises serious concerns regarding the future state of the environment in Russia, is the current fuel and energy balance of the country. At present, natural gas constitutes 53.6% of Russia's energy consumption (versus 19.2% for oil, 16.4% for coal, 4.9% for nuclear and 5.9% for hydroelectricity)<sup>54</sup>, and some 68% of fuel consumption by power stations<sup>55</sup>, which represents a relatively favorable indicator from an environmental point of view, since gas is considered to be the "cleanest" fossil fuel with the lowest CO<sub>2</sub> emissions.

However, Gazprom, the state-owned gas monopoly and the largest gas company in the world, is currently focusing on the acquisition of non-core assets and construction of new gas export pipelines, rather than on exploration efforts and commissioning of new gas fields<sup>56</sup>. As a result, there now exist concerns regarding possible gas shortages for both domestic consumption

and exports in the near future. It is forecast that Russia will face shortages of natural gas in the amount of 27.7 billion cubic meters (bcm) by 2010 and 46.6 bcm by 2015<sup>57</sup>. Plans have therefore been formulated by the government to increase the production and consumption of coal, and consequently the share of coal in Russia's fuel and energy balance. Such plans, by their nature, possess serious implications in terms of national health, the environment and CO2 emissions. The government has furthermore expressed its intent to expand the percentage of power generated from nuclear sources and therefore speed up the construction of nuclear power stations<sup>58</sup>, also implying possible negative health and environmental consequences.

At the same time as the Russian government is formulating plans for increased energy generation, there exists huge potential in the country for energy saving, since Russia's economy is characterised by an extremely inefficient utilisation of energy resources. For example, approximately 70 bcm of gas is lost annually during transportation<sup>59</sup>. Addressing this situation, for example through investment in the upgrading of gas transportation infrastructure, would therefore contribute significantly to the mitigation of the projected gas shortage in the future.

Given the current situation in Russia, the country faces serious challenges in the area of sustainability, including the requirements to ensure economic growth without causing further degradation of the environment, diversify the economy away from the fuel and energy sector, develop currently underdeveloped regions, improve human capital, raise efficiency (including energy efficiency) within the economy, strengthen the competitiveness of domestic producers, alleviate poverty, improve governance, streamline the bureaucracy and further integrate into the international economy.

## 2.2 The Evolution of Russian Companies

### CORPORATE LANDSCAPE.

Over the past several years, Russian companies have undergone a rapid transformation from state-owned enterprises, which were subject to production targets set by the government, and which possessed very little independence and autonomy in strategic decision-making, into corporate entities. This transformation was launched in the early 1990s with the broad-scale privatisation of state-owned corporations, and as a result, the contribution of private companies to GDP grew from 5% in 1991 to 70% in 2000<sup>60</sup>.

The Russian corporate environment, as is the case with the entire economy, is heavily dominated by energy companies, particularly those operating in the oil and gas sector. Of the top ten Russian companies in terms of sales

(Expert-400 list) in 2005, six were oil and gas corporations, and one a power generation company<sup>61</sup>. This composition appears to be fairly stable, since the same energy companies were represented in the Expert-400 list in 2006<sup>62</sup>. The list of top ten Russian companies in terms of capitalisation in 2006 also included six oil and gas companies and one power generator<sup>63</sup>.

Russia's private sector is characterised by an extremely high concentration of employment and revenue; the 22 largest private domestic corporations in Russia controlled 42.4% of employment and 39.1% of sales in 2004, and the concentration of individual wealth was even higher, significantly exceeding that of any other country in the world; in June 2003, the top 10 ownership groups owned 60.2% of Russia's stock market<sup>64</sup>. A comparison with the other BRICS countries reveals that in 2005, there were 27 Russian billionaires in the Forbes list, as opposed to 12 Indians, eight Brazilians, three South Africans and two Chinese<sup>65</sup>.

#### NEW GLOBAL GIANTS

Russian companies are growing increasingly large and powerful. In 2005, only three companies (Gazprom, LUKOIL and RAO UES) were included in the Fortune-500 list, while in 2006, this number grew to five, namely Gazprom (ranked 102nd on the Fortune-500 list), LUKOIL (ranked 115th), RAO UES of Russia (213th), Rosneft (367th) and Surgutneftegas (443rd)<sup>66</sup>.

Gazprom is the world's largest gas company in terms of both reserves and production, and its market capitalisation is currently increasing, reaching \$ 216 billion by February 2007, placing the company eighth in the world in terms of market value<sup>67</sup>, with some analysts predicting that it may increase to \$ 500 billion by 2008<sup>68</sup>. In mid-2006, Gazprom received the largest weighting in the MSCI (Morgan Stanley Capital International) index for shares of companies from the developing world, and Russia jumped to third place in this index, ahead of Brazil and China<sup>69</sup>.

Rosneft, which is fast becoming the largest oil company in Russia, plans to rival ExxonMobil and BP by 2010<sup>70</sup>. Though its capitalisation in February 2007 was only \$ 76.5 billion, versus \$ 198.1 for BP and \$ 410.6 billion for ExxonMobil<sup>71</sup>, the three companies are however comparable in terms of hydrocarbon reserves and volumes of oil production. To achieve the status of a major global energy company, Rosneft requires, among other things, to establish production bases in other parts of the world<sup>72</sup>. To this end, the company has already established operations in Algeria, Kazakhstan and China.

The trend of creating major global corporations, as described above, is not limited to the oil and gas sector. RUSAL and SUAL merged in 2006 to create the largest aluminum producer in the world, relegating the previous market leader, Alcoa, into second place. Similarly, Norilsk Nickel is the world's largest company in terms of nickel and platinum output<sup>73</sup>.

The volume of mergers and acquisitions (M&As) in the Russian market continues to grow rapidly. From January to September 2006, M&A deals involving Russian companies were worth \$ 38.8 billion, a value 28% higher than during the same period in 2005, and the total volume of Russian companies' acquisitions abroad was comparable to the volume of foreign companies' acquisitions in Russia<sup>74</sup>.

Russian companies are amongst the largest outward investors in the world. According to the Economist Intelligence Unit (EIU), in 2005 Russian entrepreneurs spent some \$ 210 billion on acquisition of foreign assets<sup>75</sup>, a figure exceeded only by Hong Kong and the British Virgin Islands. While in the past, Russian companies were acquiring mainly second or third-tier assets, now they are increasingly seeking opportunities to merge with world leaders in their sectors of expertise<sup>76</sup>.

Since these new Russian global giants operate primarily in extractive and highly polluting industries, it is understandable that serious concerns exist in the global environmental community regarding the manner in which these companies will conduct their foreign operations, particularly in developing countries.

The fact that Russia is establishing itself as a global leader in extractive and basic industries, which are generally not known for their potential for innovation, implies that the country may, in contrast to India for example, be losing its former competitive edge in knowledge-intensive industries and its significant science and technology potential, and is indeed turning into a provider of natural resources to the developed world.

#### LEVEL OF SOPHISTICATION

Russia's companies are becoming more sophisticated and modern. Resolutely moving away from their Soviet-era dependence on the state in all strategic matters, the most progressive and successful corporations are exhibiting a true entrepreneurial spirit and becoming global trendsetters in certain corporate activities. Such companies hire high-level foreign managers, utilise the services of international consulting firms, undergo financial and resource audits by the top global accounting and engineering companies, and train their key employees in the best business schools. While in the past even their export operations were carried out indirectly, through the state foreign trade associations, now they are actively accessing global capital markets, making foreign investments, developing export and import operations, and acquiring assets abroad. By becoming global players, they are being exposed to and acquainted with international best practices, including in the sphere of environment protection, CSR and sustainable development.

The efficiency and competitiveness of such companies in comparison to their peers from the developed world, however, is a particularly complex question

that is beyond the scope of this study, which focuses only on environmental parameters.

At the same time, there remains a significant gap between the performance of certain progressive and advanced companies, that have become accustomed to operating under international conditions, and other corporate entities that remain uncompetitive and continue to rely on government support for their survival. Furthermore, certain sectors have achieved a far higher degree of progress in terms of market transformation than others. For example, Russia's banking system remains relatively weak and underdeveloped, aimed at speculative transactions, with a low level of contribution to the national economy, and an ongoing inability to accumulate the resources required for financing major projects in the "real" sector of the economy<sup>77</sup>.

Similarly, the machinery manufacturing sector in Russia, particularly those segments oriented towards mass production, remains uncompetitive by global standards, lacking in areas such as appropriate technology, marketing skills and quality control. In spite of a high degree of innovative potential to be found in Russia, the country does not generally possess a track record of successful commercialisation of innovation, particularly since, during the Soviet era, no requirement existed for such commercialisation. Moreover, the country suffers from a significant shortage of qualified engineers and personnel to operate modern production facilities. Russia's science and technology capability has suffered severe setbacks as a result of a massive "brain-drain" over the past several years, and at the same time, the higher education establishments have not been training students in the skills that are most urgently required<sup>78</sup>.

By contrast, the Russian ferrous metals sector is represented by several major groups that have become key players in the global market, and that are both efficient and profitable, with significant investments in technology and well-embedded international corporate cultures<sup>79</sup>.

#### CSR A LA RUSSE

In terms of corporate social responsibility (CSR), Russia differs significantly from its peers in the BRICS group of emerging markets. The concept of CSR has undergone a significant evolution in the country. Under the previous political dispensation, many companies, particularly those operating in remote areas, were often the single largest employer in a particular region, and as a result were compelled to take on significant social functions. For example, oil companies operating in West Siberia were often the "founding fathers" of local towns, and therefore had to keep such social assets as schools, kindergartens, hospitals, public roads, farms, theatres etc. on their balance sheets, and as a result, the employees literally depended upon their employers for their very existence. In later years, following the political

transitions which occurred in Russia, and particularly during the 1990s, when privatised companies were undergoing significant restructuring to streamline their operations, they largely divested of these non-core social assets, transferring them to local municipalities. As a result, their financial efficiency improved, but it is as yet unclear whether this resulted in an increase or decrease in social efficiency, since no comprehensive studies have been completed on the subject.

In line with his key objective for his second term in office, namely that of combating poverty, President Putin has repeatedly urged companies to become “better corporate citizens”, with the aim of shifting some social functions from the state to the private sector<sup>80</sup>. Thus Roman Abramovich, the richest Russian businessmen, became governor of Chukotka in 2000 and succeeded in significantly improving living standards in the region; taxes paid by enterprises associated with the company Sibneft, which was controlled by Abramovich, and which he sold to Gazprom, accounted for approximately 60% of the regional budget<sup>81</sup>. As a result, in early 2007, President Putin did not allow the oligarch to resign from this position as he was viewed as a guarantor of social stability in the region<sup>82</sup>.

As a result of such policies and successful examples, the theme of CSR is very high on the corporate agenda in Russia, albeit with a particular local slant, in the sense that being a “good corporate citizen” and paying “social taxes” is critical to long-term survival in business in Russia, as the government attempts to shift a portion of its social responsibilities onto big business.

## 2.3 Problems of Sustainable Development in Russia

One of the key goals of the survey was to determine the major drivers of sustainability in Russia. The current situation in the country within this sphere is relatively unusual, since many traditional sustainability mechanisms that have been implemented in developed countries, have been found to be ineffective in Russia, for a number of reasons, connected both with the Soviet legacy and developments during the transition period.

### SOVIET LEGACY

The national environmental policy contains many specifics, some inherited from the Soviet era, and some that have emerged more recently. Under the socialist system of setting production targets without any real consideration of crucial factors such as efficiency or productivity of labor, the principal objective of government was to ensure economic growth through

industrialisation, primarily in heavy industries and the defence sector, and collectivisation in agriculture, through the establishment of large collective farms to replace small landowners. As a result, environmental considerations were largely ignored in order to meet this objective. Thus, for example, the Communist Party of the Soviet Union (CPSU) Central Committee insisted on producing as much oil as possible in as short a time-frame as possible, and this policy provided no opportunity for implementing environmental protection measures or for the construction of reliable and environmentally friendly facilities. At the time it was also generally believed that the oil and gas resources of the USSR were practically limitless, and consequently no efforts were made to ensure their sensible and efficient utilisation.

Despite official declarations regarding the effective interaction between the socialist society and the environment, the natural resources of the country were increasingly degraded over the course of the Soviet era. Under Marxist theory, it was considered that since nature and natural resources were created without the involvement of the humans, they possessed no intrinsic value<sup>83</sup>. Therefore the state, which owned all natural resources, provided state-owned enterprises free access to these resources, and practically no fines were levied on polluting companies. As a result, these companies had no incentive to invest in environment protection or to utilise resources in a rational manner. Furthermore, natural resources were considered to be under public ownership of all Soviet citizens, and since the state acted as the representative of the people, natural resources could not belong to individuals. This meant in turn that there existed no individual responsibility for natural resources, and that these were used and abused by almost every person who had the opportunity to do so. Thus, L.Tchurilov, one of the first Soviet oilmen to work in West Siberia, recalls how the region was developed: "...by the time the pipeline from Ust-Balyk to Omsk was being laid, pressure to get work done quickly was really intense, giving birth to the so-called "Siberian technology". Trees were cut down and, if there was not time or equipment available, we would just use explosives to remove stumps. Then bulldozers would move in, pushing all the debris to one side of the line. The mess is still there now. Oilmen, architects, engineers, local government officials, and Party officials all turned a blind eye to such barbarism. Anyone who objected was fobbed off with the explanation that the faster we worked, the more oil we would produce"<sup>84</sup>.

The country's leadership often initiated grandiose and misguided schemes aimed at promoting economic growth and prosperity, such as the plan to shift the flow of Siberian rivers to the Central Asian republics<sup>85</sup>. It is noteworthy that even under the authoritarian Soviet regime, a handful of experts managed to reverse the decision of certain influential groups within

the government concerning this particular project, and proved that the problem of water shortage in the southern regions of the USSR could instead be resolved by the more efficient utilisation of water resources.

Until the late 1980s, there existed no specialised state organisation responsible for environment protection in the Soviet Union. Instead, different agencies were responsible for various aspects of environment protection, while at the same time, various ministries controlled the utilisation of natural resources. The USSR State Committee for Environment Protection was created only in 1988, and the Russian Soviet Federative Socialist Republic (RSFSR) State Committee in the same year.

The USSR's leadership claimed that its environmental protection policy was actively implemented and a comprehensive system of environmental legislation was developed during the 1970s (RSFSR Law on Environment Protection of 1960, RSFSR Water Code of 1972, RSFSR Forest Code of 1978, Law on Atmospheric Air Protection of 1982, Law on Fauna Protection of 1982, etc.). In truth, however, very little attention was paid to the implementation of these laws in practice. Soviet-era maximum allowable concentrations (MACs) of various pollutants were comparable with those of the West, and were in fact sometimes even stricter, but were very difficult, if not impossible, to enforce.

At the same time, the state engaged in significant environmental propaganda, claiming that the socialist man was able to completely dominate nature, that socialism was far superior to capitalism in terms of interaction with nature, and the USSR has accumulated unique experience in the rational utilisation of natural resources. Thus a prominent researcher in legal aspects of environmental issues wrote in 1976: "The socialist society creates the most favourable conditions for the preservation of the environment and for the rational use of natural resources"<sup>86</sup>. As a result of such propaganda, a myth of environmental Utopia was created, but information concerning the real, and in many cases deplorable, state of the environment was concealed from the general public. A very pertinent example of this type of propaganda activity occurred during the Chernobyl nuclear incident, when the magnitude of the disaster was concealed from the public for a long time, and essential medical treatment was provided to the victims almost one month after the disaster, by which time it was in many cases too late for this treatment to be effective<sup>87</sup>.

The official public statements made by the Soviet leadership appeared at first glance to be consistent with the concept of sustainable development as defined by the Brundtland Commission<sup>88</sup>. For example, Leonid Brezhnev, the then-General Secretary of the CPSU Central Committee, said: "Taking measures aimed at accelerating the science and technology progress, it is necessary to do our best to ensure that it is combined with the careful and

wise attitude towards natural resources, that it does not serve as a source of dangerous pollution of water and air, or of land depletion”<sup>89</sup>. In fact, the implementation of socialist ideals in the USSR contradicted the very principle of sustainable development, because although the Soviet Union was willing to sacrifice the needs of the current generation for the sake of building communism in some distant future, this sacrifice did in fact not apply to all segments of the population, since certain privileged groups managed to prosper and accumulate significant wealth against the general background of poverty and shortages of necessary material goods. Furthermore, the approach of the Soviet leadership towards natural resource consumption exhibited an almost total disregard for the future consequences of this consumption.

Shortly before the collapse of the USSR, the so-called “green wave” began to take hold in the country, during which the population, although hesitant to criticise the political regime, was willing to criticise its environmental policies. As a result, the environmental movement became a lever that was used to accelerate political change in the country, and when market reforms began in earnest in Russia, environment protection enjoyed prominence on the political agenda for some time, but was ultimately displaced by other issues viewed as more pressing, such as poverty, inflation and crime<sup>90</sup>.

#### THE TURBULENT TRANSITION PERIOD

During the 1990s, the status of the specialised government environmental protection agency was gradually downgraded; from the Russian Federation Ministry for Environment Protection, established in 1991, it became the Committee for the Environment Protection in 1996, with a consequent loss of significant levels of function and authority. As a result, the regulation of and control over the use of water resources and the subsurface was transferred to the Ministry of Natural Resources. The Committee could exercise certain functions, but with significant limitations; for example, it continued to monitor fauna and flora, with the exception of forests, and regulate waste, but with the exception of nuclear wastes<sup>91</sup>.

At the same time, several environment protection laws were adopted during the 1990s, including the RSRSR Law on Protection of the Environment of 1991, the Law on Specially Protected Natural Areas of 1995, the Law on Environmental Review of 1995, and the Law on Atmospheric Air Protection of 1999.

During the 1990s, many Western approaches to environmental protection were copied and implemented, but due to the turbulent nature of the political transition period, these were often somewhat distorted; for example, the principle of “the polluter pays” was implemented as a principle of “paying for the right to pollute”, since it was easier for some Russian entities to pay a fine, or in some cases in fact not pay at all but rather reach an informal

agreement with a relevant government authority, than it was to install purification equipment, particularly as the government does not provide any meaningful fiscal incentives for such actions.

Furthermore, during the previous decade, the state had found it difficult to collect even ordinary taxes from enterprises, let alone environmental fines, while punitive measures such as the closure of polluting enterprises proved unviable in many instances, particularly where such enterprises represented the only source of livelihood in a particular region, and where their closure would result in serious negative social and economic consequences.

Throughout this turbulent period, issues of sustainability were an unaffordable luxury for most stakeholders in Russia, with many enterprises and individuals concerned primarily with economic or even physical survival. For the general Russian public, therefore, environmental protection was ranked very low on their list of priorities, far below such problems as poverty, unemployment, crime, health protection, inflation, etc<sup>92</sup>.

At the same time, it is significant to note that during the 1990s, the levels of certain polluting emissions were reduced in Russia, due to the economic and production declines which were experienced, (and, to some extent, due to the introduction of payments for pollution and the development of environmental controls). Unfortunately, the levels of toxic and dangerous wastes simultaneously increased, while deteriorating production infrastructure and a shortage of funds made it impossible to upgrade and replace the existing obsolete facilities and install environmentally-friendly technologies, thereby aggravating the risk of technogenic accidents and disasters. Thus, the average age of gas pipelines in Russia is 22 years, while 14% of gas pipelines have been in place for more than 33 years<sup>93</sup>, and as a result, the probability of technological failures is particularly high, and is increasing every year.

## NEW THREATS

In the new millennium, the situation with regard to sustainability in Russia is changing, but the vectors of such changes are particularly complex, and send mixed signals to analysts and practitioners.

In the first instance, budget allocations for environmental protection in Russia are currently negligible, accounting for only 0.14% of total government expenditure in 2007, down from 0.15% in the previous year. To compare, the 2007 budget allocation for defence accounted for 15% of total expenditure, applied research and development for 3.6%, and social security for 3.8%<sup>95</sup>. It is particularly noteworthy that, against the background of the windfall profits Russia has received from high international oil prices, not only has the Russian government not applied these profits to investment in sustainable development, but that it has in fact decreased budget allocations for this purpose.

A further negative development concerns the fact that in the government restructuring of 2000, soon after the election of Vladimir Putin, the independent environment protection agency was dismantled altogether by Presidential Ordinance #887, dated 17 May 2000 and entitled “On the Structure of Federal-level Authorities”. The official reason for this move was that it would help to speed up economic growth that was slowed down by requirements to obtain environmental permits for new projects. An unofficial view is that a less obvious intent on the part of the government may have been to attract foreign investment into the natural resource sectors by lowering environmental standards. As a result of this move, the responsibility for environmental protection in Russia was transferred to a division of the Ministry of Natural Resources, a situation which allows this Ministry to therefore act as both “poacher” and “gamekeeper” in the environmental sphere. Certain environmental protection competencies were also distributed among various government agencies, which resulted in significant duplication of responsibilities and loss of effectiveness. Over the past several years, it has become evident that the elimination of the independent environmental agency has resulted in the deterioration of the level of enforcement of environmental legislation, particularly in terms of the practice of environmental assessment of projects by independent experts, which has become far more subject to outside pressure. Furthermore, the system of financing for environmental activities, which operated effectively for more than ten years, was significantly undermined. The Law on Environment Protection, adopted in 2002, would also appear to contain a number of contradictions, while being insufficient to achieve the objectives its name implies<sup>97</sup>.

In the current decade, Russia has achieved significantly improved levels of political and economic stability, which might under different circumstances contribute to the promotion of sustainability concerns. Unfortunately, however, the political objective of doubling GDP by 2012 and sustaining the current high rate of economic growth that is mainly based on natural resources, poses the very real challenge of decoupling this growth from further environmental degradation. This situation is of particular concern since atmospheric emissions from stationary pollutants began to once again increase after 2000, as did the generation of solid waste. Thus, in 2005, the atmospheric emissions from stationary pollutants were measured at a level of 20,425 thousand tons, versus 19,481 thousand tons in 2002, while production wastes increased from 2,034 million tons in 2002 to 2,634 million tons in 2004<sup>98</sup>. These effects are clear indications of both increased production growth rates and weaker environmental controls.

It is clear that attempts to lower administrative barriers (in this case environmental standards) in order to improve the attractiveness of the Russian economy for foreign investment and thereby increase economic

growth, have for a number of reasons resulted in outcomes which are totally opposite to those intended by the Russian government. One of the most significant of these reasons is the fact that international financial agencies such as the European Bank for Reconstruction and Development (EBRD) and European companies such as Fiat, Royal Dutch/Shell, Unilever, and ENI, which comprise the majority of investors in the Russian economy, are unwilling to compromise their own environmental standards, even if local legislation allows them to do so. In fact, the weakening of environmental controls in Russia has proved beneficial only to companies utilising older and less efficient technologies and equipment, by making them more competitive at the expense of those entities that invested significant amounts in environmentally-friendly equipment.

The privatisation of certain state assets, such as forests which were formerly protected areas, might comprise a new threat to the environment and sustainable development in Russia, since economic activities will in the future be permitted in such areas, thereby possibly threatening fragile ecosystems and undermining the capacity of these valuable resources to address the needs of the Russian population.

A further worrisome trend that is emerging and gaining popularity concerns the fact that in many situations, environmental issues are used as levers in political struggles, in order to undermine certain politically undesirable projects or exert pressure on certain companies or organisations. A typical example of this phenomenon is the situation concerning Sakhalin Energy, the operator of the Sakhalin-2 oil and gas project, which has been accused of environmental violations. Although WWF-Russia led a campaign against the environmental practices of Sakhalin Energy for a number of years, the attention of the authorities and mass media was drawn to the problem only recently, partly due to the fact that Gazprom wished to enter the Sakhalin-2 project under the most favorable terms possible<sup>99</sup>. Vladimir Milov, the leading Russian energy expert, comments that the Russian authorities conducted an aggressive publicity campaign against Sakhalin-2, rather than attempting an unbiased investigation into the project's environmental impact and potential problems<sup>100</sup>.

Finally, in 2005, amendments were made to the law governing noncommercial organisations, which, according to Irina Khakamada, a prominent Russian political figure, indicated that the authorities were actively attempting to undermine the emergence of civil society in Russia<sup>101</sup>. These amendments limited the activities of NGOs by placing them under the control of relevant government agencies.

## POSITIVE DEVELOPMENTS

In spite of the relatively negative picture regarding sustainable development sketched above, a number of positive trends have begun to emerge in Russia over the past several years. One of these concerns the improving living standards of the population and the gradual emergence of a middle class, which, similar to this stratum in developed countries, possesses an increased sense of environmental awareness. A further positive development is the emergence of a heightened sense of environmental and civil consciousness in the country, as demonstrated during the Lake Baikal - East Siberia - Pacific Ocean pipeline controversy, when during the spring of 2006, people actively protested against the construction of the proposed oil pipeline in a seismically unstable zone in close proximity to the Lake, and as the result, the pipeline was rerouted and moved some 400 km to the north<sup>102</sup>. It is to be hoped that in the future, the Russian population will recognise this case as one in which their opinions made a significant difference, and as a result become more active in environmental matters.

As a result of the increasing level of international activities on the part of Russian business, these companies are increasingly exposed to global best practices and approaches in the environmental sphere, and are therefore compelled to adhere to such practices in order to enhance their international competitiveness. For example, Russia's forestry companies are increasingly embracing FSC standards.

From the above, it is clear that in-depth debate is currently occurring in Russia, attempting to identify the most efficient sustainability drivers in all segments of society, from government and business to NGOs and the general public. In this context, one of the primary objectives of the WWF survey is to determine whether the Russian business sector can be considered such a driver.



3.

THE WWF  
SURVEY

### 3.1. The Process

In terms of methodology, the general questionnaire developed by the WWF's Trade and Investment Programme (TIP) was somewhat modified and adapted to reflect Russian specifics, through the addition of several relevant questions, such as the one relating to the impact of Russia's accession to the WTO on companies' competitiveness and the state of the environment.

Since the amended questionnaire was relatively long, comprising 26 questions, and given the fact that generally speaking, Russian companies are unaccustomed to answering such detailed questionnaires, particularly when these require subjective assessment, the questionnaire was first tested on ten companies that are members of WWF-Russia's "corporate club", which is made up of companies characterised by a higher than average environmental awareness. The feedback received from these companies regarding the questionnaire was relatively positive, with eight of the ten companies completing the questionnaire, and as a result, it was decided to proceed with the project and utilise these responses as a benchmark, particularly since they included the responses of three international companies.

The questionnaire was initially sent to 310 of the largest Russian companies, drawn from the list compiled by Expert magazine<sup>103</sup>. The focus was primarily on "purely Russian" entities, rather than those in which foreign companies own a significant stake. The questionnaire was dispatched by e-mail, and was followed up with a hard copy mailed in envelopes branded with the WWF logo, since the organisation enjoys a relatively high degree of brand recognition in Russia. In some cases, copies of the questionnaire were also sent out by fax.

Subsequently, due to the lack of response from companies in the financial sector that were included in the initial list of 310, the questionnaire was sent to five smaller companies in this sector, since it comprises one of the primary

focus areas for WWF-Russia. These five companies, comprising three banks and two insurance companies, were selected due to the fact that WWF-Russia has established personal connections with individuals within these organisations. The responses received from these companies were however particularly disappointing, since they answered almost every question in the negative. Furthermore, feedback received from individuals with whom WWF-Russia was in contact indicated that these personal connections were the sole reason for them responding at all. These responses, therefore, although included in the survey finding, may tend to skew the picture somewhat.

Since the level of responses received in two previous reports was 33% in China and 25% in South Africa, WWF-Russia set a target of a 20% response, or 62 companies, which was exceeded since responses were received from 67 companies (21%).

The timing of this survey was particularly fortunate, since WWF-Russia has over the past several years achieved a relatively high level of visibility, due to its contribution to the favorable resolution of the East Siberia – Pacific Ocean oil pipeline and Lake Baikal issue, as well as its participation in the debate concerning the Sakhalin-2 project, during which the EBRD froze its credit extension to Sakhalin Energy, the project operator, for environmental reasons. This high profile of WWF-Russia served to increase the likelihood of receiving responses to the questionnaire.

#### SECTORAL RESPONSE.

A particularly interesting aspect of the survey concerns the major differences in responses received from companies in different sectors of the economy. This proved to be relatively surprising, and also significant in terms of the varying levels of environmental responsibility and awareness observed within different sectors. Also surprising was the fact that companies with headquarters located outside Moscow provided higher levels of response than those located in and around the city. This may be ascribed to the fact that Moscow-based companies have far higher levels of interaction with international organisations, and are therefore more selective in their dealings with such organisations, or possibly to the fact that companies outside Moscow are more immediately confronted with environmental problems, and therefore possess higher levels of environmental awareness and responsibility.

Furthermore, the so-called “smoke-stack” industries, such as ferrous metals and the chemical industry, provided a higher level of response than high-technology sectors, such as telecommunications and IT, that might be expected to display higher levels of sophistication and global integration.

As mentioned above, the banking and financial services sector also provided a disappointing level of response, which may be ascribed to the relatively low level of development and sophistication of the Russian financial system that

is mainly oriented towards short-term and speculative operations<sup>104</sup>. Even those banks planning initial public offerings (IPOs) in the near future, and that should therefore exhibit some awareness of the fact that environmental issues are an important element of their attractiveness to foreign investors, did not appear to be aware of sustainability issues, or exhibit any willingness to increase this awareness.

The oil sector provided the best level of response, with all of the established and mature vertically-integrated oil companies providing a response. This can probably be ascribed to two factors; firstly, WWF's role in the Lake Baikal issue, and secondly, the fact that these companies are the most advanced and sophisticated players in the Russian market, with the greatest level of integration into the world economy.

In general, very few openly hostile responses were received, and the most serious obstacles encountered were therefore indifference towards sustainability issues and bureaucracy within companies. Bureaucracy was manifested in the extremely long time it took the questionnaires to get from the CEO to the individual who completed them, up to one month in one case. In another case, different departments of a large company provided the responses to different questions, and it took them a significant period of time to coordinate these responses and obtain approval from senior management to provide the completed questionnaire back to WWF. Unsurprisingly, this was one of the least informative responses received.

Disappointingly, not all the companies responded to all the questions, but a pleasant surprise was the fact that many companies did not simply tick the "yes" or "no" answers, but provided detailed descriptions of their practices, attitudes and values. These responses are summarised in Appendix D. The fact that companies found themselves unable to answer various questions, or in certain cases provided multiple responses, does complicate the calculation of percentages, and as a result, absolute figures in terms of responses are also provided. The numerical responses to the questions are provided in Appendix C.

## 3.2 Survey Findings

### ANSWERS TO QUESTIONS

1. Are environmental considerations (such as possible pollution, use of environmentally damaging material in production, impact on surrounding flora and fauna etc.) important to your enterprise?

Virtually all respondents answered the first question, with some respondents even going so far as to provide multiple responses; 38 companies answered that environmental factors are of high priority to them, and 27 indicated

that they take environmental questions into consideration when making decisions. Only four companies were of the view that environmental factors are of no importance to them; these were the financial sector companies to which additional questionnaires were sent (significantly, none of these companies possess an international presence).

## 2. Does your company take specific measures to reduce environmental impact of its activities and does it produce goods/services that could contribute to the solution of environmental problems?

Of the respondents, 54 companies indicated that they take specific measures to reduce environmental impact of their activities versus six that do not (again, these were drawn primarily from the financial sector). Furthermore, 23 companies responded that they produce goods or services that might contribute to the solution of environmental problems<sup>105</sup> versus 24 that do not. The list of these goods and services is provided in the footnote and is quite interesting and varied; most of these products and services might be described as “end-of-pipe” or reactive, in other words aimed at reducing existing pollution. Some companies, however, in addition to technical and technological measures, refer to “softer” skills, such as the environmental training of personnel, that indicate a more proactive and sophisticated approach.

The most interesting responses concerning specific measures implemented by companies can be classified according to sector as follows:

### Oil and gas industries

- Higher use of associated gases instead of flaring, utilisation of hazardous wastes, repair of pipelines, liquidation of oil sludge pits, regeneration of soils polluted with oil, discontinuation of production of leaded gasoline, production of Euro-3 and Euro-4 motor fuels
- Consultations with the public and environmental NGOs, use of best available technologies in implementing new projects, use of international standards for oceanic transportation of oil
- Purchase of environment-protection equipment, environmental quality control
- Introduction of nature and resource saving technologies
- Protection of pipelines against corrosion, improvement of pipeline quality, well safety enhancement, production of fiber-plastic pipes
- Program of reconstruction and technical refurbishment of gas transportation facilities, energy saving program, close relationship in environmental sphere with local authorities, environmental insurance programs

- Development and operation of environment management system, environmental monitoring at facilities before, during and after construction, control of environmental quality of procured materials (oil and gas facilities construction company)
- Use of best available technology, compliance with international environmental standards (oil pipeline operator)

#### Forestry, timber processing, pulp and paper industries

- Provision of waste waters treatment services to outside organisations, utilisation of its own wastes and wastes of other organisations
- Upgrading of technological equipment, introduction of the state-of-the-art resource saving technologies, training of personnel
- Methods of non-exhaustive forest use, reduction of waste, promotion of natural forest regeneration
- Discontinuation of pulp production, re-cultivation of land, reconstruction of biological purification installations, burning of waste in special installations
- Waste purification systems, circular water supply systems, waste recycling, measures to protect and regenerate forests
- Planning of tree felling taking into account environmental impact, environmental attestation of jobs, environmental payments

Other sectors did not provide sufficiently comprehensive responses to compile specific profiles, but the following additional measures were also mentioned:

- Ensuring nuclear power station safety at all stages of their life cycle (nuclear power generator)
- Reduction of vehicle weight to improve fuel economy and reduce emissions, compliance with European environmental directives (car manufacturer)
- Reduction of technogenic impact on the environment through the use of state-of-the-art technologies (aircraft manufacturer)
- Comprehensive and systematic environment protection policy (pipe producer)
- Introduction of environmentally clean technologies, such as ceramic fluxes for pipeline seams (pipe producer)
- Environmental education and training of personnel (non-ferrous metals producer)
- Technical refurbishment using the best available technologies (metallurgical company)
- Purification of waste waters, reduction of atmospheric air emissions (metallurgical company)
- Utilisation of environmentally safe technologies and equipment, construction and upgrading of environment-protection facilities (chemical company)

- Energy saving measures (coke producer)
- Recycling of 98% of waste (beer producer)
- License for the collection, utilisation, purification, transportation and storage of dangerous waste, introduction of waste management system (postal service company)
- Environmental control of transportation vehicles, use of natural gas as motor fuel in buses (city transportation company)

#### Does your company export goods/services?

Of the respondents, 43 companies exported their products or services, versus 15 that did not do so.

#### Do you encounter problems in exporting these (for example, import restrictions in some foreign markets?)

Of those companies that indicated that they are active in export markets, 15 faced problems and restrictions with their exports, versus 29 that did not.

The principal restrictions were described as follows:

- many consumers in Europe require FSC-certificated pulp (pulp and paper producer)
- matches should conform to EN 1783:1997 norms, anti-fungicide treatment of wood, customs duties levied on commodities exported from Russia (forestry and timber processing company)
- import quotas (chemical company)
- intense competition (machine-builder)
- requirements to have environmental safety certificate (machine builder)
- constraints connected with passage of tankers through the Turkish straits (oil pipeline transportation company)
- legislative restrictions (beer producer)
- anti-dumping duties (chemical company)
- requirement that metal coating should not contain 6-valence chrome (metallurgy company)
- difficulties with customs (producer of purification equipment)
- quotas for mineral fertilizers exports, ban for export of ammonia saltpeter (fertilizer producer)
- customs duties (pipe producer)

### Would you be interested for WWF to support your company in exporting these goods and services?

Interest was expressed by 14 companies in obtaining WWF's support for the exports of their goods and services, although several of these companies encountered no restrictions at all, and were probably more interested in obtaining the endorsement of an international environmental organisation in the form of WWF. In any event, however, this interest by the companies allows WWF the opportunity to begin a constructive dialogue with them.

### 3. What are the reasons why your enterprise is interested in environmental factors? (more than one answer is possible)

The reasons given by the respondents for their attention to environmental issues were as follows:

- It is part of your enterprise's core values and corporate principles – 41
- It is part of regional, religious or social values followed by the enterprise – 34
- It improves export possibilities and access to important overseas markets – 19
- It improves time and cost productivity as resources are more efficiently utilized – 17
- It enhances your market share amongst other like products – 17
- Key company customers, consumers and clients demand it – 15
- It is a useful marketing strategy and makes your enterprise stand out – 14
- It helps to attract foreign investments – 11
- It is part of your business, i.e. you sell environmental goods & services – 7

It is particularly encouraging that the answer “It is part of the enterprise's core values and corporate principles” was the most common, since this implies that companies are well aware of the importance of corporate environmental responsibility. Such an awareness can be considered a quantum leap forward for Russian companies that have become international players and been introduced to internationally accepted best practices only relatively recently. Furthermore, it is significant that 17 companies responded to the effect that environmental factors help to improve productivity and efficiency, since all too often Russian companies perceive environmental activities and outlays as a burden which does not add value to their operations.

### 4. Does your company have any specific budget for environment-protection measures?

Some 53 companies answered that they had such a budget, versus 11 that did not. Moreover, 29 companies actually revealed the size of this budget, a positive indication of increasing transparency regarding environmental matters in

Russia. As a rule, Russian companies have in the past not been particularly open regarding their financial matters. The budgets involved ranged from \$ 33,000 per annum for a pipeline fixture producer to \$ 233 million per annum for a gas company. In some instances, the respondents provided their environmental outlays as a percentage of total sales or total budget, for example 8% of total project investments for an oil and gas facilities construction company.

#### 5. Does your company apply a system for solid, gas and liquid wastes management?

Of the respondents, 53 companies applied a system of managing solid, gas and liquid wastes, with waste utilisation / recycling being the most popular method, versus 13 that did not.

#### 6. Does your company have international presence?

In total, 54 respondents had some sort of international presence, versus 12 that were solely Russian-based. The most common forms of this international presence were export operations (43), accessing international credit (15), Russian companies possessing foreign subsidiaries (14), and foreign investments (12).

#### 7. Does your company get any benefits from eco-labeling or eco-certification, such as ISO 14001 or FSC?

Responses to this question were almost evenly distributed between those companies that gained some benefits from eco-labeling and ecological certification (29) and those that did not (30). Those companies gaining benefits described these as follows:

- Higher competitiveness, better relations with consumers (helped to show them that the product is “environment-friendly”), better image, better motivation of staff, positively affects relations with suppliers (foreign producer of soft drinks, member of the corporate club)
- Environmental certification permits management of the company in a sustainable manner (packaging producer, member of the corporate club)
- Expanding export opportunities and entering important markets, meeting the requirements of consumers (metal processing company)
- A major oil company was the first among Russian companies to receive certificates of compliance with ISO 14001 and OHSAS 18001 in 2001. These certificates confirmed that the company was applying a state-of-the-art system of environmental management, and they also help to find “points of growth” in the process of streamlining the system. A more detailed outline of the environmental activities planning procedure in accordance with ISO 14001 permitted the company to optimise resources and enhance the efficiency of environmental activities.

- An oil producer stated that ISO 14001 certification has had a positive effect on environmental management
- Enhances prestige of the company (poultry producer which operates only domestically)
- ISO 14001 enhances competitiveness and improves image of the company (major car manufacturer)
- Expanding markets, entering environmentally sensitive markets (pulp and paper producer)
- Promotion of products in the European markets (aircraft manufacturer)
- Higher prices for FSC-certified products (forestry company)

#### Are eco-labeling and environmental certification relevant for your business?

Of the respondents, 55 companies felt that eco-labeling and eco-certification were important for their business versus 13 that did not.

#### If they are relevant, who should develop and promote them?

Among those companies which considered these standards important, 25 responded that industrial associations should develop and promote them, while 16 believed that it was the responsibility of government. It is likely that those companies identifying industrial associations felt that it would be within the capability of such associations to identify and promote standards that were most relevant to their particular sector.

#### Should environmental certification be national or international?

The majority of companies (49) believed that such certification should be international, while 19 thought that it should be national. It is likely that more companies prefer international certification as it will assist them in marketing their products or services internationally.

#### 8. Does your company deal in any way with environmentally-friendly machinery, goods or services?

A significant number of companies (50) responded to the effect that they are exposed to environmentally-friendly technologies and/or processes in their activities, with the overwhelming majority of these falling into the category of applying such technologies, while a far smaller number are involved in producing, importing or servicing this equipment. Only seven respondents said that they were not exposed, and seven companies professed to being unsure of what constitutes environmentally-friendly technology, these being primarily from the financial sector.

### 9. Does the use of environmentally-friendly machinery or processes increase or decrease your productivity and costs?

All too often, Russian companies are believed to perceive environmental outlays as a heavy and unnecessary financial burden. The responses to this question are therefore highly encouraging, with none of respondents saying that environmentally-friendly technologies reduced productivity, while 24 companies considered that they improved their productivity. On the other hand, 23 companies believed that such technologies increased costs, versus 18 that believed that they reduced costs, and 11 that were unsure.

### 10. What are the key environmental values and principles of your company?

Altogether, 56 companies responded to the question about their key environmental values and principles, although in doing so, some companies made reference to their corporate brochures or websites. Among those who did describe their principles in the questionnaire, the most detailed answers (probably not surprisingly) were provided by the members of the WWF corporate club. Below is the most comprehensive of the responses received.

- Preservation and replacement of forest resources is the guarantee of the future development of the company's business. The company focuses on the rational use of forest and water resources, introduction of energy- and resource-saving technologies, and replacement of consumed resources. It has its own concept of environmental management and constantly estimates environmental risks connected with the introduction of new facilities. The company implements the principle of gradual constant improvements; it strictly observes all Russian environmental legislation. All employees are responsible for complying with environmental standards. The company discloses all information connected with environmental aspects of its activities to all stakeholders, including information on all accidents; it promotes participation of its enterprises in Russian and international projects aimed at development and introduction of best available technologies and reduction of adverse impact on the environment; it prepares reports in accordance with the Global Reporting Initiative. The company annually participates in independent environmental ratings; makes voluntary efforts to meet the higher requirements of environmentally sensitive markets and implements initiatives that exceed the requirements of the effective legislation. It carries out regular environmental training of personnel and is one of the leaders of voluntary forest certification in Russia taking efforts to certify the chain of forest raw materials supplies in accordance with FSC (pulp and paper company, member of the corporate club).

In general, there exists a great deal of similarity between the responses provided by the companies, in terms of the principles and values they describe. This may suggest a lack of originality and creativity in the approach of companies to the environment, or may point to their activities being constrained by the business climate in which they operate in Russia. Unfortunately the questionnaire was unable to draw such a distinction. The most popular principles described are as follows:

- efficient use of natural (particularly energy) resources
- minimising the adverse impact of their activities on the environment
- compliance with the national and international environmental legislation, rules and norms
- introduction of the most advanced environmentally-friendly and low-waste technologies
- waste treatment, utilisation and recycling
- reduction of emissions
- improvement of environmental management systems
- improvement of the quality of the environment in the region of the enterprise's operations

The responses provided by the companies concerning their corporate values and principles are included in Appendix D. Below, however, is a selection of the most original and unique principles described by the respondents, in which economic, social and environmental aspects are combined.

- The strategic goal of the company in the 21st century is to ensure sustainable development and become one of the leading oil companies in the world. This goal is achieved through the balanced solution of social and economic objectives and ensuring high quality of the environment (oil company)
- Executives should meet environmental goals through demonstrating appropriate culture, clear-cut determination of roles and responsibilities; provision of necessary resources, control and raising the efficiency of personnel; openly provide information on positive and negative results of activities (oil company)
- Care about Mother Earth means environment protection, use of environmentally friendly technologies, our responsibility towards the future generations for the land of Tatarstan (oil company)
- Sincerity, reality of goals; unquestionable fulfillment of targets; continuity of environment protection activities (oil and gas facilities construction company)
- Prevention of the adverse impact on the environment through application of the most advanced and reliable equipment and technology, as well as high environmental culture (oil pipeline transportation company)

- Cooperation with supervisory environmental bodies, general public and other stakeholders (forestry and timber processing company)
- FSC certificate proved that the company is environmentally responsible, socially focused and economically efficient (timber processing and furniture manufacturing company)
- Sustainable development of production that envisages an equal focus on economic, social and environmental components, and recognition that it is impossible to develop the human society while causing further degradation of nature (aircraft manufacturer)
- Health protection and occupational safety of the staff and local community (aircraft manufacturer)
- Nature protection is one of the key prerequisites of the company's well-being (machine building company)
- Efficient business in the sphere of metals and metal products in harmony with the environment (metallurgical company)
- Environment protection is an integral element of the company's business (non-ferrous metals producer)
- Creation of a favorable image of the enterprise among its personnel and the general public (pipe producer)
- Continuous reduction of the impact on the environment; enhanced satisfaction of personnel; accessibility to all stakeholders (fertilizer producer)
- Noise abatement (city transportation company)
- Environmental training of personnel (sea transportation company)

From the above responses it would appear that, while many companies focus on “end-of-pipe” technical and technological solutions, or emphasise the requirement to comply with national or international norms, some companies go beyond these technical and legal approaches to develop more “soft” solutions, such as the creation of an environmental culture, or an understanding of the need to establish good relations with all stakeholders. These are significant and relatively new trends in Russian business culture, and can be viewed as stemming largely from the creative application of international environmental best practice.

#### 11. Does your company publish regular reports on social and environmental policy and sustainable development?

Of the respondents, 26 companies stated that they do not publish regular reports, versus 37 companies that did so. Moreover, a number of these companies publish several reports; 21 responses were received regarding social policy reports; 27 regarding environmental policy, and 11 on the subject

of sustainable development. As Russian companies are becoming increasingly sophisticated and aware of international practices, they are beginning to gain an understanding of the importance of such reports in confirming the openness and transparency of companies and improving their image both domestically and internationally.

#### 12. Does your enterprise encourage any of the following environmentally-friendly business practices?

Environmental impact assessments were the most commonly applied type of environmentally friendly business practice, with 52 companies making use of them, followed by the purchase of environmentally friendly office equipment by 18 companies. Regular environmental audits were conducted by 16 companies, while 12 engaged in due diligence processes. Only nine companies make use of alternative sources of energy, probably as a result of the abundance of non-renewable energy and the lack of availability of such renewable energy sources in Russia.

#### 13. Has your enterprise been exposed to (or adhere to) any of the following practices?

- ISO 14001 – 31
- Financing provided by EBRD or the World Bank group – 11
- Global Compact principles or Global Reporting Initiative – 9
- FSC certification for timber and wood products – 7
- Corporate Social Responsibility – 6
- Clean Development Mechanisms or Carbon Trading – 4
- Equator Principles – 1
- Marine Stewardship Council certification – 0
- Projects and/or financing of the Global Environmental Facility – 0

On the whole, companies were not particularly aware of new trends in the sustainability arena. Many of them have been exposed to ISO 14001 certification (31 companies), and forestry companies were aware of Forest Stewardship Council (FSC) certification (seven companies). Eleven companies have benefited from financing provided by EBRD and the World Bank's group, while nine were aware of the Global Compact principles and Global Reporting Initiative, and four of the Clean Development Mechanism and carbon trading. However, concepts such as the Equator Principles or the Global Environmental Facility (GEF) were largely unknown.

14. Does your company observe the provisions of the federal and regional environmental legislation and court decisions?

Unsurprisingly, all the respondents viewed themselves as completely law-abiding with regard to environmental regulations; none of the companies admitted to disregarding relevant environmental laws and standards, while 54 claimed that they adhered to these regulations, and 13 claimed that they voluntarily exceeded the legal requirements. There does however exist some doubt regarding the accuracy of these responses, given the track record of Russian companies in terms of compliance with environmental legislation, as well as the fact that the complexity of the regulations makes full compliance a virtual impossibility. An old Russian proverb states “the strictness of our laws is compensated by the fact that it is not necessary to comply with them”.

15. Would you support the initiatives of the government, NGOs or private sector to streamline the rules of environmental reporting, transparency and monitoring for companies?

According to the responses received, 43 companies indicated that they would support the initiatives of the government, NGOs or the private sector to improve and streamline the rules of environmental reporting, transparency and monitoring. Only one company said that it would not do so, while 18 were unsure.

16. Would you like to be part of WWF’s activities to promote sustainable development in Russia and internationally?

A relatively positive response was received to this question, with 21 companies expressing a willingness to participate in WWF’s activities aimed at promoting sustainable development in Russia and internationally, versus nine that expressed no interest in doing so and 29 that were unsure. This positive response implies a significant opportunity for WWF-Russia to expand their engagement with business actors and obtain their support for its activities.

17. In your view, what are the most effective steps that your enterprise can take to protect and preserve natural resources and the environment?

Of the respondents, 52 companies answered this question, and the various steps they identify are listed in Appendix D. The majority of the responses, however, focused on similar activities, and these can be summarized as follows:

- installation of environmentally-friendly or best-available technologies and equipment
- waste treatment and utilisation

- reduction of emissions
- resource and energy saving
- compliance with national and international legislation
- improvement of environment management systems
- implementation of ISO 14001 (or FSC)

In addition, a number of less common and very inventive suggestions were received, as follows:

- improvement of information disclosure (pulp and paper producer, corporate club)
- promotion of the idea of energy efficiency amongst households (producer of insulation, corporate club)
- environmental education of the public, environmental summer camps for schoolchildren (soft drinks producer, corporate club)
- environmental training of personnel (car manufacturer)
- consultations with the public (oil company)
- use of Kyoto mechanisms (nuclear power generator)
- manufacturing of engines corresponding to Euro-2 and Euro-3 emission ratings (truck manufacturer)
- involvement in the improvement of Forest Cutting Rules (forestry company)
- use of payments for negative impact on the environment for the solution of environmental problems within the company (aircraft manufacturer)
- granting of tax and other benefits for the introduction of BAT and the implementation of efficient environment protection measures (coke producer)

From these suggestion it would appear that a number of companies recognize the opportunities which exist for them to contribute to sustainable development through the use of legal instruments, such as an improvement in Forest Cutting Rules, international mechanisms, such as the Kyoto Protocol, financial incentives, such as tax benefits, or public education.

#### 18. In your view, what is the most efficient mechanism of companies' participation in the improvement of Russia's environmental policy?

Most of the companies surveyed believed that the most efficient mechanism of participation in the improvement of Russian environmental policy is through interaction with federal legislative authorities (43 responses), dialogue with regional and local authorities (41) and creation of industrial associations (22). It seems, therefore, that the respondents believe that it is easier to lobby for

measures that are beneficial to them through these mechanisms. Only 15 and 14 responses, respectively, indicated that influencing public opinion and cooperation with NGOs are efficient mechanisms, presumably because these require greater effort. Furthermore, from the responses received, it would appear that the majority of companies remain unconvinced of the effectiveness of these two strategies as drivers of sustainability. An important challenge facing WWF-Russia and other organisations, therefore, lies in overcoming this lack of confidence in NGOs expressed by the respondents.

#### 19. How would you rate your company in terms of abiding by the laws and regulations for environmental protection? (on a scale of 1-5; 5 being highest)

As mentioned, when asked to rate themselves in terms of compliance with environmental rules and norms, 62 companies responded to the effect that they adhered to these standards or exceeded them. Extreme views were rare in this regard, with only two companies admitting to violating existing regulations, and similarly, only two expressing the view that they voluntarily exceed the requirements of the standards and insist on the introduction of tougher standards.

Breaking the laws	2
Trying to lower the standards	3
Following the standards	62
Going beyond the standards	13
Going beyond the standards and suggesting new tougher standard	2

#### 20. How would you rate Russian companies in general in terms of abiding by the laws and regulations for environmental protection?

In common with the findings of similar surveys in China, India and South Africa, the respondents' view of their own environmental compliance differed significantly from their opinions regarding the compliance of other companies, as can be deduced from the table below. The majority of companies felt that their competitors are either complying with the existing regulations to the minimum degree possible, or are even ignoring them, while very few companies felt that their competitors are going beyond the scope of the regulations or are suggesting tougher new standards.

	Very few	Few	Many	Very many
Breaking the law	5	18	23	6
Trying to lower the standards	13	20	10	1
Following the standards	4	12	29	2
Going beyond the standards	31	15	0	1
Going beyond and suggesting new tougher standards	37	3	0	0

21. How do you think Russia's accession to WTO will affect competitiveness of your company and the state of the environment in Russia?

With regard to Russia's accession to WTO, a widely debated and often controversial issue, and its implications for the competitiveness of companies and the state of the environment in Russia, it was somewhat surprising to learn that the attitude of the respondents generally ranged from positive to neutral. Twelve companies believe that WTO accession will enhance their competitiveness versus eleven that feel their competitiveness will be undermined, while 21 view the matter as having no impact and nine profess to be unsure. With regard to the state of the environment, the attitude was even more positive, with 28 companies believing that it will improve the state of the environment, versus only five that expresses the opinion that it will have an adverse effect. Of the remained, 19 companies anticipated no impact, and 11 were unsure.

22. Do you think the Russian government (national/regional) should promote investments (including foreign direct investment) in renewable energy/ energy efficiency in order to reduce CO2 emissions and support companies, which can provide welfare/, export opportunities with low levels of pollution?

Companies were practically unanimous, with 56 responses in favour of, versus none against, and four that were unsure, in believing that the Russian government should promote investment in renewable energy and/or energy efficiency in order to reduce CO2 emissions and support those companies that can provide welfare or export opportunities with low levels of pollution.

23. What do you consider to be the key factor, which serves to encourage the environmental activities of Russian companies in general (you can give several answers)?

In general, the following factors appeared to be the key motivators for environmental activities of Russian companies:

- The desire to reduce payments for pollution – 37
- The desire to comply with legislation – 36
- The desire to ensure a high environmental quality in the region where the company operates and where its workers and their families live – 35
- The awareness that compliance with environmental norms can enhance the competitiveness of the company – 34
- Incentives provided by the government (tax breaks, credits etc.) – 32
- Administrative measures (environmental fines, closures of enterprises, lawsuits etc.) – 30

- The necessity to comply with environmental standards because of the growing internationalisation of the Russian business sector and the country’s increasing integration into the world economy – 28
- Environmental protection activities of the general public – 12
- Consumer preferences – 10
- Activities of NGOs – 6

In their responses to this question, the companies appear surprisingly law abiding, since the key motivators, in their assessment, are the “desire to reduce payments for pollution” (despite a widespread acceptance of the “payment for the right to pollute” approach, as previously indicated), and the “desire to comply with legislation” (which appears to be a politically correct response). The third most popular response, however, namely the desire to ensure a high environmental quality in the company’s region of operations, appears to be realistic and consistent with responses provided to previous questions.

Furthermore, it is encouraging to note that 28 respondents highlighted the necessity to comply with environmental standards due to Russia’s greater integration into world economy, and that 34 exhibited an awareness that environmental responsibility contributes to the competitiveness of the company. These responses point to a greater level of sophistication and environmental awareness on the part of the Russian business community. Somewhat surprisingly, the activities of NGOs received the lowest rating among the respondents, particularly given the timing of the survey, and the role of NGOs in general and WWF in particular in the Lake Baikal affair. This response can be seen as an indication that WWF should step up its efforts to promote sustainability within the Russian business sector and also prioritise the promotion of its activities.

#### 24. Prioritise problems in the region where your company operates.

Of particular interest was the gap in the perceptions of foreign investors versus those of Russian companies regarding the problems which exist in the country. Recent studies of the investment climate in Russia indicated that foreign investors considered corruption and overly onerous bureaucracy within the various levels of government to be the most serious obstacle to doing business in the country. However, when requested to prioritise the problems in their regions of operations, none of the Russian companies surveyed considered corruption or bureaucracy a serious problem. This may point to the fact that Russian companies have become more adept at dealing with corrupt officials and sidestepping the bureaucracy than their foreign counterparts, or that they face far more serious obstacles that are not shared by foreign companies. The most serious problems identified by Russian companies included the low level of living standards, low rates of economic growth, and the requirement for employment creation. Significantly, none of the companies listed environment pollution as the most significant problem

in their region; on average, it was rated fourth. This however represents a significant increase in the priority assigned to the environment from similar studies conducted in the 1990s, in which the state of the environment was generally listed as number eight or nine in people's priorities. This would suggest that the growing stability of the Russian economy, and its increasing exposure to the global economy, are promoting a gradual increase in the value attached to the environment.

#### 25. How would you assess the state environmental policy of Russia?

A further surprise concerns the positive assessment of the state environmental policy in Russia, with 34 companies believing that it has contributed to the improvement of environmental quality in the country. As a rule, companies view federal policy as either unreasonably strict, or inconsistent and focused on short-term objectives, and therefore feel that it does not create the necessary conditions for companies to invest in environmental activities. For this reason, companies have historically appeared to behave in an environmentally responsible manner not because of the state policy, but rather in spite thereof. By the same token, however, 24 companies were of the opinion that the government's environmental policies have little or no impact on the improvement of environmental quality, which given the above scenario, would appear to be a far more realistic assessment, while three companies felt that these policies actively hinder the improvement of the environment.

#### 26. Does your enterprise have contacts with any of the following countries?

As can be seen from the table below, Russian companies do not have particularly close business relations with their BRICS counterparts. The closest and longest-standing relations appear to be those with China and India.

	Your company imports from:	Your company exports to:	Your company invests in:	Your company receives investment from:	Joint initiatives (e.g. R&D)
China	4	21	1	0	1
India	0	11	1	0	1
Brazil	0	3	0	0	0
South Africa	0	4	0	1	1

4.

GENERAL

CONCLUSIONS

AND RECOM-

MENDATIONS

## 4.1. General Conclusions:

1. In general, the companies surveyed, particularly those that possess an international presence, are involved in polluting industries, or operate in areas with a negative environmental situation, possess the highest degree of environmental awareness and responsibility. Furthermore, in many cases, the scope of cooperation between a particular industry and WWF-Russia provides a firm indication of the environmental awareness of those companies operating in that industry. For example, WWF-Russia has been cooperating with the forestry sector since 1998, and with the oil industry since 2004, and the companies drawn from these sectors that participated in the survey generally exhibited a sophisticated understanding of environmental issues. By contrast, attempts to establish relationships with the financial services sector in Russia commenced only in 2006, and as previously mentioned, the response from these companies in this sector was particularly disappointing.
2. Currently, the corporate sector appears to be the most efficient driver of sustainability in Russia, and achieves the results it does in spite of, rather than because of, the government's environmental policies.
3. Judging by the results of the survey, Russian companies focus primarily on reactive, engineering-based, "end-of-pipe" solutions, which attempt to mitigate their negative impact on the environment, which is in itself a commendable step. However, these companies have in general yet to embrace the trend which exists in developed countries of utilising more proactive approaches. Few of them are willing to work with the public and NGOs, and it seems that those companies expressing a willingness to work with the federal and regional government, wish to limit this interaction to lobbying for their own interests.
4. Many of respondents are aware of traditional environmentally-friendly practices, such as environmental impact assessments, but have not encountered such innovations as the Equator Principles, which presents a significant opportunity for WWF to undertake educational efforts in this regard.
5. A particularly positive sign is the fact that many of the respondents perceive environmental protection measures as a means to lower their costs and enhance their competitiveness and efficiency, both domestically and internationally.

6. In general, the responses received from the companies demonstrate a relatively high degree of sophistication in terms of their understanding of international business practices, and imply that the increasing internationalisation of Russian companies, and their integration into the global economy, is a key incentive for pursuing sustainability initiatives.
7. The low level of relevance attached by the respondents to the activities of NGOs in Russia, which was reflected in their responses to a number of questions, provides a major indication of the fact that WWF must step up its efforts in Russia, particularly in terms of increasing the engagement of private actors in activities such as promotional and educational campaigns. It is further clear that real opportunities exist for this intensification of efforts, since a number of companies expressed a willingness to participate in the activities of WWF, or an interest in obtaining WWF's support for their efforts to export their products. At the same time, however, the possibility exists that the negative attitudes of the respondents to the role of NGOs in environmental protection can be ascribed partly to the criticism these companies have received from NGOs in the past, and partly to a campaign currently underway in Russia to discredit NGOs that receive foreign funding<sup>107</sup>.
8. It would appear that Russian companies might serve as positive role models for companies from other developing or emerging economies, since they provide relevant examples of how environmental activities might be undertaken with very little support in terms of government policy. The successes achieved by companies such as Surgutneftegas, Severstal or Cherepovetsless might seem more achievable than those of major multinational corporations, and these should therefore be promoted amongst their counterparts in developing countries.

## 4.2. Recommendations

### RUSSIAN COMPANIES

- Companies that wish to contribute to sustainable development could interact with the government and NGOs, in order to improve the regulatory framework and create an export and investment agenda that supports sustainability.
- Companies that export sustainable goods and services could cooperate with the government and NGOs in developing appropriate export strategies.
- Companies could collaborate, for example through relevant industrial associations, to streamline and improve the existing Russian environmental regulations and propose solutions that take into account regional or sectoral specifics.
- Companies could creatively utilise international best practices in environmental protection, and could in some cases apply successful approaches of their peers from other BRICS countries, which may prove more relevant than those applied in developed nations.
- Russian companies could communicate more actively with their Chinese, Indian, Brazilian or South African counterparts to develop a common sustainability agenda that would take into account specifics of this group of countries.
- Companies could interact closely with NGOs and local communities before implementing major investment projects, in order to identify potential environmental risks and opportunities.

### THE RUSSIAN GOVERNMENT

- The government could support environmentally and socially responsible companies, for example through the provision of fiscal benefits and financial incentives. At the same time, it could penalise environmental offenders by the imposition of meaningful fines. Such punitive measures, however, cannot be implemented without taking into account the fact that in certain cases, polluting industries and companies provide the only source of livelihood for the populations of particular regions. Every attempt should therefore be made to ensure that these punitive measures do not jeopardise the continued existence of such companies, since this would result in a host of negative socio-economic consequences for the local populations.
- The government authorities could streamline and improve existing environmental laws and regulations, taking into account the recommendations of environmentally responsible and proactive companies and NGOs.
- The government could focus on incorporating environmental aspects into its overall objective of GDP growth, poverty reduction and solution of demographic problems in Russia.

- The government could support educational efforts in the environmental sphere, particularly those that are broad-based and target all segments of the Russian population.
- The relevant governmental authorities, such as the Ministry of Finance or Central Bank of Russia, could work with financial institutions, in order to involve them in environment protection activities, for example by promoting the Equator Principles or introducing ratings for “the most environmentally-responsible bank or mutual fund”.
- The relevant government authorities could cooperate with Russian companies and NGOs to promote the export of sustainable goods and services.
- The government could promote and advertise the environmental and social activities of progressive Russian companies within the framework of its campaign to improve the image of Russia internationally.
- The relevant government authorities could cooperate more closely with their counterparts from other BRICS countries, in order to implement sustainable development strategies that are most applicable for emerging markets.
- The government could focus on strengthening the disclosure requirements for companies in terms of basic environmental information, preferably in line with international standards such as the Global Reporting Initiative (GRI).
- The relevant government authorities could selectively introduce environment protection principles that have been tried and tested in developed countries, ensuring that they are appropriate for the Russian situation.
- The relevant government authorities could organize regular fora in which representatives of the legislative and executive authorities, business and NGOs could meet to discuss sustainability issues.

#### FOREIGN GOVERNMENTS AND COMPANIES

- Foreign governments and companies could support those Russian companies that exhibit a high degree of environmental and social responsibility in their exports of sustainable goods and services.
- Foreign companies could investigate both their Russian suppliers and customers, in order to ensure that they ally themselves with environmentally responsible companies rather than offenders. In particular, Chinese and Indian companies, through dialogue with suppliers in Russia, could help support leaders in the field of sustainability.
- Given the current political and economic situation in Russia, and the focus on limiting foreign investments in strategic sectors of the economy, such as natural resources, and particularly the oil and gas industries, by allocating to foreigners the role of junior partners to Russian companies, foreign companies could make special efforts to act as good corporate citizens when implementing projects in Russia.

- Foreign companies and governments could bear in mind that environmental issues currently became an important political lever that is used to put pressure on certain companies or projects, and, therefore, it might make sense for them not only to strictly observe the effective environmental legislation, but in some cases be proactive and go beyond the existing Russian environmental standards.
- Foreign companies that work with Russian partners could promote and introduce proactive environment protection solutions that have been successfully implemented in other countries, with the proviso that these solutions are tested and found to be appropriate to the Russian economic and business environment.
- Foreign companies and governments could increase their educational efforts in the environmental sphere in Russia, targeting all segments of the population.
- Foreign financial institutions doing business in Russia could incorporate increased levels of environmental responsibility into their business practices, particularly in terms of their requirements when providing finance to Russian companies.
- Foreign financial institutions doing business in Russia could educate their Russian counterparts in issues of sustainability.

5.

WWF'S

RESPONSE

The responses of the Russian companies proved interesting not only from a scientific, but also from a pragmatic point of view, and they allow WWF-Russia to identify a number of practical measures that it could take to intensify its future activities in Russia.

1. The survey provided a number of interesting and practical ideas upon which WWF can base its future activities in Russia. Firstly, 14 companies expressed an interest in obtaining the support of the organisation for their exports of sustainable goods and services. The network of WWF offices, particularly those based in Europe, could therefore use this interest as an opportunity to put these companies in contact with potential partners in their respective areas of operations. Secondly, 21 companies were ready to participate in WWF's activities aimed at the promotion of sustainable development, both within Russia and globally, and it would seem that the organisation should therefore actively build relationships with these companies, while also seeking to convince the 29 companies who were unsure of the benefits of collaboration with NGOs such as WWF.
2. In general, the activities of NGOs received a less than impressive assessment in the answers to several questions, most notably question # 23, in which NGOs' activities received the lowest ranking among possible motivations for environmental protection activities of the respondents. It is therefore a particularly important challenge for NGOs such as WWF, to promote the concept of mutually beneficial and supportive relationships between the business community and environmental NGOs, based on cooperation rather than confrontation, in which NGOs actively assist environmentally responsible companies rather than trying to restrict their activities.
3. WWF-Russia intends to implement the second stage of this survey by contacting several of the most environmentally responsible companies, from different sectors and, through in-depth interviews, attempting to identify the most urgent challenges facing these companies in the environmental sphere within their regions and/or sectors of operation.

Based on the results of these interviews, WWF-Russia will, together with the companies, develop recommendations to the relevant government authorities regarding means by which they can improve and streamline environmental regulation, taking into account regional and sectoral specifics.

4. As far as the primary areas of focus for the activities of WWF-Russia, namely the oil and gas sector and the forestry industry, are concerned, the situation appears to be relatively favorable, judging by the responses provided by companies from these sectors to the survey questionnaire. WWF-Russia therefore intends to continue its interaction with these two sectors, both by strengthening the areas of cooperation established in the past, for example the promotion of FSC certification in the forestry sector, and through the introduction of certain new approaches, for example the implementation of mechanisms such as eco-labeling, which allow consumers to influence the environmental activities of companies by selecting the most environmentally friendly goods and services available.

The medium-term objective for WWF-Russia's work with the domestic oil and gas sector is to ensure higher levels of environmental awareness and compliance by companies operating in these sectors, through the development and advocacy of effective corporate environmental policies and the implementation of the best available technologies and practices. WWF-Russia recognises that further development of the current constructive dialogue with the oil and gas sector is required, based on both the Russian NGOs' Common Ecological Demands and WWF eco-regional priorities.

The new Forestry Code represents a concrete threat to the further environmentally responsible development of the forest sector<sup>109</sup>, since it permits the construction of, among others, houses, pipelines and roads within protected forest areas, through the exemption of forest development plans from the requirement of environmental scrutiny. WWF-Russia therefore intends to collaborate with environmentally responsible forestry companies and public organisations such as the Association of Environmentally Responsible Foresters of Russia and the Public Forestry Council, in order to lobby for environmentally responsible legislation in this sector.

Similarly, WWF-Russia intends to increase its level of interaction with the relevant state executive authorities, as well as contribute to the creation of civil society institutions, in order to contribute to the formulation and implementation of an environmentally friendly system of forest management, particularly in those Russian Federation Subjects

that are located in global ecoregions. In addition, WWF could provide additional impetus to the development of the international ENA FLEG<sup>110</sup> process, aimed at eliminating illegal forestry, as well as developing and implementing major environmentally-oriented projects based on partnerships with large forestry companies.

5. The third area of focus for WWF-Russia during 2007 is the financial sector, which, as proven by the lack of response received from this sector in the course of completing the survey, provides the most serious challenge in terms of the implementation of sustainability principles. It is therefore vital that WWF-Russia acts particularly quickly in building links within the sector, so as to take advantage of the growing presence of international financial services companies in the country, and the proposed public offerings of a number of leading Russian banks. Furthermore, the Russian banking and financial system is undergoing a gradual transformation, from a position of primarily speculative and short-term transactions to one of funding longer-term activities in the “real” sector of the economy. WWF-Russia is therefore in a position to interact directly with these financial institutions, or indirectly with their advisors such as consulting companies or underwriters.

It would seem that the opportunity currently exists for NGOs in Russia to focus on increasing the involvement of the domestic representatives of the financial community in sustainability efforts, thereby raising their environmental awareness. To this end, such NGOs, including WWF-Russia, should conduct seminars with experts from banks and other financial institutions, publish research materials that analyse the close relations that exist between the environment and financial sector in developed countries, arrange training initiatives in higher education establishments and business schools that focus on financial services, promote environmentally responsible mutual funds, cooperate with insurance companies to expand their coverage of environmental accidents, educate the business media regarding sustainability, and lobby the government to adopt relevant national laws and regulations.

6. While not a priority at the moment, the possibility of engagement with companies providing sustainable products and services must be explored. Sectors such as ICT provide a proven contribution to energy efficiency and therefore to reduced CO<sub>2</sub> emissions. In Russia this perspective is relatively unfamiliar, but through increased interaction with other WWF offices, it could easily gain increased recognition within the country<sup>111</sup>.

7. On an overall level, it is in the interests of WWF-Russia to stress the requirement for closer cooperation between relevant government authorities and companies from Russia and those from the other BRICS countries, in other words those countries that exhibit similar economic and social circumstances and challenges. In many instances, their approaches to ensuring sustainable development might prove more appropriate for Russia than practices borrowed from the developed world.

# APPENDICES

## Survey participants

Alfa-Bank (commercial bank)	Stavropol Broiler (poultry producer)
Ammofos (fertilizer producer)	Stroytransgas (construction of oil and gas facilities)
April GPS Systems (sales of hydrological equipment)	Surgutneftegas (vertically-integrated oil company)
Arkhangelsk Pulp and Paper Combine (pulp and paper production)	Tatneft (oil and gas producer)
Aviastar-SP (aircraft manufacturer)	Tetra Pack (packaging producer)
AVISMA (non-ferrous metals producer)	TNK-BP (vertically-integrated oil company)
AvtoVAZ (car manufacturer)	Urals Plant of Civil Aviation (aircraft manufacturer)
Baltika (brewing company)	Ust-Ilimsk Forestry Complex (pulp and forestry product producer)
Baranchinsk Electromechanical Plant (electrical machinery producer)	VIZ-Stal (steel producer)
Capital Bank Moscow (commercial bank)	Volga (paper producer)
Caspian Pipeline Consortium (oil pipeline transportation)	Volgoneftekhimmontazh-ECO-Tec (construction and production of purification equipment)
Chelyabinsk Pipe Plant (steel pipe producer)	Yakutugol (coal mining)
Cherepovetsless (forestry sector)	YUKOS (vertically-integrated oil company)
Coca-Cola HBC Russia (soft drinks producer)	Zvezdochka (shipbuilder)
Economic Union (commercial bank)	
EuroChim (fertilizer producer)	
Far Eastern Sea Transportation Company (cargo transportation)	
Gazprom (gas industry)	
Gazpromneft (vertically-integrated oil company)	
Ilim Pulp Enterprise (pulp and paper producer)	
Izhevsk Radio Plant (radioelectronics producer)	
KamAZ (truck manufacturer)	
KOKS (coke producer)	
Kuibyshevazot (fertilizer producer)	
Lebedinsk Concentrating Combine (mining)	
Lesosibirsk LDK # 1 (forestry, timber and furniture producer)	
LUKOIL (vertically-integrated oil company)	
MiG (aircraft manufacturer)	
Mikhailovsk Concentrating Combine (mining sector)	
Mosgortrans (Moscow city passenger transportation company)	
Nizhnekamskneftekhim (petrochemical industry)	
Norilsk Nickel (non-ferrous and precious metals mining)	
Novolipetsk Metallurgical Combine (metallurgical sector)	
Orantha (insurance)	
Orgsyntez (chemical industry)	
OSAO Russia (insurance)	
Penza Fixture Plant (producer of pipeline fixtures)	
Pipe Metallurgical Company (steel pipe producer)	
Plitspichprom (forestry and timber processing industry)	
Post of Russia (postal delivery services)	
Primorsk Foresters (timber production)	
Primorsk Sea Transportation Company (cargo transportation)	
RAO UES Russia (power generator)	
RESO-Guarantee (insurance)	
Rimbunan Hidzhau International (timber production)	
Rockwool Russia (insulation producer)	
Rosenergoatom (nuclear power generator)	
Rosneft (vertically-integrated oil company)	
Severstal (metallurgical sector)	
Shatura (furniture producer)	
Slavneft (vertically-integrated oil company)	
Soda (chemical industry)	
Special Economic Zones (service sector)	

## List of Abbreviations

BAT – best available technology  
Bcm - billion cubic meters  
CEO – Chief Executive Officer  
CIS – Commonwealth of Independent States  
CO<sub>2</sub> - carbon dioxide  
CPSU – Communist Party of the Soviet Union  
CSR – Corporate Social Responsibility  
EBRD – European Bank for Reconstruction and Development  
EIU - Economic Intelligence Unit  
ENA FLEG – Europe and North Asia Forest Law Enforcement and Governance ministerial process  
FDI – Foreign Direct Investments  
FSC – Forestry Stewardship Council  
G6 - Group of Six  
G8 – Group of Eight  
GDP – Gross Domestic Product  
GEF – Global Environmental Facility  
GHG – greenhouse gas  
GNI – Gross National Income  
GRI – Global Reporting Initiative  
IEA – International Energy Agency  
IMD - Institute of Management Development  
IPO – initial public offering  
ISO – International Standards Organization  
IT – information technology  
M&A – mergers and acquisitions  
MAC – maximum allowable concentration  
MSCI – Morgan Stanley Capital International  
NGO – non-governmental organization  
OECD – Organization of Economic Development and Cooperation  
OSHAS – Occupational Safety and Health Administration standards  
RSFSR – Russian Soviet Federative Socialist Republic  
RSPP – Russian Union of Industrialists and Entrepreneurs  
TIP – Trade and Investment Programme  
USSR – Union of Soviet Socialist Republics

## Survey Questionnaire and Consolidated Results

### Contribution of the Leading Russian Companies to Sustainable Development

Name and address of the company:
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Sector	Product / Service offered	Year of Establishment	Turnover/ Sales

Form of ownership
<ul style="list-style-type: none"> <li>• JV</li> <li>• State-owned</li> <li>• Private</li> </ul>

1. Are environmental considerations (such as possible pollution, use of environmentally damaging material in production, impact on surrounding flora and fauna etc.) important to your enterprise?

Yes, environmental considerations are extremely important	38	55%
Yes, environmental considerations are more or less important	27	39%
No, environmental considerations are not important	4	6%

2. Does your Company take specific measures to reduce environmental impact of its activities and does it provide goods/services that could contribute to the solution of environmental problems?

#### Takes measures

Yes	54	90%
No	6	10%

#### Provides goods/services

Yes	23	50%
No	24	50%

#### Does your Company export its goods/services?

Yes	43	74%
No	15	26%

Do you encounter problems in exporting these (for example, import restrictions in some foreign markets?)

Yes	15	34%
No	29	66%

Would you be interested for WWF to support your Company in exporting these goods and services?

Yes	14	33%
No	28	67%

3. What are the reasons why your Company is interested in environmental factors?  
(more than one answer is possible)

It is a useful marketing strategy and makes your enterprise stand-out	14	8%
It enhances your market share amongst other like products	17	10%
Key company customers, consumers and clients demand it	15	9%
It improves export possibilities and access to important overseas markets	19	11%
It helps to attract foreign investments	11	6%
It improves time and cost productivity as resources are more efficiently utilized	17	10%
It is part of your business, i.e. you sell environmental goods & services	7	4%
It is part of your enterprise's core values and corporate principles	41	23%
It is part of regional, religious or social values followed by the enterprise	34	19%

4. Does your Company have any specific budget for environment-protection activities?

Yes	53	82%
No	11	18%

5. Does your Company employ a system of solid waste management?

No	13	19%
Yes	53	81%

6. Does your Company have a presence in the international market?

No	12	18%
Yes	54	82%

7. Does your business enterprise benefit from an existing “eco-label” scheme or a similar “environmentally friendly/sustainable” certification (such as ISO 14001, FSC)?

Yes	29	49%
No	30	51%

Are eco-labeling and environmental certification relevant for your business?

- Yes – 55 (80%)
- No – 13 (20%)

If they are relevant, who should develop and promote them?

- Government – 16 (28%)
- Industry associations – 25 (44%)
- Other – 15 (28%)

Should environmental certification be:

- National – 19 (27%)
- International – 49 (73%)

8. Does your Company deal in any way with environmentally-friendly machinery, goods or services?

Yes	50	78%
No	7	11%
Do not know what constitutes environmentally-friendly machinery, goods or services	7	11%

9. Does the use of environmentally-friendly machinery or processes increase or decrease your productivity and costs?

Increases productivity	24	31%
Increases costs	23	31%
Decreases productivity	0	0%
Reduces costs	18	23%
Don't know	11	16%

10. What are the key environmental values and principles of your company?

The narrative answers to this question are provided in Appendix D.

11. Does your company publish regular social, environmental and sustainability reports?

Yes	37	58%
No	26	42%

12. Does your enterprise encourage any of the following environmentally-friendly business practices? (more than one answer is possible)

Environmental impact assessment at the time of setting up the manufacturing unit, if any	52	45%
Environmental due diligence when acquiring a new premise or company/unit	12	11%
Environmental audit or assessment annually or bi-annually.	16	14%
Purchase of environmentally friendly and less energy consuming office equipment, e .g. ozone friendly air-conditioners and energy efficient light bulbs)	18	17%
Use of solar power, bio-gas or any renewable source of energy.	9	7%
Other	8	6%

13. Has your enterprise been exposed to (or adhere to) any of the following (more than one answer is possible):

Corporate Social Responsibility (CSR) schemes	6	7%
ISO 14001 Certification by the International Standards Organization	31	38%
Financing provided by EBRD or World Bank group	11	14%
Global Compact principles or Global Reporting Initiative	9	12%
"Equator Principles" proposed by some financial actors	1	1%
Forest Stewardship Council certification (for wood & wood based products)	7	8%
Marine Stewardship Council certification (for marine products) administered by the World Wildlife Fund and Unilever.	0	0%
The "Global Environmental Facility"(GEF) funding facility.	0	0%
The "Clean Development mechanism" or "carbon trading".	4	4%
Other	13	16%

14. To what extent does your company comply with the provisions of the federal or regional environmental legislation and court decisions?

Does not comply with relevant environmental laws and standards	0	0%
Complies with the relevant environmental laws and standards	54	82%
Goes beyond the requirements of the environmental laws and standards	13	18%

15. Would you support a government, NGO or private initiative to streamline rules for environmental reporting, transparency and monitoring for companies?

Yes	43	69%
No	1	2%
Do not know	18	29%

16. Would you like to be part of an initiative by WWF to promote sustainable development in Russia and internationally?

Yes	21	35%
No	9	16%
Do not know	29	49%

17. In your view, what are the most effective steps that your enterprise can take to protect and preserve natural resources and the environment?

The narrative answers to this question are provided in Appendix D.

18. In your view, what is the most efficient mechanism of companies' participation in the improvement of Russia's environmental policy?(more than one answer is possible)

Interaction with the federal legislative authorities	43	31%
Dialogue with the regional and local authorities	41	29%
Establishment of industrial associations	22	16%
Cooperation with NGOs	14	10%
Work with the public	15	11%
Other	5	3%

19. How would you rate your Company in terms of abiding by the laws and regulations for environmental protection? (on a scale of 1-5: 5 being highest)

Breaking the laws	2	2%
Trying to lower the standards	3	3%
Following the standards	62	76%
Going beyond the standards	13	17%
Going beyond the standards and suggesting new tougher standard	2	2%

20. How would you rate Russian companies in general in terms of abiding by the laws and regulations for environmental protection?

	Very few	Few	Many	Very Many
Breaking the law	5	18	23	6
Trying to lower the standards	13	20	10	1
Following the standards	4	12	29	2
Going beyond the standards	31	15	0	1
Going beyond and suggesting new tougher standards	37	3	0	0

21. How do you think Russia's accession to WTO will affect competitiveness of your Company and the state of the environment in Russia?

Competitiveness

Strengthen competitiveness	12	22%
Weaken competitiveness	11	21%
Will have no impact on competitiveness	21	40%
Do not know	9	17%

State of the environment

Improve the state of the environment	28	44%
Worsen the state of the environment	5	6%
Will have no impact on the state of the environment	19	30%
Do not know	11	20%

22. Do you think the Russian government (national/local) should promote investments (including foreign direct investment) in renewable energy/ energy efficiency in order to reduce CO2 emissions and support companies which can provide welfare/ export opportunities with low levels of pollution?

Yes	56	93%
No	0	0%
Do not know	4	7%

23. What do you consider to be the key factor, which serves to encourage the environmental activities of Russian companies in general (more than one answer is possible)?

Administrative measures (environmental fines, closures of enterprises, lawsuits)	30	12%
The desire to reduce payments for pollution	37	15%
Incentives provided by the government (tax breaks, credits)	32	13%
The desire to comply with legislation	36	14%
NGOs' activities	6	2%
Environment-protection activities of the public	12	4%
Consumer preferences	10	3%
The necessity of complying with environmental standards because of the growing internationalization of business and Russia's integration into world economy	28	10%
The desire to ensure high environmental quality in the region where the company operates and where its workers and their families live	35	14%
The awareness that compliance with environmental norms can enhance competitiveness of the company	34	13%
Other	2	0%

#### 24. Prioritise problems in the region where your company operates.

Answers of companies to this question are analysed in section 3.2 of the report.

#### 25. How would you assess the state environmental policy of Russia?

It contributes to the improvement of the quality of the environment in the country	34	56%
It has no impact on the quality of the environment in the country	24	39%
It worsens the quality of the environment	3	5%

#### 26. Does your enterprise have contacts with any of the following countries?

	Your company imports from...	Your company exports to ...	Your company invests in...	Your company receives investment from...	Joint initiatives (e.g. R&D)
China	4	21	1	0	1
India	0	11	1	0	1
Brazil	0	3	0	0	0
South Africa	0	4	0	1	1

## Narrative Responses of Companies to Selected Questions

### Question 10. What are the key environmental values and principles of your company?

- Efficient use of natural resources; through the introduction of advanced and environmental-friendly technologies, reduction of emissions of atmospheric pollutants and of dumping of pollutants into Angara river, thereby ensuring the balance of ecosystem of the region; treatment and recycling of waste materials, enhancement of the level of environmental and industrial safety (forestry company)
- Minimisation of the negative impact of the company's activities on the environment (forestry company)
- Reduction and prevention of adverse impact on the environment; constant improvement of environmental management and activities; strict observation of Russian legislation and international standards and norms (furniture producer, member of the corporate club)
- Implementation of environment management system aimed at increasing the effectiveness of the company's environment management activities and reducing the negative impact on the environment. Key objectives are to meet international requirements and eliminate spills in the process of oil transportation. Principal areas of activity include the introduction of compliance procedures, monitoring of their implementation, training of personnel and upgrading of operational facilities (sea transportation company)
- Protection against and prevention of environment pollution, application of energy saving and low-waste technologies (brewery)
- "We should conduct business in such a way so as to protect, preserve and improve the environment". Five principal strategies to implement this principle are: more than responsibility, compliance, minimisation of negative impact on the environment, control and involvement of the public (soft drinks producer, member of the corporate club)
- Environmental sustainability; openness and transparency; availability of environmental information for clients; improvement of environmental management in production; minimisation of negative impact from cargo transportation; collaboration with suppliers of wood and cardboard regarding the introduction of environmental certification; involvement of staff in developing solutions to environmental issues (packaging producer, member of the corporate club)
- Environment protection is an integral element of the company's business (non-ferrous metals producer)
- Care of the Earth means environmental protection, the use of environmentally friendly technologies, and our responsibility towards the future generations for the land of Tatarstan. The main principles of environment policy are: rational use of natural resources; a systemic approach to the development and implementation of targeted environmental programs; the development and introduction of new efficient technologies that reduce technogenic impact on the environment; the reduction of energy intensity; the development and introduction of wasteless technologies; control and monitoring; a health protection policy aimed at the staff and local community (oil producer)
- Sustainable development of production that envisages equal attention to economic, social and environmental components, and recognition of the impossibility of developing human society if it results in the degradation of nature; prevention of negative environmental effects resulting from human activities, and due account of long-term environmental consequences (aircraft manufacturer)
- Protection of nature is one of the key prerequisites for the well-being of the company (machine builder)
- The introduction of advanced technologies and upgrading of existing production processes in order to reduce adverse impact on the environment; compliance with the RF environmental legislation; energy saving (metallurgical company)
- Constant improvement of environmental indicators; environmental audits; improvement of the quality of the environment in the region of the company's operations (instrument manufacturer)
- Sustainable development, improvement of environmental efficiency (petrochemical company)
- Compliance with environmental legislation of Russia and Bashkiria (chemical company)
- Health protection and occupational safety of the staff and local community; rational use of natural resources; environmental safety due to the implementation of state-of-the-art science and technology (aircraft manufacturer)
- Reduction of the enterprise's impact on the environment; comprehensive control and monitoring of the environment in the region of operations; development of environment management system; cooperation with supervisory environmental bodies, the general public and other stakeholders; participation in the solution of the environmental problems of the city (forestry and timber processing company)
- Reduction of pollution (postal service company)
- Minimisation of impact on the environment (mining company)
- Efficient business in the sphere of metals and metal products in harmony with the environment (metallurgical company)
- The application of nature protection methods, leading to the minimisation of damage and threats to the environment (paper producer)
- Strict compliance with legislation; minimising anthropogenic impact on the environment; preservation and rational use of natural resources; safe production processes and risk reduction (oil producer)
- The reduction of adverse impact on the environment (truck manufacturer)
- The implementation of a well-defined environmental policy is an integral element of the company's strategic development. The key objective is to conduct business in accordance with international standards and effective Russian environmental legislation, constantly reducing technogenic impact on the environment (pipe manufacturer)
- FSC certificate proves that the company is environmentally responsible, socially focused and economically viable (timber processing and furniture manufacturing company)
- Constant reduction of adverse impact on the environment; compliance with environmental legislation (fertilizer producer)
- The production of goods and provision of services that improve the quality of the environment (purification equipment producer)
- Environment protection in the areas of operations and rational resource use; industrial and environmental safety in the process of construction and operation of facilities; health protection and occupational safety of the company's employees; involvement in promoting and ensuring environmental safety in the regions of operations (gas producer)
- Reduction of technogenic impact on the environment; compliance with environmental legislation; creation of a favorable image of the enterprise among the personnel and the public; reduction of health risks for the local community (pipe producer)
- Sincerity and reality of goals, unquestionable fulfillment of targets, continuity of environment protection activities (oil and gas facilities constructor)
- Compliance with all international and national requirements for environment protection (sea transportation company)
- The strategic goal of the company in the 21st century is to ensure sustainable development and become one of the leading oil companies in the world; this goal will be achieved through the balanced achievement of social and economic objectives and by ensuring the quality of the environment (oil company)

- Continuous reduction of adverse impact on the environment; ensuring favorable conditions for human life; improvement of the environmental, social and economic situation in the regions of the company's operations; ensuring the adoption and achievement of the highest possible environmental indicators by the company (oil company)
- Rational and comprehensive use of natural resources; a set of measures aimed at minimising negative impact on the environment; application of resource-saving technologies (mining company)
- Rational use of natural resources; development and introduction of resource-saving and low-waste technologies; information disclosure (oil company)
- Responsibility for the state of the environment in the region of the company's operations and significant investment into environmental protection activities (coke producer)
- Prevention of pollution (ship builder)
- Ensuring a favorable environment in the regions through which the pipeline passes, during the process of design, construction and operation of the pipeline system; prevention of adverse impact on the environment through application of the most advanced and reliable technologies and equipment, as well as through the creation of a high level of environmental awareness; constant environmental control and monitoring, and adjustment of impact based on the results of monitoring (oil pipeline company)
- Continuous reduction of the impact on the environment; enhanced satisfaction of personnel; accessibility for all stakeholders (fertilizer producer)
- Continuous reduction of hazardous atmospheric and water emissions; reduction of noise levels (city transportation company)
- Reduction of adverse impact on the environment (coal producer)
- Become a preferred supplier in order to improve energy efficiency; put our own house in order; popularise ideas regarding energy efficiency (producer of heat insulation, member of the corporate club)
- Implement science, technology and economic policy with the objective of ensuring safety and minimising impact on the environment (nuclear power generator)
- A careful attitude towards environment; compliance with legislation; minimisation or elimination of adverse impact on the environment; visible commitment of executives to meet environmental aims through the demonstration of appropriate culture, clear-cut determination of roles and responsibilities, the provision of necessary resources, control and improvement of the efficiency of personnel; open provision of information regarding positive and negative results of activities (oil company)
- Efficient use of energy; minimisation of negative impact on the environment (power generator)
- Efficient program for water saving within the company; wide ranging environmental projects to protect water resources in cooperation with international partners; local projects on environmental education, particularly for school children, for example environmental summer camps (soft drinks producer, corporate club member)
- Installation of water circulation systems, energy saving, optimal utilisation of waste (beer producer)
- Joint projects with WWF, for example co-branded card, financial support for environmental projects (bank, corporate club member)
- Elimination of accidental spillages in the process of cargo transportation (marine transportation company)
- Modernisation of transport systems, installation of sleeve filters as a second level of purification; recycling of waste water, reduction of artesian water use in production processes; improvement of waste water treatment; improvement of waste management system (furniture producer, corporate club member)
- ISO 14000 and FSC implementation, recycling of resources, upgrading of equipment, improvement of core technologies, information disclosure (pulp and paper producer, corporate club member)
- Obtain VLIP (certificate of forestry products legality) in RF (forestry company)
- Annual confirmation of compliance with ISO 14001; compliance with Russian environmental laws; implementation of an environmental management program up to 2010; environmental training of all personnel; identification and ranking of environmental priorities (vehicle manufacturer)
- Observe environmental laws, introduce environmentally safe technologies; comprehensive treatment of waste (pulp producer)
- Protection of air and water reservoirs, energy saving program, expansion of environmental monitoring (fertilizer producer)
- Introduction, maintenance and improvement of environmental management system, ISO 14001 certification (fertilizer producer)
- Consistent reduction of technogenic impact on the environment in the process of continuous expansion of production and output (ferrous metallurgy company)
- Manufacturing of engines corresponding to Euro-2 and Euro-3 emission standards (truck manufacturer)
- Modernisation of technological equipment, introduction of resource saving technologies (pulp and paper company)
- Environment protection facilities; purchase of environmental protection equipment; monitoring and improvement of environmental quality (oil company)
- Involvement in the improvement of Forest Cutting Rules (forestry company)
- Installation of waste disposal equipment; recultivation; reconstruction of biological purification installations (paper producer)
- Use of BAT technologies, resource saving, upgrading of production facilities (metallurgical company)
- Compliance with environmental legislation (postal services company)
- Compliance with legislation (equipment company)
- Environmentally and socially responsible forest use; waste reduction and waste utilisation; introduction of environment management system; environmental training of staff; further decrease of environmental impact of the enterprise (forestry and timber processing company)
- Compliance with environmental legislation; formation of the integrated system of environment management; reduction of toxic waste and emissions (aircraft manufacturer)
- Use of payment for negative environmental impact for the resolution of environmental problems of the company (purification installations, introduction of new technologies) (aircraft manufacturer)

### Question 17. In your view, what are the most effective steps that your enterprise can take to protect and preserve natural resources and the environment?

- Purchase and installation of environmentally-safe technology and equipment (radioelectronics manufacturer)
- Waste utilisation (metallurgical company)
- Elimination of production failures (oil company)
- Improvement of legislative base in terms of waste management. environmental certification and standardization; resource saving management; promotion of the idea of sustainable resource management among clients and employees (packaging producer, corporate club member)

- Use of low waste technologies, maximum recycling of waste, use of energy efficient equipment; use of secondary energy resources; construction and refurbishment of environmental protection installations; training of personnel and continuous improvement of environment management (chemical company)
- Purchase of environmentally-friendly equipment (machine building company)
- Use of best available technology (mining company)
- Compliance with national and international environmental legislation (sea transportation company)
- Recycling of waste, modernisation of waste treatment installations (non-ferrous metallurgy company)
- Improvement of environmental aspects of construction projects that the company implements (oil and gas facilities construction company)
- Introduction of environmentally clean technologies, processing of production wastes for recycling (pipe producer)
- Build facilities that solve environmental problems and produce environmentally pure products (manufacturer of purification facilities)
- Effective control over technological processes; waste treatment; upgrading of purification installations (chemical company)
- Compliance with effective environmental legislation; use of resource-saving technologies and environmentally friendly equipment (oil pipeline transportation company)
- Utilisation of associated gas (oil company)
- Granting of tax and other benefits for the introduction of BAT and the implementation of efficient measures to protect the environment (coke producer)
- Processing of manure into environmentally pure organic fertilizers, and use of these fertilizers (poultry breeding, corporate club member)
- Adoption of and compliance with strict environmental standards; observation of environmental impact procedures; public consultations; observation of international HSE standards for new projects (oil company)
- Use of safe technologies; introduction of modern technologies for utilisation and treatment of dangerous waste; reduction of emissions through reconstruction of production facilities; reduction of technogenic accident risk and negative impact on the environment at all stages of oil production and refining (oil company)
- Minimisation of negative impact; introduction of resource-saving and low-waste technologies (oil company);
- Reduction of nuclear waste; improvement of technologies for waste processing; introduction of new environmentally safe technologies; use of Kyoto mechanisms (nuclear power generator)
- Promotion of the concept of energy efficient housing; compliance with the international standards of host countries and with the standards of the company, which are much stricter than local legislation (producer of insulation, corporate club member)
- Introduction of resource and energy-saving technologies, construction of new purification facilities and waste utilisation installations (metallurgy company)
- Financial support (insurance company)
- Recycling of used luminescent lamps containing mercury; recycling of used tires (coal producer)
- Purchase of vehicles corresponding to Euro-3 and Euro-4 emission standards; use of scrubbers for stationary emission sources; reconstruction of waste water treatment facilities (passenger transportation company)
- Elimination of risk to human health and the environment; prevention of soil erosion, limitation of negative impact on forests and water reservoirs; forest recultivation; information disclosure; compliance with environmental, sanitary and fire-fighting norms, FSC certification (forestry and timber processing company)

## Russia's Foreign Trade

Foreign Trade of the Russian Federation with Non-CIS States (in current prices, million \$)

	Export							Import						
	1995	2000	2001	2002	2003	2004	2005	1995	2000	2001	2002	2003	2004	2005
Total	63687	89269	85352	91001	113157	152129	208625	33117	22276	30681	36014	44207	57856	79641
Including by countries:														
Australia	29,2	5,6	10,4	8,6	18,6	21,8	36,0	135	172	142	99,2	92,6	152	244
Austria	889	758	722	728	1030	1115	2353	982	419	543	607	790	918	1209
Algers	120	120	198	175	291	183	206	65,5	7,0	5,1	0,5	1,2	1,3	2,1
Argentina	16,5	36,5	10,1	26,2	7,5	37,2	71,7	58,6	86,1	101	192	229	355	620
Afghanistan	17,6	11,2	7,8	32,3	54,5	75,9	104	13,3	5,4	2,8	5,1	6,6	4,1	3,9
Belgium	1462	757	854	801	1128	1820	2461	867	481	648	765	891	1176	1473
Bulgaria	652	585	512	533	619	1062	1900	471	116	139	136	162	201	241
Brazil	108	259	191	230	257	369	605	359	388	923	1304	1479	1370	2342
Great Britain	3066	4670	4283	3803	4919	5640	8277	1100	861	1003	1120	1443	2067	2776
Hungary	1627	2406	2379	2167	2821	3254	5004	842	404	447	513	600	740	1099
Vietnam	322	168	163	321	357	707	739	38,0	36,8	80,0	81,4	77,1	101	175
Guinea	0,7	4,2	3,4	2,5	3,3	9,9	9,8	34,3	86,6	79,7	62,0	78,7	166	214
Germany	6208	9232	9194	8060	10420	13302	19736	6483	3898	5808	6598	8112	10556	13260
Hong Kong	311	136	153	184	322	318	349	92,3	3,3	14,9	10,0	7,6	10,1	18,6
Greece	147	1273	1041	957	948	1262	1929	257	125	144	171	142	167	189
Denmark	455	424	273	417	217	517	725	483	346	500	514	611	717	920
Egypt	394	449	447	492	376	774	1048	37,2	4,9	12,0	21,5	38,7	60,0	77,3
Israel	624	1045	945	1095	1454	1437	1538	243	109	131	160	207	209	332
India	998	1082	1123	1630	2735	2502	2314	614	557	546	517	585	651	785
Iran	249	633	904	757	1313	1912	1927	27,0	53,6	34,5	50,9	63,0	103	125
Ireland	2635	288	117	260	943	679	707	323	106	154	199	235	239	290
Iceland	11,9	3,5	7,7	0,8	3,2	2,3	7,8	12,7	6,5	7,6	9,1	10,6	27,7	39,7
Spain	290	1068	894	1099	1308	1748	2823	241	313	493	578	762	879	1225
Italy	3376	7254	7401	7441	8514	12086	19052	1851	1212	1715	2228	2407	3199	4413
Canada	121	88,9	59,7	85,0	266	500	200	222	193	237	224	301	335	515
Cyprus	270	1722	1515	1564	4491	5710	4966	97,0	35,5	28,7	13,9	13,9	22,4	47,2
China	3371	5248	5596	6837	8258	10105	13048	865	949	1646	2401	3309	4746	7259
North Korea	70,1	38,4	61,8	68,7	111	205	228	15,3	7,7	16,7	11,0	3,0	4,8	6,9
South Korea	747	972	1108	1271	1324	1963	2361	502	359	726	930	1331	2026	4003
Cuba	211	80,7	67,2	34,5	38,3	53,0	125	196	304	435	288	181	181	61,4
Luxembourg	14,5	41,3	35,6	55,7	33,2	108	64,6	32,8	14,0	15,3	11,5	33,3	56,9	58,3
Morocco	66,5	61,1	148	197	111	348	396	4,9	59,2	46,8	58,4	78,1	87,4	143,8
Mexico	28,5	114	91,5	101	98,5	181	208	27,5	42,2	51,2	50,3	64,5	62,4	86,8
Mongolia	197	182	216	232	284	363	443	40,3	40,4	36,5	48,8	35,6	21,4	22,4
Nigeria	11,5	82,2	88,5	65,2	74,9	74,4	156	4,1	2,3	6,9	2,2	6,7	7,3	1,9
Netherlands	3192	4349	4695	7529	8674	15272	24608	1646	740	846	1060	1258	1375	1935
New Zealand	1,5	0,9	6,8	5,4	8,2	22,1	11,7	111	26,6	35,5	57,8	62,6	55,8	63,6
Norway	254	127	206	283	309	398	682	174	154	200	289	323	464	746
UAE	194	178	248	386	270	479	691	73,0	23,0	3,3	14,8	2,5	13,7	90,1
Pakistan	41,1	62,7	57,3	81,5	70,8	227	231	6,5	6,2	26,0	17,9	18,7	24,6	47,1
Panama	244	140	192	93,6	86,6	102	290	7,8	46,3	0,9	23,6	3,5	2,4	3,6
Poland	1688	4452	4200	3720	4619	5700	8623	1321	716	962	1300	1715	2310	2745
Portugal	16,6	37,5	212	136	119	587	1394	19,2	18,3	20,4	33,8	43,8	66,8	89,2
Rumania	654	921	796	988	1293	1819	3041	132	79,4	91,0	61,8	68,7	131	255
Singapore	490	477	575	522	158	190	309	268	43,5	109	88,4	90,6	162	317
Syria	75,4	95,5	131	143	209	321	440	11,2	11,2	21,5	16,8	14,0	17,4	26,0
Slovakia	1736	2122	2205	2032	2297	2423	3190	294	105	132	159	301	405	502
USA	4315	4644	4198	3989	4216	6624	6318	2648	2694	3253	2980	2962	3200	4562
Thailand	389	80,2	71,4	96,0	130	372	547	54,2	89,8	107	227	302	355	451
Taiwan	463	404	258	463	837	1987	1438	88,2	88,8	166	209	262	343	491
Turkey	1644	3098	3246	3358	4807	7440	10857	542	349	521	729	928	1231	1738
Finland	2386	3104	3113	2935	4319	5828	7651	2041	958	1285	1519	1854	2336	3089
France	1519	1903	2250	2659	3491	4424	6111	1074	1187	1538	1896	2347	3072	3670
Czech republic	1675	1745	1669	1511	1941	2280	3817	438	367	467	564	712	835	988
Switzerland	3525	3857	2309	5360	5814	7707	10476	668	271	391	417	530	648	875
Sweden	643	1733	1632	1001	931	1565	2321	547	465	721	1025	1221	1612	1857
Japan	3173	2764	2427	1803	2421	3404	3743	763	572	871	980	1883	3941	5832

Source: www.gks.ru.

## Endnotes

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- 29 [www.gks.ru](http://www.gks.ru).
- 30 [www.gks.ru/free\\_doc/2006/b06\\_11/25-04.htm](http://www.gks.ru/free_doc/2006/b06_11/25-04.htm).
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- 32 For example, according to the World Bank's experts, the investment climate in Russia still suffers from weak property rights enforcement, inadequate competition, barriers to migration, and problems in public governance.
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- 70 Vedomosti, 07.12.06.
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- 72 For a detailed analysis of Rosneft's strategy see: Nina Poussenkova, Lord of the Rigs: Rosneft as the Mirror of Russia's Evolution, J.Baker Institute for Public Policy publications, Houston, March 2007.
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- 78 According to some sources, up to 80% of world-class mathematicians and 50% of physicists left Russia since 1990. See [www.nsu.ru/materials/ssl/text/news/Education/024.html](http://www.nsu.ru/materials/ssl/text/news/Education/024.html)

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[www.regnum.ru/news/68109](http://www.regnum.ru/news/68109)
- 101 [www.raexpert.ru/rating/expert400/2006/table1/](http://www.raexpert.ru/rating/expert400/2006/table1/).
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- 103 FSC-certified materials; production of gravel from metallurgical wastes; purification of communal waste waters; E1 wood plates; "environmentally clean" matches; fixtures and valves for hazardous substances; metals for catalyst production; training of personnel in environmentally-safe steering and operating of ships; environmental documentation services provided to other organizations; services to utilize mercury lamps; purification of waste waters for outside organizations; sewer pumping stations; biological purification installations; gas-fired boilers meeting international environmental requirements; containers for radioactive wastes and mobile installations to process radioactive wastes; forest recultivation of oil sludge pits; production of Euro-3 and Euro-4 petroleum products; production of gas as the environmentally cleanest fuel; pipes with pre-determined characteristics suitable for operations under adverse climatic or geological conditions; machinery meeting Euro-2 standards; visa-express plastic card whereby 0.3% of the purchase amount are transferred to WWF.
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WWF's mission is to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature, by:

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