

Timber Legality Risk Assessment Czech Republic

Version 1.2 | August 2017



COUNTRY RISK
ASSESSMENTS



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



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

Disclaimers

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

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

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

The contents of this risk assessment is based on the risk assessments developed for FSC™ (please apply correct TMK, as per instructions we sent you earlier). This risk assessment is not equal to the approved FSC risk assessments when implementing the controlled wood standard FSC-STD-40-005. Only formally approved FSC risk assessments shall be used for the implementation of the FSC standards.

FSC is not otherwise associated with the project Supporting Legal Timber Trade.

For risk assessment conducted according to the FSC-STD-40-005, ONLY entries (or information) that have been formally reviewed and approved by FSC and are marked as such (highlighted) can be considered conclusive and may be used by FSC candidate or certified companies in risk assessments and will meet the FSC standards without further verification. You can see the countries with approved risk assessment in the FSC document: FSC-PRO-60-002b V2-0 EN List of FSC-approved Controlled Wood documents 2015-11-04. ”

The original document of FSC can be accessed here <https://ic.fsc.org/en/document-center>.

Contents

A. Introduction	1
B. Overview of legality risks	3
Timber Risk Score:	3
C. Overview of the forest sector in Czech Republic	5
D. Legality Risk Assessment	7
LEGAL RIGHTS TO HARVEST	7
1.1. Land tenure and management rights	7
1.2. Concession licenses	9
1.3. Management and harvesting planning	10
1.4. Harvesting permits	12
TAXES AND FEES	15
1.5. Payment of royalties and harvesting fees	15
1.6. Value added taxes and other sales taxes	15
1.7. Income and profit taxes	16
TIMBER HARVESTING ACTIVITIES	19
1.8. Timber harvesting regulations	19
1.9. Protected sites and species	21
1.10. Environmental requirements	23
1.11. Health and safety	25
1.12. Legal employment	29
THIRD PARTIES' RIGHTS	34
1.13 Customary rights	34
1.14. Free prior and informed consent	35
1.15. Indigenous/traditional peoples' rights	35
TRADE AND TRANSPORT	37
1.16. Classification of species, quantities, qualities	37
1.17. Trade and transport	37
1.18. Offshore trading and transfer pricing	39
1.19. Custom regulations	40
1.20. CITES	41
1.21. Legislation requiring due diligence/due care procedures	42
Annex I. Timber source types	46

This page has been left intentionally blank

A. Introduction

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

In that time, NEPCon has developed timber risk assessments for more than 60 countries, illustrated in Figure 1.

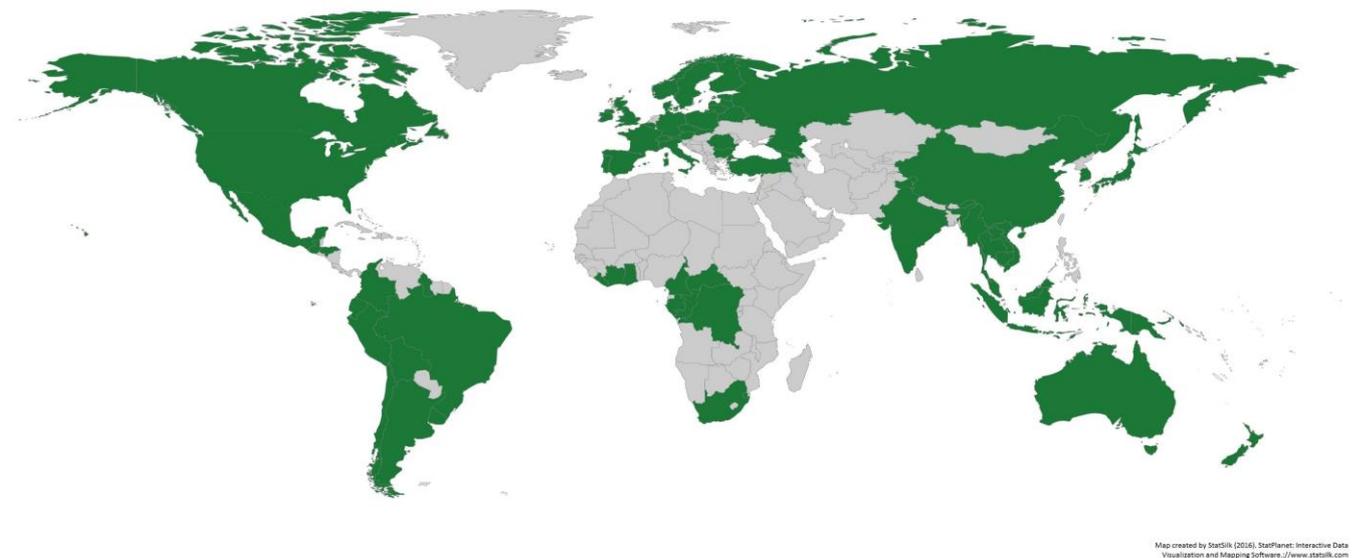


Figure 1. Countries for which NEPCon have developed a legality risk assessment for timber

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

For risk assessment conducted according to the FSC-STD-40-005, ONLY entries (or information) that have been formally reviewed and approved by FSC and are marked as such can be considered conclusive and may be used by FSC candidate or certified companies in risk assessments and will meet the FSC standards without further verification.

You can see the countries with approved risk assessment in the FSC document: [FSC-PRO-60-002b V2-0 List of FSC approved Controlled Wood documents](#).

All FSC Risk Assessments can be downloaded in the [FSC Document Centre](#).

This risk assessment was prepared by NEPCon between 2014 and 2018 as follows:

Draft prepared by NEPCon:	December 2014.
Stakeholder consultation	July – August 2018
Final approval by FSC:	8 May 2018
FSC CW effective date:	8 May 2018

NEPCon originally published the Timber Legality Risk Assessment for Czech Republic in August 2017. Since then, minor amendments to the Assessment have been made, including to indicators 1.11; 1.12 and 1.18. The amendment to indicator 1.18 (Offshore Trading and Transfer Pricing) resulted in the risk conclusion being changed from "low risk" to "not applicable".

B. Overview of legality risks

Timber Risk Score: 100 / 100 in 2017

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

- **Low risk for 15 sub-categories.**
- **No legal requirements for 6 sub-categories.**

Timber source types and risks

There are three timber source types found in the Czech Republic. Knowing the “source type” that timber originates from is useful because different source types can be subject to different applicable legislation and have attributes that affect the risk of non-compliance with the legislation. We have analysed the risks for all source types and found the risks are the same.

Production forests	Timber from forests legally classed as production forests
Protection forests	Timber from forests legally classed as protection forests
Special purpose forests	Timber from forests legally classed as special purpose forests

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

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

C. Overview of the forest sector in Czech Republic

Forest functions in the Czech Republic are divided into three categories:

1. **Production forests**
2. **Protection forests**
3. **Special purpose forests.**

Production forests are managed for the production of wood, but simultaneously provide environmental and other benefits. Protection forests are managed with the aim of protecting vulnerable forests at high elevations. The role of wood production in protection forests is less significant. They have longer rotations and the wood production capacity is lower due to poorer site quality. Some of these forests are treated as forest reserves and a small proportion of them are not logged at all. Special purpose forests are specifically managed, either to offset forest damage as a result of air pollution, or to maintain microclimates around health spas, provide recreation areas, manage game preserves or the watershed management of important water resources. Special purpose forests also comprise the forests of national parks.

The principal share of forests in the Czech Republic is owned by the state (61.5%). Municipalities, their forestry commissions and communities have a 17% share in woodland ownership, and private owners a 19% share. Of the total area of woodland owned by the Czech Republic (1596.7 thousand hectares), 1340.8 thousand hectares is administered by "Lesy České republiky s.p." (Czech Forestry Commission), 125 thousand hectares by "Vojenské lesy a statky ČR s.p." (Army Forests and Estates of the Czech Republic), 6 thousand by the Office of the President of the Republic and 95.6 thousand hectares are administered by Správy národních parků (National Parks Administration).

The harvesting of forest materials is regulated under the Forest Act and the subsidiary regulations. In accordance with this Act, a Forest Management Plan – covering a ten year period – must be prepared for each forest holding greater than 50ha. Harvesting plans are set up based on these management plans. The Forest Management Guidelines (for holdings smaller than 50ha) is approved by Regional offices. There are three basic binding requirements:

- The maximum harvesting volume
- The minimum share of ameliorative and stabilizing tree species
- Minimum area of thinning in stands under 40 years of age (only in state or municipal forests)

The control of compliance with the Forest Act is generally under the responsibility of Regional Forest Authorities (Krajské úřady) and Czech Environmental Inspectorate. At the local level, compliance is checked by district offices (ORP).

Harvesting permits are included in Forest Management Plans (LHP) and Forest Management Guidelines (LHO). Every logging activity has to be approved by a professional forest manager (OLH) and, in special cases, small forest owners have to follow the requirements of Article 33/3 of the Forest Act which states that the forest owner must request permission to harvest from the local forest authority.

Generally, the risk of illegal timber coming out of public forests in Czech is low. Public forests are large, making up more than 60% of the forest area and are subject to close monitoring

by authorities. Private forests present more of a risk as they are variable in size, there is confusing or inadequate legislation governing them, and the large number of forests owners makes government oversight more challenging.

The list of sources provided in FSC-PRO-60-002a, section 3.3.3 has been reviewed in regards to the national legality risk assessment for the Czech Republic. The following sources have been used; World Bank "Worldwide Governance Indicators" and the Transparency International "Corruption Perceptions Index" and are referred to under "sources of Information" for each applicable sub-category. The remaining sources were found not to be relevant for the legality risk assessment for Czech Republic.

On a range from -2.5 to +2.5, Czech has a score of 1.00 in relation to "Rule of law" and on control of corruption a score of 0.19 on the World Banks Worldwide Governance Indicators. According to Transparency International Czech Republic has a Corruption Perception Index of 51 (2013). The findings of this report have been supported by stakeholder consultation and expert input.

D. Legality Risk Assessment

LEGAL RIGHTS TO HARVEST

1.1. Land tenure and management rights

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

1.1.1. Applicable laws and regulations

- Zákon č. 289/1995 Sb. o lesích a o změně a doplnění některých zákonů, ve znění pozdějších předpisů (Forest Act), paragraph 12. Available at: <http://www.zakonyprolidi.cz/cs/1995-289>
- Zákon č. 114/1992 Sb., o ochraně přírody a krajiny, ve znění pozdějších předpisů (Nature protection Act), paragraphs 2, 4, 8, 9, 16, 22, 26, 32, 38, 58 - 66. Available at: <http://www.zakonyprolidi.cz/cs/1992-114>
- Zákon č. 344/1992 Sb., o katastru nemovitostí České republiky (Cadastral law), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/1992-344>
- Zákon č. 282/1991 Sb., o České inspekci životního prostředí a její působnosti v ochraně lesa (Act on Czech Environmental Inspectorate and its jurisdiction in forest protection), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/1991-282>
- Zákon č. 89/2012 Sb., občanský zákoník (Civil code), paragraphs 1261, 1279, 2345. Available at: <http://www.zakonyprolidi.cz/cs/2012-89>

1.1.2. Legal authority

- Ministry of Agriculture (Ministerstvo zemědělství)
- Czech Environmental Inspectorate (CEI)
- Ministry of Environment (Ministerstvo životního prostředí)

1.1.3. Legally required documents or records

- Forest management plan (Lesní hospodářský plán)
- Forest management guidelines (Lesní hospodářské osnovy)
- Area planning map (Český úřad zeměměřický a katastrální)
- Management plans of protected areas (Plán péče)
- Management plans of Natura 2000 sites (Souhrn doporučených opatření pro území soustavy Natura 2000)

1.1.4. Sources of information

Government sources

- nahlizenidokn.cuzk.cz (N.Y.) *Cadastral portal* [online]. Consultation of the cadaster. Available at: <http://nahliznidokn.cuzk.cz/> [Accessed 3 September 2018].
- eagri.cz (N.Y.) *The original wording of the Act no. 289/1995 Coll., on forests and on the amendment of the Forest Act* [online]. Available at: http://eagri.cz/public/web/mze/legislativa/pravni-predpisy-mze/chronologicky-prehled/Legislativa-MZe_puvodni-zneni_Zakon-1995-289-lesnictvi.html [Accessed 3 September 2018].
 - lesy.cz (2012). *Church restitutions* [online]. The law on property settlement with churches and religious communities - Information for authorized persons. Available at: <https://www.zakonyprolidi.cz/cs/2012-428>

Non-Government sources

- ikatastr.cz (N.Y.) *Cadastral map* [online]. Available at: http://www.ikatastr.cz/#zoom=8&lat=49.74701&lon=15.7673&layers_3=0B000FFTF [Accessed 3 September 2018].
- portal.justice.cz (N.Y.) *Business register* [online]. Available at: <http://portal.justice.cz/Justice2/Uvod/uvod.aspx> [Accessed 3 September 2018].
- cizp.cz (N.Y.) *Interviews with responsible people at Czech Environmental Inspectorate* [online] Available at: www.cizp.cz [Accessed 3 September 2018].

1.1.5. Risk determination

Overview of legal requirements

The ownership of the forests in the Czech Republic is as follows: State Forests 59,8% (this includes State Forestry Commission, Army Forests and Estates of the Czech Republic, National Parks, forests in protected areas and presidential forests), municipal forest 17,96%, private forests 22,1%.

The ownership is clearly established and can be found in cadastre "katastr nemovitostí"; however not all the information is publicly available. In 2013, a process of reversion of the forests to churches began. The forests restitutions from the State Forestry Commission can be followed on the company websites. By 16 October 2014, 2,163 applications for forest restitutions were registered by State Forests over a total area of 47,573ha. A total area of 1,012ha (299 forests) has already been returned to church owners. So far there have been several disputes relating to forest ownership between the State Forestry Commission and some churches or church orders and these will need to be resolved in court. However, the area of potentially disputed forests is relatively small (several hundreds or thousands of hectares) and thus the risk is considered low, but should to be monitored for future updates of this document.

There is a property tax which has to be paid by each owner of a production forest. There are no records of violation of this requirement.

Description of risk

According to information gathered in interviews with responsible people at the Czech Environmental Inspectorate (CEI), there are known and repeated issues related mostly to private forest owners: cases of illegal logging in private forests (see Chapter 3.1, Timber harvesting regulations) where some owners did not respect the ownership of neighbours and harvested illegally in a neighbouring forest. According to CEI, this impacts approximately 20–30 hectares per year. In other rather rare cases, private companies purchase a forest and harvest it prior to receiving all official documents. Once extraction has taken place, these companies then cancel the purchase, and the forest is not replanted. The number of these cases is considered very low and thus the risk is evaluated as low.

Risk Conclusion

This indicator has been evaluated as low risk. Threshold (1) is met: Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.1.6. Risk designation and specification

Low risk

1.1.7. Control measures and verifiers

N/A

1.2. Concession licenses

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

1.2.1. Applicable laws and regulations

N/A (concession licenses are not used in the Czech Republic)

1.2.2. Legal authority

N/A

1.2.3. Legally required documents or records

N/A

1.2.4. Sources of information

N/A

1.2.5. Risk determination

N/A

1.2.6. Risk designation and specification

N/A

1.2.7. Control measures and verifiers

N/A

1.3. Management and harvesting planning

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

1.3.1. Applicable laws and regulations

- Zákon č. 289/1995 Sb. , o lesích a o změně a doplnění některých zákonů, ve znění pozdějších předpisů (Forest Act), paragraphs 23 - 28. Available at: <http://www.zakonyprolidi.cz/cs/1995-289>
- Zákon č. 114/1992 Sb., o ochraně přírody a krajiny, ve znění pozdějších předpisů (Nature Protection Act), paragraphs 2, 4, 38. Available at: <http://www.zakonyprolidi.cz/cs/1992-114>
- Zákon č. 282/1991 Sb., o České inspekci životního prostředí a její působnosti v ochraně lesa (Act on Czech Environmental Inspectorate and its jurisdiction in forest protection), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/1991-282>
- Zákon č. 123/1998 Sb., o právu na informace o životním prostředí, ve znění pozdějších předpisů (Act on the right to access information on the environment), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/1998-123>
- Vyhláška Ministerstva zemědělství ČR č. 83/1996 Sb., o zpracování oblastních plánů rozvoje lesů a o vymezení hospodářských souborů (Regulation on Forest management plan definition), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/1996-83>
- Vyhláška Ministerstva zemědělství ČR č. 84/1996 Sb., o lesním hospodářském plánování (Decree of Ministry of Agriculture on forest management planning), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/1996-84>
- Vyhláška Ministerstva zemědělství ČR č. 78/1996 Sb., o stanovení pásem ohrožení lesů pod vlivem imisí (Regulation Establishing zones of endangered forests under the influence of air pollution), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/1996-78>
- Vyhláška MŽP č. 64/2011 Sb. , o plánech péče, o podkladech k vyhlášení, evidenci a označování chráněných území (Decree of Ministry of Environment on management plans, the background to the announcement, registration and labeling of protected areas), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/2011-64>

1.3.2. Legal authority

- *Ministry of Agriculture (Ministerstvo zemědělství)*
- *Ministry of Environment (Ministerstvo životního prostředí)*

1.3.3. Legally required documents or records

- *Forest management plan (Lesní hospodářský plán)*
- *Forest management guidelines (Lesní hospodářské osnovy)*
- *Regional forest development plans (Oblastní plány rozvoje lesů)*
- *Management plans of protected areas (Plán péče)*
- *Management plans of Natura 2000 sites (souhrn doporučených opatření pro území soustavy Natura 2000)*

1.3.4. Sources of information

Government sources

eagri.cz (N.Y.) Full text of the Ministry of Agriculture Decree no. 83/1996 Coll [online] On the preparation of regional plans of forest development and economic definition files. Available at: <http://eagri.cz/public/web/mze/lesy/legislativa/legislativa-cr/lesnictvi/uplna-zneni/vyhlaska-1996-83-lesnictvi.html> [Accessed 3 September 2018]. *Non-Government sources*

- *nature.cz (N.Y.) Natura 2000 [online]. Available at: <http://www.nature.cz/natura2000-design3/sub-text.php?id=2102> [Accessed 3 September 2018].*
- *Correspondence with Ministry of Agriculture, Ministry of Environment, Czech Environmental Inspectorate and NGOs (Friends of the Earth Czech Rep. and FSC Czech Rep.)*
- *Lesnická práce (journal), December 2016, page 79*
 - *Annual report about forestry in Czech Republic (Zpráva o stavu lesa a lesního hospodářství České republiky) 2015, page 21. Available at: <http://eagri.cz/public/web/mze/ministerstvo-zemedelstvi/vyrocní-a-hodnotící-zpravy/zpravy-o-stavu-lesa-a-lesního/zprava-o-stavu-lesa-a-lesního-2.html>*
- *Nationwide forest inventory 2 (Národní inventarizace lesů 2), 3. Wood harvesting (Těžba dříví), page 5. Available at: http://nil.uhul.cz/data/documents/vysledky_projektu_nil2/tezba_drivi_lp_unor_2016.pdf [Accessed 3 September 2018].*

1.3.5. Risk determination

Overview of Legal Requirements

The key planning documents are Forest Management Plans prepared for each forest owner with more than 50ha and the Forest Management Guidelines for forest owners with less than 50ha. The time period is always 10 years. These documents are approved by Regional Forest Authorities. Both types of documents are publicly available, with harvesting plans developed based on these management plans. State authorities carry out frequent monitoring and control

of the plans. The forest management plan contains forest management maps where harvesting areas can be found. The limits for harvesting are set up for 10 years.

There are three basic, binding requirements incorporated in the management plans:

- **The maximum harvesting volume**
- **The minimum share of ameliorative and stabilizing tree species**
- **Minimum area of thinning in stands under 40 years of age (only for State or municipal forests)**

The control of the compliance of management practices with the management planning documents is generally under the responsibility of Regional Forest Authorities (Krajské úřady). On the local level, compliance is checked by district offices (ORP) and the Czech Environmental Inspectorate.

Description of Risk

Since 2015 the findings of 'NIL' (Nationwide forest inventory) became public and showed differences between total harvested wood volume publicated in Annual report about forestry in Czech republic and findings of NIL. However those differences were explained by different methods used for calculation of results.

According to correspondence with responsible people at the Ministry of Agriculture, Ministry of Environment, Czech Environmental Inspectorate and NGOs, there is no significant risk of the harvest being carried out without approved planning documents; thus the risk is evaluated as low.

Risk Conclusion

This indicator has been evaluated as low risk. Threshold (1) is met: Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.3.6. Risk designation and specification

Low risk

1.3.7. Control measures and verifiers

N/A

1.4. Harvesting permits

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

1.4.1. Applicable laws and regulations

- Zákon č. 137/2006 Sb. o veřejných zakázkách (Government Procurement Act), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/2006-137>
- Zákon č. 289/1995 Sb., o lesích a o změně a doplnění některých zákonů, ve znění pozdějších předpisů (Forest Act), paragraph 33. Available at: <http://www.zakonyprolidi.cz/cs/1995-289>
- Zákon č. 114/1992 Sb., o ochraně přírody a krajiny, ve znění pozdějších předpisů (Nature Protection Act), paragraphs 8, 9, 22, 29. Available at: <http://www.zakonyprolidi.cz/cs/1992-114>
- Vyhláška MŽP č. 64/2011 Sb., o plánech péče, o podkladech k vyhlášení, evidenci a označování chráněných území (Decree of Ministry of Environment on management plans, the background to the announcement, registration and labeling of protected areas), all paragraphs.

1.4.2. Legal authority

- *Ministry of finance (Ministerstvo financí)*
- *Forest Authorities at regional and district level (KU a ORP)*
- *Nature Protection Authorities at regional and district level (KU, ORP, OU or Správa NP a CHKO)*

1.4.3. Legally required documents or records

- *Forest Management Plan (LHP)*
- *Forest Management Guidelines (LHO)*

1.4.4. Sources of information

Government sources

- Portal-vz.cz (N.Y.) *The full text of the public procurement act* [online] Available at: <http://www.portal-vz.cz/cs/Jak-na-zadavani-verejnych-zakazek/Legislativa-a-Judikatura/Legislativa/Narodni-legislativa/Aktualni-zneni-zakona-o-verejnych-zakazkach>

vz24.cz (N.Y.) *Articles on suspicious tenders in the State Forest Enterprise [online]. Available at: <http://www.vz24.cz/kauzy/lesy-cr/> [Accessed 3 September 2018].* *Non-Government sources*

- transparency.org (N.Y.) *CPI index [online]. Available at: https://www.transparency.org/news/feature/corruption_perceptions_index_2016 [Accessed 3 September 2018].*

1.4.5. Risk determination

Overview of Legal Requirements

Harvesting permits are included in Forest Management Plans (LHP) and Forest Management Guidelines (LHO). Logging has to be approved by a professional forest manager (OLH). In some special cases, small forest owners have to follow the requirements of Article 33/3 of the Forest Act, with the forest owner required to ask the local forest authority for permission to harvest.

Description of Risk

The State Forest Enterprise (Lesy ČR) – which manages approximately 50% of Czech forest land – issues the permits for forest works (including harvesting) through forest tenders. There were several cases where the tenders had to be cancelled several years ago due to suspected corruption. More recently, various measures were taken (e.g. change in the top management at State Forest Enterprise, phase in of transparent forest auctions) to improve this situation – with no such cases reported over the last two years. So even considering the Czech Republic’s score on the Corruption Perception Index (CPI = 55), the risk associated with the issuance of harvesting permits is considered as low.

Other forest owners such as community forests and private owners usually harvest wood independently or by using external workers on a small scale. There are no significant issues that would constitute for specified risk.

Risk Conclusion

This indicator has been evaluated as low risk. Threshold (1) is met: Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.4.6. Risk designation and specification

Low risk

1.4.7. Control measures and verifiers

N/A

TAXES AND FEES

1.5. Payment of royalties and harvesting fees

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

1.5.1. Applicable laws and regulations

N/A (there are no royalty and harvesting fees in Czech legislation)

1.5.2. Legal authority

N/A

1.5.3. Legally required documents or records

N/A

1.5.4. Sources of information

N/A

1.5.5. Risk determination

N/A

1.5.6. Risk designation and specification

N/A

1.5.7. Control measures and verifiers

N/A

1.6. Value added taxes and other sales taxes

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

1.6.1. Applicable laws and regulations

- 235/2004 Sb. o dani z přidané hodnoty (Value added tax), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/2004-235>

1.6.2. Legal authority

- Ministry of industry and trade (Ministerstvo průmyslu a obchodu)
- Financial Authority (Finanční úřad) Tax o)

1.6.3. Legally required documents or records

- Database ARES (http://www.info.mfcr.cz/ares/ares_es.html.cz)
- Tax return (*Daňové přiznání*)
- VAT control statement (*kontrolní výkaz DPH*)

1.6.4. Sources of information

Government sources

- centralniregistrdluzniku.cz (N.Y.) *Central Register of Debtors Czech Republic* [online] Available at: <http://www.centralniregistrdluzniku.cz/> [Accessed 3 September 2018].
- uhul.cz (N.Y.) *The Forest Management Institute (UHUL)* [online] Available at: <http://www.uhul.cz/home> [Accessed 3 September 2018].

1.6.5. Risk determination

Description of Risk

Value added tax is paid on all timber sold in the country. Discussions with a local tax expert revealed that the only instances where VAT could not be paid is where a product is sold without an official invoice. There are no records of such cases in the forestry or timber sector. The only way this could happen in Czech would be if a forest owner were to harvest their own forest so there is no supplier/customer relationship. It is very uncommon for forest owners in Czech to harvest the timber themselves.

There is no information available that indicates there is a specified risk of non-compliance with these legal requirements in the forest sector in Czech; therefore, this is a low risk category.

Risk Conclusion

This indicator has been evaluated as low risk. Threshold (1) is met: Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.6.6. Risk designation and specification

Low risk

1.6.7. Control measures and verifiers

N/A

1.7. Income and profit taxes

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

1.7.1. Applicable laws and regulations

- 586/1992 Sb. - zákon o daních z příjmů (Income Tax Act). Available at: <http://www.zakonyprolidi.cz/cs/1992-586>
-

1.7.2. Legal authority

- Ministry of industry and trade (Ministerstvo průmyslu a obchodu)
- Financial Authority (Finanční úřad)

1.7.3. Legally required documents or records

- Tax returns (Daňové přiznání), statements (výkazy), accounting records (účetní evidence)

1.7.4. Sources of information

Government sources

- centralniregistrdluzniku.cz (N.Y.) *Central Register of Debtors Czech Republic* [online] Available at: <http://www.centralniregistrdluzniku.cz/> [Accessed 3 September 2018].
- mpo.cz (N.Y.) *Ministry of industry and trade*. [online] (Ministerstvo průmyslu a obchodu) Available at: <http://www.mpo.cz/> [Accessed 3 September 2018].
- statnisprava.cz (N.Y.) *Financial Authority* [online] (Finanční úřad) Available at: <https://www.statnisprava.cz/rstsp/ciselniky.nsf/i/d0027> [Accessed 3 September 2018].
- cizp.cz (N.Y.) *The Czech Environmental Inspectorate (CEI)* [online]. Available at: www.cizp.cz [Accessed 3 September 2018].

1.7.5. Risk determination

Overview of Legal Requirements

In illegal logging cases identified in private forests (*see category 1.8 below*), the Czech Environmental Inspectorate (CEI) revealed that violators often (this concerns approximately 5,000–10,000 m³ per year) did not pay any tax. In such cases the Czech Environmental Inspectorate informs local Financial Authorities and Police.

Description of Risk

Unofficial information from the forest sector warns that a portion of timber from private forests (estimated amount 100,000 m³/year, or around 0,6% of the total annual cut) may be sold without paying income tax and that Financial Authorities do not seem to carry out enforcement actions to reduce this potential illegality.

There might be some cases where wood is being officially sold for a lower price; however most of the forest area in the Czech Republic is owned and managed by State, municipalities and associations where there is greater public control.

The currently estimated magnitude of violations is relatively low; thus, the risk is evaluated as low.

Risk Conclusion

This indicator has been evaluated as low risk. Threshold (1) is met: Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.7.6. Risk designation and specification

Low risk

1.7.7. Control measures and verifiers

N/A

TIMBER HARVESTING ACTIVITIES

1.8. Timber harvesting regulations

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

1.8.1. Applicable laws and regulations

- Zákon č. 289/1995 Sb. o lesích a o změně a doplnění některých zákonů, ve znění pozdějších předpisů (Forest Act), paragraph 33. Available at: <http://www.zakonyprolidi.cz/cs/1995-289>
- Zákon č. 282/1991 Sb. o České inspekci životního prostředí a její působnosti v ochraně lesa (Act on Czech Environmental Inspectorate and its jurisdiction in forest protection), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/1991-282>
- Zákon č. 114/1992 Sb., o ochraně přírody a krajiny, ve znění pozdějších předpisů (Nature Protection Act), paragraphs 8, 22, 29. Available at: <http://www.zakonyprolidi.cz/cs/1992-114>

1.8.2. Legal authority

- *Ministry of Agriculture (Ministerstvo zemědělství)*
- *Czech Environmental Inspectorate (CEI)*
- *Ministry of Environment (Ministerstvo životního prostředí)*

1.8.3. Legally required documents or records

- *Forest management plan (Lesní hospodářský plán)*
- *Forest management guidelines (Lesní hospodářské osnovy)*
- *Management plans of protected areas (Plány péče)*
- *Management plans of Natura 2000 sites (Souhrn doporučených opatření pro území soustavy Natura 2000)*

1.8.4. Sources of Information

Government sources

- *cizp.cz (N.Y.) The Czech Environmental Inspectorate (CEI) [online]. Available at: www.cizp.cz [Accessed 3 September 2018].*
- *CEI Annual report 2015 (<http://www.cizp.cz/file/kx3/Vyrocni-zprava-CIZP-2015-final.pdf>) [Accessed 3 September 2018].*

- Magazine Lesnická práce 2/2014., Mr. Martin Baranyai - person responsible at Czech Environmental Inspectorate. Interviews and correspondence with experts on Ministry of Environment and Czech Environmental Inspectorate.

1.8.5. Risk determination

Description of Risk

In general, the timber harvesting regulations are well managed in the context of Czech forestry. The main binding requirements of the Forest Act are:

- harvesting the stands at age higher than 80 years
- respecting maximum harvesting volume limits
- respecting the maximum area of clear cut up to 1 ha (exceptionally 2ha)
- the minimum proportion of soil-improving and reinforcing species for stand regeneration
- total volume that can be thinned in the first 40 years of a forest stand (for state owned forest)

There is no indication that the violation of these regulation is systematic, however there are several cases identified and documented where violation takes place. These cases are individual and isolated and cannot be considered as large scale extend.

According to information gathered through interviews with responsible people at Czech Environmental Inspectorate (CEI), there are other known problematic issues regarding timber harvesting regulations such as:

- private companies purchasing forest areas and harvesting the trees prior to receiving all official documents. Once the wood has been extracted, the purchase of the forest is cancelled and the forest is not replanted.
- private companies cause damage to trees (cut into them) to an extent that the Forest Authority is forced to demand they are harvested as a 'calamity stand'.
- contracts for harvesting are not always signed or ratified, particularly within small forests.
- in some cases of standing stock sold by small forest holders, there is no available job takeover document (předávací protokol), and consequently the harvested wood is not well-documented. This kind of sale is not very common in Czech Republic.
- CEI has reported cases where illegal logging is carried out in private forests by owners harvesting within a neighbouring property (approximately 20–30 hectares per year).
- harvesting without permission under Article 33/3 of the Forest Act.

However, according to the CEI annual reports these incidents take place only on fraction of forest area (less than 1 %). Instances of violation of these timber harvesting regulations are also prosecuted and legal authorities can impose penalties.

The Czech Environmental Inspectorate reported the following instances of illegal logging where the wood was stolen:

- between 2007 and 2009, 15–30 cases annually (total area of about 20–30 ha, timber volume of 4,500 to 6,000 m³);

- between 2010 and 2012, 30 cases of illegal logging annually (in total area of about 50–60 ha, timber volume 13.500 to 16.000 m³).

The Czech Environmental Inspectorate carries out frequent controls – approximately 1000/year (CEI 2015).

Other illegal logging cases are dealt with by local Forest Authorities (ORP), but there is no register of illegal logging cases maintained by either the Ministry of Agriculture or Regional Authorities.

Ministry of agriculture estimates that only tens of hectares annually were affected by illegal harvesting, which is less than 20 000 m³/year, i.e. less than 0.1 % of annually harvested wood.

Based on the information received from the CEI it is evident that even though the level of illegal harvesting is increasing and the amount of penalties are also raising at the context of the whole forestry sector of Czech Republic it is still not considered as specified risk as the controls are in place and the amount of violations are in less than 1% from total amount of harvested wood.

There are no official data about illegal logging, only the estimations from Ministry of Agriculture are available (as described above). There is no evidence that NGOs and/or CEI or other stakeholders would claim higher rates of illegal activities which would indicate a specified risk in this indicator.

Considering the stand-point of Ministry of agriculture, the data received from CEI and the fact that CEI carry out frequent controls this indicator is evaluated as low risk.

Risk Conclusion

This indicator has been evaluated as low risk. Threshold (1) is met: Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.8.6. Risk designation and specification

Low risk

1.8.7. Control measures and verifiers

N/A

1.9. Protected sites and species

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

1.9.1. Applicable laws and regulations

- Zákon č. 114/1992 Sb., o ochraně přírody a krajiny, ve znění pozdějších předpisů (Nature Protection Act), paragraphs 4, 5, 14, 22, 26, 29, 34, 45, 46, 48, 49, 50. Available at: <http://www.zakonyprolidi.cz/cs/192-114>

- Zákon č. 254/2001 Sb., o vodách a o změně některých zákonů, ve znění pozdějších předpisů (Water Act), paragraph 28. Available at: <http://www.zakonyprolidi.cz/cs/2001-254>
- Zákon č. 100/2001 Sb., o posuzování vlivů na životní prostředí a o změně některých souvisejících zákonů (ve znění pozdějších předpisů) (EIA Act), paragraph 10 and annex 1. Available at: <http://www.zakonyprolidi.cz/cs/2001-100>
- Zákon č. 17/1992 Sb. o životním prostředí, ve znění pozdějších předpisů (Environmental Act), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/1992-17>
- Zákon č. 123/1998 Sb., o právu na informace o životním prostředí, ve znění pozdějších předpisů (Act on Right for Information on Environment), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/1998-123>

1.9.2. Legal authority

- *Ministry of Agriculture (Ministerstvo zemědělství)*
- *Ministry of Environment (Ministerstvo životního prostředí)*
- *National Park Administration (Správy NP)*
- *Landscape Protected Areas Administration (Správy CHKO)*

1.9.3. Legally required documents or records

- *Forest management plan (Lesní hospodářský plán)*
- *Forest management guidelines (Lesní hospodářské osnovy)*
- *Management plans of protected areas (Plán péče)*
- *Management plans of Natura 2000 sites (souhrn doporučených opatření pro území soustavy Natura 2000)*

1.9.4. Sources of Information

Government sources

- *cizp.cz (N.Y.) The Czech Environmental Inspectorate (CEI) [online]. Available at: www.cizp.cz [Accessed 3 September 2018].*
- *hnutiduha.cz (N.Y.) Court decision [online] Available at: http://www.hnutiduha.cz/sites/default/files/publikace/2014/01/140120_rozsudek_ks_plzen.pdf [Accessed 3 September 2018].*

Non-Government sources

- *drusop.nature.cz (N.Y.) Central register of nature protection (ÚSOP) [online] Available at: <http://drusop.nature.cz/> [Accessed 3 September 2018].*
- Interviews and correspondence with experts from Czech Environmental Inspectorate, Ministry of Environment and NGOs working on forest conservation issues (Friends of the Earth Czech Rep., Czech Union for Nature Conservation (ČSOP))

1.9.5. Risk determination

Overview of Legal Requirements

Czech Republic possesses a strong network of protected areas and sites including large-scale protected areas such as National Parks (four areas) and Landscape Protected Areas (25 areas) and small-scale areas such as National Nature Reserves (110 areas), National Reserves (809 areas), National Nature Monuments (113 areas) and National Monuments (1357 areas).

Nature conservation requirements in protected areas are described in the relevant Management Plan. This document is created by Nature Conservation authorities (such as the Ministry of Environment, Administration of National Parks, Regional offices and Ministry of Defense). In some cases, the Nature Conservation Agency of the Czech Republic (AOPK) also participates on preparation of this document. The documents serve only as a recommendation for site management and do not have to be followed. The Nature Protection Authority at regional level can transpose specific nature conservation requirements to forest management plans as a conservation plan when required, which makes them binding for forest owners.

Description of Risk

According to the interviews with NGOs and Czech Environmental Inspectorate there are records of some instances of violations – through forest management practices – of the legislation covering protected sites and species. However, the magnitude of such violations is relatively low, and does not necessitate a finding of specified risk for the whole country. In the Šumava National Park the National Park Administration has in recent years (until 2013) repeatedly violated nature conservation measures (e.g. use of prohibited chemicals, soil damage, destruction of habitats of protected and rare species), even in the core zones of the National Park. There are valid court decisions that prove violation of the Czech legislation. The new National Park Administration (appointed in 2013) showed more willingness and respect for compliance with the applicable legislation, therefore, now even the wood coming from Šumava National Park can be assessed as low risk.

Risk Conclusion

This indicator has been evaluated as low risk. Threshold (1) is met: Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.9.6. Risk designation and specification

Low risk

1.9.7. Control measures and verifiers

N/A

1.10. Environmental requirements

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

1.10.1. Applicable laws and regulations

- Zákon č. 289/1995 Sb. o lesích a o změně a doplnění některých zákonů, ve znění pozdějších předpisů (Forest Act), paragraph 13, 14, 15, 34, 36. . Available at: <http://www.zakonyprolidi.cz/cs/1995-289>
- 17/1992 Sb. o životním prostředí (Environment law), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/1992-17>
- Zákon č. 114/1992 Sb., o ochraně přírody a krajiny, ve znění pozdějších předpisů (Nature protection law), paragraph 4, 5, 7. Available at: <http://www.zakonyprolidi.cz/cs/1992-114>
- Zákon č. 100/2001 Sb., o posuzování vlivů na životní prostředí a o změně (některých souvisejících zákonů, ve znění pozdějších předpisů (EIA Act), paragraph 10 and annex 1. Available at: <http://www.zakonyprolidi.cz/cs/2001-100>
- č. 254/2001 Sb., o vodách (Water Protection Act), paragraph 28. Available at: <http://www.zakonyprolidi.cz/cs/2001-254>

1.10.2. Legal authority

- *Ministry of Agriculture (Ministerstvo zemědělství)*
- *Czech Environmental Inspectorate (CEI)*
- *Czech Environmental Information Agency (CENIA)*

1.10.3. Legally required documents or records

- *EIA permit*
- *Forest management plan (Lesní hospodářský plán)*
- *Forest management guidelines (Lesní hospodářské osnovy)*
- *Management plans of protected areas (Plány péče)*
- *Reports from CEI checks*

1.10.4. Sources of information

Government sources

- *cizp.cz (N.Y.) The Czech Environmental Inspectorate [online]. Available at: www.cizp.cz [Accessed 3 September 2018].*

Non-Government sources

- cenia.cz (N.Y.) *Czech Environmental Information Agency (CENIA)* [online]. Available at: <http://www1.cenia.cz/www/> [Accessed 3 September 2018].
- drusop.nature.cz (N.Y.) *Central register of nature protection (ÚSOP)* [online] Available at: <http://drusop.nature.cz/> [Accessed 3 September 2018].
- Correspondence with NGOs

1.10.5. Risk determination

Description of Risk

Czech Environmental Inspectorate (CEI) was appointed as a supervising authority in terms of compliance with environmental laws. The main environmental restrictions that are reported to be violated by the forest owners (managers) are forest soil damage, damage by game, landfills or use of forest land for other purposes.

However, according to the CEI and correspondence with NGOs, these issues are occurring on a small scale. Most of the violations were reported in areas with special protection (see Chapter 3.2 Protected sites and species) and thus the risk could be considered as low.

Risk Conclusion

This indicator has been evaluated as low risk. Threshold (1) is met: Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.10.6. Risk designation and specification

Low risk

1.10.7. Control measures and verifiers

N/A

1.11. Health and safety

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

1.11.1. Applicable laws and regulations

- Zákoník práce – zákon č. 262/2006 Sb. (Labour Code), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/2006-262>
- Zákon č. 309/2006 Sb. o zajištění dalších podmínek bezpečnosti a ochrany zdraví při práci (Act to ensure other conditions of health and safety at work), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/2006-309>

- Zákon č. 372/2011Sb. o zdravotních službách a podmínkách jejich poskytování. (Act on health services and terms), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/2011-372>
- Vyhláška 79/2013 Sb. o specifických zdravotních službách (Ordinance on specific health services), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/2013-79>
- Zákon č. 59/2006 Sb. o prevenci závažných havárií způsobených vybranými nebezpečnými chemickými látkami nebo chemickými přípravky (Act on prevention of major accidents caused by hazardous chemicals), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/2006-59>
- Zákon č. 258/2000Sb. o ochraně veřejného zdraví, v platném znění (Act on protection of public health), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/2000-258>
- Zákon č. 350/2011 Sb. o chemických látkách a chemických přípravcích a o změně některých zákonů (Act on chemicals and chemical products), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/2011-350>
- Nařízení vlády č. 290/1995 Sb., kterým se stanoví seznam nemocí z povolání (Government regulation on establishment of the list of occupational diseases), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/1995-290>
- Nařízení vlády č. 272/2011 Sb. o ochraně před nepříznivými účinky hluku a vibrací (Ordinance on protection against the adverse effects of noise and vibration), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/2011-272>
- Nařízení vlády č. 378/2001 Sb. kterým se stanoví bližší požadavky na bezpečný provoz a používání strojů, technických zařízení, přístrojů a nářadí (účinnost od 1. 1. 2003) (Governmental regulation laying down detailed requirements for safe operation and use of machinery, technical equipment, instruments and tools), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/2001-378>
- Nařízení vlády č. 361/2007 Sb., kterým se stanoví podmínky ochrany zdraví při práci (Governmental regulation laying down the conditions for the protection of health at work), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/2007-361>
- Nařízení vlády č. 201/2010 Sb. o způsobu evidence úrazů, hlášení a zaslání záznamu o úrazu (Government Regulation on the evidence of accidents, reporting and delivering injury report), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/2010-201>
- Nařízení vlády č. 495/2001Sb., kterým se stanoví rozsah a bližší podmínky poskytování osobních ochranných pracovních prostředků, mycích, čisticích a dezinfekčních prostředků (Government Regulation on establishing the scope and detailed conditions for the provision of personal protective equipment, detergents, cleaners and disinfectants), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/2001-495>
- Nařízení vlády č. 28/2002 Sb., kterým se stanoví způsob organizace práce a pracovních postupů, které je zaměstnavatel povinen zajistit při práci v lese a na pracovištích obdobného charakteru (Government Regulation on establishing the work organization and working procedures that the employer is obliged to ensure for forest work and workplaces of similar nature), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/2002-28>

- Nařízení vlády č. 11/2002 Sb., kterým se stanoví vzhled a umístění bezpečnostních značek a zavedení signálů (Government Regulation Laying down the appearance and placement of safety signs and signals introduction), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/2002-11>
- Nařízení vlády č. 168/2002 Sb., kterým se stanoví způsob organizace práce a pracovních postupů, které je zaměstnavatel povinen zajistit při provozování dopravy dopravními prostředky (Government Regulation establishing the work organization and working procedures that the employer is obliged to ensure for transport activity by transport means), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/2002-168>
- Vyhláška ČÚBP č. 48/1982 Sb., kterou se stanoví základní požadavky k zajištění bezpečnosti práce a technických zařízení, ve znění pozdějších předpisů (Decree laying down basic requirements for ensuring the safety and technical equipment, as amended), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/1982-48>

1.11.2. Legal authority

- *Ministry of labour and social affairs (Ministerstvo práce a sociálních věcí)*

1.11.3. Legally required documents or records

- *Chain saw license*
- *Technological protocols*

1.11.4. Sources of information

Government sources

- State labour inspection office (Státní úřad inspekce práce)
- State labour inspection office annual reports (2010-2015). Available at: <http://www.suip.cz/rocni-zpravy/> [Accessed 3 September 2018]. **Occupational Safety and Health portal. Available at: http://www.portalbozp.cz/wp-content/uploads/2014/07/Bezpecnost-prace-pri-tezbe-drivi_kniha.pdf (page 12, 20)** [Accessed 3 September 2018].
- [Nařízení vlády č. 339/2017 Sb. Government Regulation on detailed requirements for the work organization and Work Procedures in Forest Work and related Workplaces. Nařízení vlády o bližších požadavcích na způsob organizace práce a pracovních postupů při práci v lese a na pracovištích obdobného charakteru. Available at <https://www.zakonyprolidi.cz/cs/2017-339>](https://www.zakonyprolidi.cz/cs/2017-339) [Accessed 3 September 2018].

1.11.5. Risk determination

Overview of Legal Requirements

There are legal requirements relating to health and safety in the forestry sector. Besides already existing H/S legislation, there is a Governance Regulation 339/2017 valid from 19.10.2017 and effective from 1.1.2018 which in detail specifies H/S instructions/requirements for work in the forests such as logging with the chainsaw, harvester and other machinery, wood extraction, using cable lifts, hauling, hauling with horses, storing etc.

Description of Risk

The Labour Inspection Office is the responsible authority for checking the conformity with the applicable legislation. The Labour Inspection Office does carry out regular controls of the forestry sector.

In last years, the amount of controls increased to 200 controlled subjects which is considered sufficient in terms of Czech Republic.

Number of checks in 2015 was 176 and 257 in the year of 2016. They resulted in 265 observations in 2015 and 393 in 2016 respectively. There were no financial sanctions issued in 2015 and 2 sanctions (in total amount of around 550 EUR) were issued in 2016. In all other cases written measures to correct identified observations were issued with timelines for the measures to be taken. This shows the controls in most cases did not observe major violations of H/S regulations.

Reviewing the results of inspections, the number and character of observations identified by inspectors, it confirms that the system of inspections is effective.

Accident statistics according to the Labour Inspectorate read:

- In 2010 there were 10 fatal work injuries in forestry sector
- In 2011 there were 14 fatal work injuries in forestry sector
- In 2012 there were 5 fatal work injuries in forestry sector
- In 2013 there were 0 fatal work injuries and 29 heavy work injuries in forestry sector
- In 2014 there were 1 fatal work injury and 18 heavy work injuries in forestry sector
- In 2015 there were 5 fatal work injuries and 19 heavy work injuries in forestry sector.

. The number of injuries and fatalities in the forest sector shows a positive trend. Over the last 4 years, in total fewer people have died than in 2011.

Furthermore, considering the comparison with other European countries (e.g. Austria – 22 fatal work accidents in 2013 and Slovakia with 20 fatalities in 2013), the increase of amount of work safety controls and the relatively small number of fatal work injuries (since 2012), the risk for this indicator is considered low.

Risk Conclusion

This indicator has been evaluated as low risk. Threshold (1) is met: Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.11.6. Risk designation and specification

Low risk

1.11.7. Control measures and verifiers

N/A

1.12. Legal employment

Legal requirements for employment of personnel involved in harvesting activities including requirement for contracts and working permits, requirements for obligatory insurances, requirements for competence certificates and other training requirements, and payment of social and income taxes withhold by employer. Furthermore, the points cover observance of minimum working age and minimum age for personnel involved in hazardous work, legislation against forced and compulsory labour, and discrimination and freedom of association. Risk relates to situations/areas where systematic or large scale noncompliance with labour and/or employment laws. The objective is to identify where serious violations of the legal rights of workers take place, such as forced, underage or illegal labour.

1.12.1. Applicable laws and regulations

- Zákoník práce – zákon č. 262/2006 Sb., ve znění pozdějších předpisů (Labour code), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/2006-262>
- Zákon č. 435/2004 Sb. o zaměstnanosti, ve znění pozdějších předpisů (Employment law), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/2004-435>
- Zákon č. 2/1991 Sb. o kolektivním vyjednávání, ve znění pozdějších předpisů (Unions law), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/1991-2>
- Ústavní zákon č. 23/1991 Sb. kterým se uvozuje Listing základních práv a svobod jako ústavní zákon, ve znění pozdějších předpisů (Constitutional Law no. 23/1991 Coll., Which introduces the Charter of Fundamental Rights and Freedoms as a constitutional law, as amended), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/1991-23>
- Zákon č. 83/1990 Sb. o sdružování občanů, ve znění pozdějších předpisů (Constitutional law), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/1990-83>
- Zákon č. 143/1992 Sb. o platu a odměně za pracovní pohotovost v rozpočtových a některých dalších organizacích a orgánech, ve znění pozdějších předpisů (Salary law), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/1992-143>
- Zákon č. 198/2009 Sb. o rovném zacházení a o právních prostředcích ochrany před diskriminací a o změně některých zákonů (Antidiscrimination Act), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/2009-198>

1.12.2. Legal authority

- *Ministry of labour and social affairs (Ministerstvo práce a sociálních věcí)*

1.12.3. Legally required documents or records

- *Agreement between the company and labour union.*
- *Individual workers employment contracts (minimum wages and hours)*

1.12.4. Sources of information

Government sources

- mvcr.cz (N.Y.) *Department for asylum and migration policy (Odbor azylové a migrační politiky)* [online] Available at: <http://www.mvcr.cz/clanek/odbor-azylove-a-migracni-politiky.aspx> [Accessed 3 September 2018].

- suip.cz (N.Y.) *State labour inspection office (Státní úřad inspekce práce)* [online] Available at: <http://www.suip.cz/> [Accessed 3 September 2018].
- mpsv.cz (N.Y.) *The procedure for extension of the binding effect of higher level collective agreements* [online] Ministry of labour and social affairs (Ministerstvo práce a sociálních věcí) Available at: <http://www.mpsv.cz/cs/1505> [Accessed 3 September 2018].
- mpsv.cz (N.Y.) *Higher level collective agreements binding on the other employers* [online] Ministry of labour and social affairs (Ministerstvo práce a sociálních věcí) Available at: <http://www.mpsv.cz/cs/3856> [Accessed 3 September 2018].
- mpsv.cz (N.Y.) *Kolektivní smlouva vyššího stupně pro odvětví lesního hospodářství 2013-2016* [online] Ministry of labour and social affairs (Ministerstvo práce a sociálních věcí) Available at: <http://www.mpsv.cz/files/clanky/3619/2013-48320.pdf> [Accessed 3 September 2018].
- Ministry of labour and social affairs (Ministerstvo práce a sociálních věcí) <https://www.mpsv.cz/cs/3619>, [https://www.mpsv.cz/files/clanky/3619/082017-15906 - _KSVS OS DLVH.pdf](https://www.mpsv.cz/files/clanky/3619/082017-15906_-_KSVS_OS_DLVH.pdf) – Collective labour agreements in the forestry sector. [Accessed 3 September 2018].
- Correspondence with Ministry of Agriculture and Czech Environmental Inspectorate.

Non-Government sources

- Barbora Suchá, 2012. FIGHT AGAINST ILLEGAL EMPLOYMENT INTENSIFIES IN THE CZECH REPUBLIC. Available: <https://www.globalhrlaw.com/resources/fight-against-illegal-employment-intensifies-in-the-czech-republic?regions=0&topics=0&countries=CZ>, [Accessed 3 September 2018].
- International Labour Organisation ILO, 2004. National Labour Law Profile: The Czech Republic. available: http://www.ilo.org/ifpdial/information-resources/national-labour-law-profiles/WCMS_158893/lang--en/index.htm, [Accessed 3 September 2018].
- Milada Horáková for the International Labour Organisation (ILO), 2000. Legal and illegal labour migration in the Czech Republic: Background and current trends. Available: http://www.ilo.int/wcmsp5/groups/public/---ed_protect/---protrav/---migrant/documents/publication/wcms_201877.pdf, [Accessed 3 September 2018].

1.12.5. Risk determination

Description of Risk

Labour relations are regulated by the Labour Code (act No. 65/1965 Coll., as amended) and, within its framework, by collective agreements and individual employment contracts.

- Regulations concerning collective labour relations in collective bargaining can be found in the Labour Code and other labour legislation as well as in regulations covering the process of conclusion of collective agreements, in particular in the Collective Bargaining Act No.2/1991 Coll.
- In accordance with Act 1/1992 Coll., on wages, remuneration for stand-by and average earnings, as amended ([English summary](#)), pay in the private sector has been completely liberalized.

- Act No.83/1990 Coll. and Act No.120/1990 Coll. Contains the requirements for relations between trade union organizations and employers. They provide a guarantee for the trade union plurality.
- Section 29 of the Labour Code states that a contract of employment must include certain prerequisites: the type of work to be performed by the employee, the place of work and the starting date. The Labour Code does not specify that the agreement should be in writing, the so-called *Written particulars of employment Directive* (Council Directive 91/533/EEC of 14 October 1991) requires employers to provide employees with a written statement of the terms and conditions of employment, Pursuant to this Directive, before concluding a contract of employment, the employer is to provide the employee with full information about the rights and obligations ensuing from the proposed contract, including working conditions and pay for the work to be performed.
- An amendment to the Labour Code (Act No. 46/2004 Coll.), effective since 1 March 2004, implements Directive 1999/70/EC on fixed-term work. The amendment restricts the repeated conclusion of fixed-term contracts between the same parties to a maximum period of two years.
- The provisions of the Labour Code concerning working time are based on the ILO Hours of Work (Industry) Convention, 1919 (No. 1) and on EC directive 93/104/EC concerning certain aspects of the organization of working time, amended by Directive 2000/34/EC. Under EC Law the regular hours of work may not exceed 40 hours a week. Overtime is, however, permitted, provided the working week including overtime does not exceed 48 hours on average throughout a timeframe of four months.
- Notification No. 288/2003 provides protection of young workers – the directive's main objective is to prohibit the employment of children. It applies to “young people”, i.e. people under the age of 18. A “child” is a young person under the age of 15 or who is still in full-time compulsory education under national law. An “adolescent” is a young person between the ages of 15 and 18 who has terminated compulsory school attendance.
- Act No. 46/2004 Coll., effective since 1 March 2004, implementing European Directives 76/207/EEC regarding equal treatment and 2000/78/EC on the prohibition of discrimination into Czech law, introduces new definitions of direct and indirect discrimination.
- In accordance with section 111 of the Labour Code wages may not be lower than the minimum wage, the amount of which is fixed by Government order and as rule take effect from the beginning of each calendar year. Statutory minimum wages cover all employees, irrespective of whether they are under a contract with indefinite or fixed duration or a temporary, main or subsidiary employment relationship.
- The right to associate and establish trade unions is enshrined in article 27 of the Charter of fundamental rights and freedoms ([English version](#)), which is integral part of the Constitution of the Czech Republic (article 3 of the Constitution).
- Act No. 2/1991 on collective bargaining, as amended ([English version](#)), lays down the right to collective bargaining, as well as the regulation of the process of concluding and implementing collective agreements.

The issue of concern related to legal employment is the potential employment of foreign workers. There were reported cases of non-EU foreign workers working in the forest without a

residence permit, employment contract or health insurance. There are also reported cases of forest workers not being paid.

Historically, for many harvesting companies, the market situation was unstable because they submitted tenders for State Forests Enterprises, competing to provide forestry services such as planting and harvesting over relatively large areas. Companies that were unsuccessful in this tender process could face bankruptcy, meaning that forest workers' salaries were not paid and/or workers were exposed to poor working conditions (often without a contract) and are not paid even the minimum salary.

The situation in the forestry sector has stabilized since 2015 as the tenders for forestry services are now 5 years long (not one or two years as it used to be) and thus there more stability for harvesting companies and the people employed by them.

The issue of concern related to legal employment is the potential employment of foreign workers. Historically, illegal migrant labour has been a problem in Czech (see for example ILO 2000), and the government has dedicated time and resources to improving the situation (Suchá 2012).

When employing foreigners from countries outside the European Union there is a relatively large number of obligations to be respected – apart from employ foreigners in accordance with employee card, EU blue card or work permit also reporting and information obligation towards the Regional Offices.

The main source of information about illegal employment is the Labour Inspection Office which performs inspections of employment. Findings from these inspections are available in their annual reports:

Illegally employed workers were most often identified in the construction, accommodation, catering and hospitality, manufacturing, wholesale and retail sectors (2016). Controls conducted by the Labour Inspection Office in 2015 revealed 153 illegally employed workers in agriculture, forestry and fishery (together 5 % of all illegal workers). According to the interviews with employees of the Labour Inspection Office the highest amount of illegally employed workers occurs in construction/building sector (most significant in all 4 regions) and agriculture sector (second most significant in all 4 regions). In regard of these findings, the number of illegally employed workers in forestry probably does not exceeds 50. Also there were no exceptional inspections focused on forestry sector (as opposed to most problematic sectors).

In the past, there were several cases of non-EU foreign workers working in the forest without a residence permit, employment contract, health insurance or fair remuneration for their work. However, those were individual cases and not systematic violations.

Due to the low number of illegally employed workers in forestry, the fact that the number of illegally employed workers is decreasing in Czech Republic (2012 – 4 576, 2016 – 2 290) and the fact that there is no additional evidence for illegal employment in forestry, the risk can be considered as low.

Risk Conclusion

This indicator has been evaluated as low risk. Threshold (1) is met: Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.12.6. Risk designation and specification

Low risk

1.12.7. Control measures and verifiers

N/A

THIRD PARTIES' RIGHTS

1.13 Customary rights

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

1.13.1. Applicable laws and regulations

- *Zákon č. 289/1995 Sb. o lesích a o změně a doplnění některých zákonů, ve znění pozdějších předpisů (Forest Act), paragraph 19. Available at: <http://www.zakonyprolidi.cz/cs/1995-289>*

1.13.2. Legal authority

- *Ministry of Agriculture (Ministerstvo zemědělství)*

1.13.3. Legally required documents or records

N/A

1.13.4. Sources of information

Government sources

- *eagri.cz (N.Y) Ministry of Agriculture (Ministerstvo zemědělství). [online] Available at: <http://eagri.cz/public/web/mze/ministerstvo-zemedelstvi/> [Accessed 3 September 2018].*

1.13.5. Risk determination

Overview of Legal Requirements

The Forest Act allows all people free access to the forest, as well as free movement through the forest. There are, however, a small number of exceptional, questionable cases (such as game enclosures managed by foresters); but this does not warrant the determination of specified risk.

Description of Risk

Everybody is allowed to pick forest fruits and mushrooms for their own consumption. There are a few reported cases of violations of this requirement, for example when some groups of people collect large amounts of forest fruits and mushrooms and sell them illegally on the market, but these cases are rather rare. The applicable legislation is generally followed.

Risk Conclusion

This indicator has been evaluated as low risk. Threshold (1) is met: Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.13.6. Risk designation and specification

Low risk

1.13.7. Control measures and verifiers

N/A
<p>1.14. Free prior and informed consent</p> <p><i>Legislation covering "free prior and informed consent" in connection with transfer of forest management rights and customary rights to the organisation in charge of the harvesting operation.</i></p>
<p>1.14.1. Applicable laws and regulations</p> <p>N/A Terms are not used in the Czech Republic.</p>
<p>1.14.2. Legal authority</p> <p>N/A</p>
<p>1.14.3. Legally required documents or records</p> <p>N/A</p>
<p>1.14.4. Sources of information</p> <p>N/A</p>
<p>1.14.5. Risk determination</p> <p>N/A</p>
<p>1.14.6. Risk designation and specification</p> <p>N/A</p>
<p>1.14.7. Control measures and verifiers</p> <p>N/A</p>
<p>1.15. Indigenous/traditional peoples' rights</p> <p><i>Legislation that regulates the rights of indigenous/traditional people as far as it's related to forestry activities. Possible aspects to consider are land tenure, right to use certain forest related resources or practice traditional activities, which may involve forest lands.</i></p>
<p>1.15.1. Applicable laws and regulations</p> <p>N/A (there are no indigenous people living in the Czech Rep. according to the UN definitions)</p>
<p>1.15.2. Legal authority</p> <p>N/A</p>
<p>1.15.3. Legally required documents or records</p> <p>N/A</p>
<p>1.15.4. Sources of information</p> <p>N/A</p>

1.15.5. Risk determination

N/A

1.15.6. Risk designation and specification

N/A

1.15.7. Control measures and verifiers

N/A

TRADE AND TRANSPORT

1.16. Classification of species, quantities, qualities

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

1.16.1. Applicable laws and regulations

N/A There is not legislation nor regulations related to wood material classification existing in the country.

1.16.2. Legal authority

N/A

1.16.3. Legally required documents or records

N/A

1.16.4. Sources of information

N/A

1.16.5. Risk determination

Overview of Legal Requirements

There is no special legislation regulating how harvested material is classified in terms of species, volumes and qualities in connection with trade and transport. However in most cases wood is transported with delivery documentation including all required details such as species, volumes, quality, FMU of harvest.

1.16.6. Risk designation and specification

N/A

1.16.7. Control measures and verifiers

N/A

1.17. Trade and transport

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

1.17.1. Applicable laws and regulations

- Zákon č. 89/2012 Občanský zákoník (Civil code). Available at: <http://www.zakonyprolidi.cz/cs/2012-89>
- Zákon č. 226/2013 Sb., o uvádění dřeva a dřevařských výrobků na trh (Timber Act implementing EU Timber Regulation No. 995/2010), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/2013-226>

1.17.2. Legal authority

- *Ministry of industry and trade (Ministerstvo průmyslu a obchodu).*
- *Ministry of Agriculture (Ministerstvo zemědělství)*
- *Forest Management Institute (UHUL)*
- *Customs Authority (Celní správa)*
- *The Czech Trade Inspection Authority (Česká obchodní inspekce)*
- *Police of Czech Republic (Policie České Republiky)*

1.17.3. Legally required documents or records

- *Delivery notes, transport documents*

1.17.4. Sources of information

Government sources

- coi.cz (N.Y.) The Czech Trade Inspection Authority (Česká obchodní inspekce). [online] Available at: <http://www.coi.cz/en/> [Accessed 3 September 2018].
- uhul.cz (N.Y.) *The Forest Management Institute (UHUL)* [online] Available at: <http://www.uhul.cz/home> [Accessed 3 September 2018].
- Regional Forest Authorities (KU)

1.17.5. Risk determination

Overview of Legal Requirements

Each truck transporting domestic wood must have the delivery note that describes the quantity and quality of the material transported. The checks on the roads are conducted by Police and Customs and are frequent and function effectively.

Description of Risk

To date there are no records relating to violation of the applicable legislation that would constitute for specified risk.

Risk Conclusion

This indicator has been evaluated as low risk. Threshold (1) is met: Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.17.6. Risk designation and specification

Low risk

1.17.7. Control measures and verifiers

N/

1.18. Offshore trading and transfer pricing

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

1.18.1. Applicable laws and regulations

- 586/1992 Sb. o daních z příjmů (Income tax law), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/1992-586>

1.18.2. Legal authority

- Ministry of finance (*Ministerstvo financí*)

1.18.3. Legally required documents or records

- Tax returns (*Daňové přiznání*), statements (*výkazy*), accounting records (*účetní evidence*).
- The Czech tax legislation does not prescribe any obligation to maintain any transfer pricing documentation.

1.18.4. Sources of information

Government sources

- offshorenews.cz (N.Y.) *Definition of offshore tax havens and services* [online]. Available at: <http://offshorenews.cz/definice-offshore-sluzeb-a-danovych-rajju/> [Accessed 3 September 2018].
- ibfd.org (N.Y.) *International Transfer Pricing Journal - All Articles* [online] Available at: <http://www.ibfd.org/IBFD-Products/International-Transfer-Pricing-Journal-All-Articles> (find 'Czech') [Accessed 3 September 2018].
- eoi-tax.org (N.Y.) *Exchange of Tax Information Portal* [online] Available at: <http://www.eoi-tax.org/jurisdictions/CZ#default> [Accessed 3 September 2018].
- pwc.com (2012) *International transfer pricing 2012* [online] REPORT BY PriceWaterhouseCooper. Available at: http://download.pwc.com/ie/pubs/2012_international_transfer_pricing.pdf

- eoi-tax.org (N.Y.) *Peer Review Report - Phase 1 - Legal and Regulatory Framework - Czech Republic* [online] Available at: <http://www.eoi-tax.org/jurisdictions/CZ#latest> [Accessed 3 September 2018].

1.18.5. Risk determination

Overview of Legal Requirements

The international tax standard, developed by the OECD and supported by the UN and the G20, provides for full exchange of information on request in all tax matters – without regard to a domestic tax interest requirement or bank secrecy for tax purposes. Currently all 30 OECD member countries, including Czech Republic, have endorsed and agreed to implement the international tax standard. Furthermore, all offshore financial centres accept the standard.

Czech Republic has 'exchange of information' relationships with 110 jurisdictions through 86 DTCs, 9 TIEAs and 1 multilateral mechanism, and is a signatory to the Convention on Mutual Administrative Assistance in Tax Matters.

Offshore trading in the Czech Republic is regulated by Law on Income Tax. According to legislation, different taxation rules apply to companies registered in risk countries (e.g. countries outside the European Union, European Economic Area and countries with which Czech Republic does not have an agreement regarding the avoidance of double taxation or international agreement on exchange of information relating to taxes). The Financial Authority is responsible for enforcement of this law. The common reason for using offshore companies is that the ownership is not known.

Description of Risk

No evidence has been found that would constitute specified risk.

Risk Conclusion

This indicator has been evaluated as low risk. Threshold (1) is met: Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.18.6. Risk designation and specification

Low risk

1.18.7. Control measures and verifiers

N/A

1.19. Custom regulations

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

1.19.1. Applicable laws and regulations

- Předpis č. 17/2012 Sb. zákon o Celní správě České republiky (Customs law), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/2012-17>

1.19.2. Legal authority

- *Ministry of finance (Ministerstvo financí)*
- *Customs Authority (Celní správa)*

1.19.3. Legally required documents or records

N/A

1.19.4. Sources of information

Government sources

- *celnisprava.cz (N.Y.) Customs Authority (Celní správa)* [online] Available at: <https://www.celnisprava.cz/en/Pages/default.aspx> [Accessed 3 September 2018].

1.19.5. Risk determination

Overview of Legal Requirements

There are no regulations regarding the export of timber.

Description of Risk

There are no known issues that would constitute a specified risk in this category.

Risk Conclusion

N/A

1.19.6. Risk designation and specification

N/A

1.19.7. Control measures and verifiers

N/A

1.20. CITES

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

1.20.1. Applicable laws and regulations

- Zákon č. 100/2004 Sb. o ochraně druhů volně žijících živočichů a planě rostoucích rostlin regulováním obchodu s nimi a dalších opatřeních k ochraně těchto druhů a o změně některých zákonů (On the protection of species of wild fauna and flora by regulating trade and other measures to protect these species and amending certain Acts), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/2004-100>

1.20.2. Legal authority

- *Ministry of Environment (Ministerstvo životního prostředí)*
- *Czech Environmental Inspectorate (CEI),*
- *Customs - enforcement authorities*
- *Agency for Nature and Landscape Protection - scientific authority*

1.20.3. Legally required documents or records

- *CITES export and import permits and CITES certificates enabling intra EU trade, registration documents*

1.20.4. Sources of information

Government sources

- mzp.cz (N.Y.) *CITES* [online] Ministry of Environment. Available at: http://www.mzp.cz/cz/cites_obchod_ohrozenymi_druhy [Accessed 3 September 2018].
- cizp.cz (N.Y.) *CITES* [online] Czech Environmental Inspectorate. Available at: www.cizp.cz/cites [Accessed 3 September 2018].
- Correspondence with Czech Environmental Inspectorate (www.cizp.cz) [Accessed 3 September 2018].

1.20.5. Risk determination

Overview of Legal Requirements

There are no Czech tree species on the CITES list of species; therefore, the risk of illegal harvest of CITES species is low.

Description of Risk

N/A

Risk Conclusion

This indicator has been evaluated as low risk. Threshold (1) is met: Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.20.6. Risk designation and specification

Low risk

1.20.7. Control measures and verifiers

N/A

1.21. Legislation requiring due diligence/due care procedures

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

1.21.1. Applicable laws and regulations

- Zákon č. 226/2013 Sb., o uvádění dřeva a dřevařských výrobků na trh (Timber Act implementing EU Timber Regulation No. 995/2010), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/2013-226>
- Vyhláška 285/2013 Sb. o rozsahu a způsobu předávání informací do centrální evidence hospodářskými subjekty a orgány státní správy v oblasti uvádění dřeva a dřevařských výrobků na trh. (Ordinance on the scope and method for the transfer of information into a central evidence of operators and government authorities in area of placing timber and timber products on the market), all paragraphs. Available at: <http://www.zakonyprolidi.cz/cs/2013-285>
- EU Regulation (EU) No 995/2010 Of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market. 12.11.2010. Official Journal of the European Union. L 295/23. Available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:295:0023:0034:CS:PDF>

1.21.2. Legal authority

- *Ministry of Agriculture (Ministerstvo zemědělství) - Competent Authority*
- *Forest Management Institute (UHUL)*
- *Customs Authority (Celní správa)*
- *The Czech Trade Inspection Authority (Česká obchodní inspekce)*

1.21.3. Legally required documents or records

- *Due Diligence system, transport documents, documents of the origin of the wood*

1.21.4. Sources of information

Government sources

- ec.europa.eu (2013) *EU Regulations on Wood* [online] Available at: http://ec.europa.eu/environment/eutr2013/index_cs.htm [Accessed 3 September 2018].
- uhul.cz (N.Y.) *The Due Diligence System* [online] Institute of forest management. Available at: <http://www.uhul.cz/nase-cinnost/narizeni-o-dreve/system-nalezite-pece> [Accessed 3 September 2018].
- Magazine *Lesnická práce* 2/2014, 4/2014 - Article by the person responsible for EUTR implementation at Forest Management Institute, mentions up to date auditing system and results of the checks of the operators
- E-mail correspondence with the Competent Authority and Forest Management Institute

Non-Government sources

- Interviews with operators that were checked by the Forest Management Institute in 2013 and 2014

- WWF (2014): Government Barometer 2014. Available at: http://barometer.wwf.org.uk/what_we_do/government_barometer/scores_by_country/country_answers.cfm?country=Czech%20Republic. Link no longer available.

1.21.5. Risk determination

Overview of Legal Requirements

Czech Republic has incorporated EUTR into its legislation. A control system has been developed which provides regular checks of both forest owners and importers of wood-based material according to the classification included in the EUTR legislation. The Czech Ministry of Agriculture is the Competent Authority appointed by the Forest Management Institute as a controlling body. In cases where the Forest Management Institute finds any non-conformity with legislation, they shall provide this information to Regional Offices which are authorized to issue penalties.

There is also a requirement in Czech – in accordance with Decree no. 285/2013 Coll. (under §40 of the Forest Act no. 289/1995 Coll.) – that forest owner performance information is incorporated in the Central Registry of the due diligence system.

The new legislation covers both provisions of the EUTR: the prohibition and due diligence requirements. There are criminal sanctions, but only in the shape of fines, no imprisonment. Proposed fines are proportionate and high enough to be dissuasive, but there is no provision for seizure of the timber and suspension of authorisation to trade. The fines cover: placing illegal wood on the market, deficiencies in the due diligence system, and deficiencies in necessary assistance to facilitate performing the checks. Timber could only be seized from the operator as a part of enforcing a financial penalty. There are no publicly available procedures to address third-party evidence.

There are approx. 70 staff working within all the Competent Authorities (CAs) (20 of which work at FMI) and mainly dealing with EUTR. There is an annual budget for the CAs dedicated for EUTR activities and it is considered sufficient.

Description of Risk

Controls statistics: 2013 – 51 controls (45 of which were forest owners), 2014 – 130 controls (101 of which were forest owners), 2015 – 105 controls (73 of which were forest owners). Since the EUTR entered into force the regional offices imposed 12 fines.

Based on the field experience of the authors and following an extensive awareness raising campaign conducted by the Czech Competent Authority, it is concluded that the Czech Republic has implemented the legislation requiring due diligence and has assigned responsible organizations to check its implementation; thus, the risk is evaluated as low.

Risk Conclusion

This indicator has been evaluated as low risk. Threshold (1) is met: Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.21.6. Risk designation and specification

Low risk

1.21.7. Control measures and verifiers

N/A

Annex I. Timber source types

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

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

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

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

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

TIMBER SOURCE TYPES IN CZECH REPUBLIC						
Forest type	Region/Area	Legal Land Classification	Ownership	Management regime	License / Permit Type	Description of source type
Production forests			(state, municipality, private or church owned)	Harvest carried out in accordance with a Forest Management Plan/Forest Management Guidance.		
Protection forests			(state, municipality, private or church owned)	Harvest carried out in accordance with a Forest Management Plan/Forest Management Guidance.		
Special purpose forests			(state, municipality, private or church owned)	Harvest carried out in accordance with a Forest Management Plan/Forest Management Guidance.		



The mark of
responsible forestry

FSC™ A000535

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

About

Supporting Legal Timber Trade

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



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

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