



COATINGS INDUSTRY WORKING GROUP



CHAIRMAN:

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The Coatings Industry Working Group aimed at exchanging experience, harmonizing interests, and promoting joint initiatives of Russia-based coatings manufacturers was established in 2016.

The Working Group took an active part in explaining the consequences of applying Article 18 of Federal Law of the Russian Federation dated December 31, 2014, No. 488-FZ on public procurement and the successor legislation in relation to the creation of benefits for products manufactured in the Russian Federation as compared to those manufactured abroad. The participants' interests comprise a clear understanding of rules and interpretation of the legislation so that equal conditions could be created for Russia-based manufacturers owned by Russian or foreign entities. In the Working Group's view, the government should clearly define what local (or "localized") manufacturing means, including the extent to which local raw materials are used and other criteria. The Working Group cooperates with other associations and government departments, including the Ministry of Industry and Trade, in passing laws and issuing roadmaps for various industries, which should ensure sustainable growth in the supply of competitive local raw materials.

The Working Group exchanges information on international and Russian retaliatory sanctions so that each participant can develop its own action plan. The Working Group believes that a sanctions-free environment and the normalization of international relations are desirable and will contribute to the growth of the paint coating industry.

The Working Group exchanges experience and information on anti-corruption issues. The Group supports initiatives aimed at eliminating agency agreements in trade practices

and promoting a reasonable tightening of due diligence for trading partners (intermediaries) in terms of the payment of taxes and culture of anti-corruption. The Group is strongly opposed to any cartel agreements or alliances aimed at regulating prices for raw materials, services, or finished products. The Group studies the best practices in terms of "Codes of Conduct for Employees" and "Codes of Conduct for Partners" developed by the Group members.

The Working Group supports all initiatives aimed at eliminating gray schemes of customs clearance or international supplies of any materials and goods. The Group promotes a responsible approach to the selection and verification of transportation partners and international contractors.

The Working Group members exchange experience and information on the presence of counterfeit products on the market and their actions aimed at combating fraud, including cooperation with the competent authorities. A number of anti-counterfeit recommendations have been made for the Group members. It has been established that the main area for countermeasures is advertising on the Internet through search engines or on individual websites. The Group members form a list of independent legal entities that can help in identifying the websites of violators and eliminating counterfeit advertisements and discuss matters and their experience of interaction with large search engines in removing links to websites with counterfeit advertisements from the search results.

The Working Group supports the full-fledged application of free trade rules throughout the Eurasian Economic Union in relation to paint coatings when free trade rules apply, particularly to certain other industries. On this matter, the Group interacts with the Commission of the Eurasian



Economic Union partly by studying the experience in the unified labeling of goods (“made in the EAEU”) in other industries.

Establishing equal standards between Russia and Europe for coatings testing is vital for improving efficiency and reducing the duplication of efforts. This will not only accelerate the introduction of European technologies in Russia but will also facilitate the use of Russian technologies abroad and cost reductions. As part of this initiative, the Group interacts with leading Russian industrial institutions and major customers to take the interests and requirements of all market participants on this matter into account.

The Working Group will continue to implement the Technical Regulations of the Eurasian Economic Union “On Safety of Chemical Products” (TR TC 041/2017) and the relevant legislation which will come into force in June 2021. The Working Group supports the entry of the new Technical Regulations TR TC 041/2017 “On Safety of Chemical Products” into force. As part of this initiative, the Group supports a responsible approach to the selection of partners for the transportation of raw materials and finished coatings that meet all necessary requirements for carriers in terms of labeling and transportation safety.

As part of the global trend towards the development of and adherence to sustainable development principles (ESG), the Working Group discusses and exchanges experience on the following matters. Methods for accounting of the “carbon footprint” in the coatings manufacturing and approaches to reduce it. The Group is interested in the harmonization of “carbon footprint” accounting methods between Europe and Russia. The Group members are interested in studying the experience of a pilot project for the introduction of quotas for pollutants on the island of Sakhalin and the achievement of a zero-carbon balance by 2025. On this matter, the Group closely cooperates with the Steering Committee of the AEB Green Initiative and the ministries involved in the implementation of this project.

The Group studies and exchanges experience on matters and technologies related to the disposal of waste from the use of coatings and packaging. The Group members are interested in studying the best practices and solutions in recyclable and eco-packaging that meets the requirements for storage and transportation of coatings. The Group promotes

the introduction of the returnable tare practice between manufacturers of coatings and customers.

In terms of sustainable development, the Group studies changes in the Russian standards in terms of fire-resisting intumescent coatings and their conformity with European analogs, promotes a responsible approach, compliance with technical requirements and Russian legislation when conducting fire-resisting projects, and contributes to the development of all positive initiatives in this market, including conducting pre-qualification tests by customers when choosing fire-resisting coatings. On this matter, the Group is interested in joint initiatives on a responsible approach to the selection and operation of fire protection with Russian and international insurance companies.

The Group members promote the more active involvement of the technical inspectors of manufacturers of coatings to control the quality during the application and use of paint coatings, which allows most of the associated risks to be mitigated or eliminated.

RECOMMENDATIONS

- › Creation of equal standards in Russia and Europe for coatings testing.
- › Adoption of the legislation and roadmaps for various industries to ensure sustainable growth in the supply of competitive local raw materials.
- › Harmonization of the “carbon footprint” accounting methods between Europe and Russia.
- › Educating customers in terms of risk-oriented thinking in the planning and implementation of projects.
- › Development of own corporate coatings specifications by major customers, which allows the manageability of all processes related to the application and use of paint coatings to be structured and improved.



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