

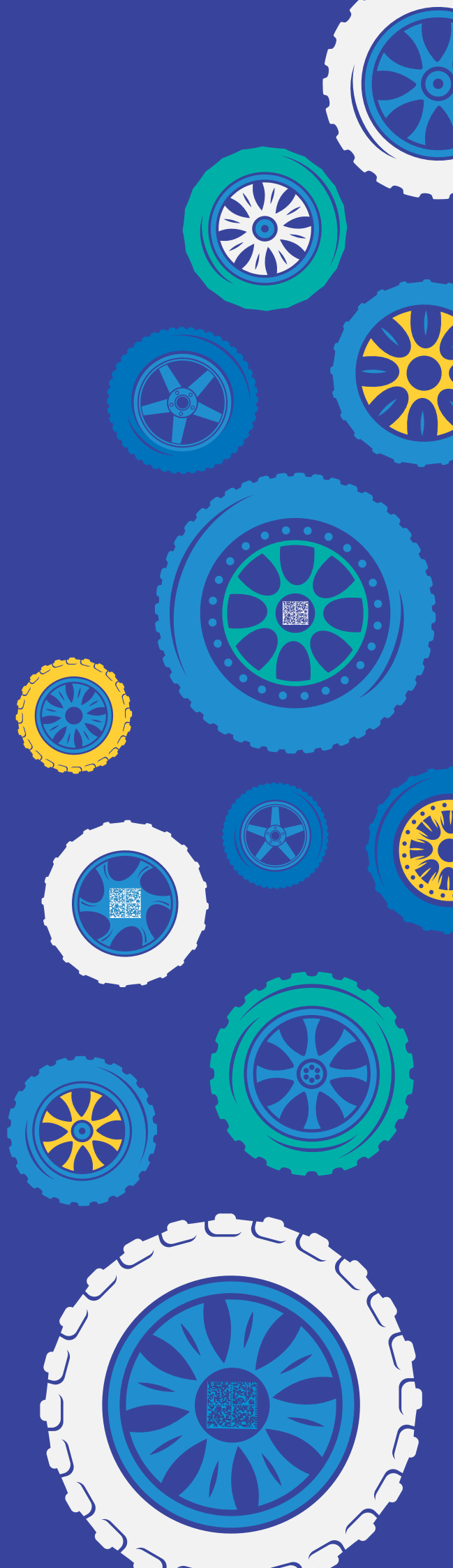


Track & Trace of tires in Russia: comprehensive advisory support

September 2020

KPMG in Russia and the CIS

kpmg.ru



Tires serialization in Russia: law-making stages and key events



Starting from 1 November 2020 all tires circulating in the Russian Federation will be subject to mandatory labeling (serialization) and their flow in the market shall be monitored via the statutory information system for products circulation monitoring (GIS MT).

The main goal of the track & trace introduction is combatting counterfeit products, as announced by the regulators.

GIS MT is supposed to allow tire producers and other data exchange participants track the route of their products up to the end-consumer.



2018 (1st half)



Technical Preparation

28.04.2018:

Approval of labelling functional model
Government Resolution # 791-p

28.04.2018:

List of products to be labelled is approved
Government Resolution # 792-p

2019



Preparation & Testing

25.01.2019:

Draft Governmental Resolution on voluntary Experiment for Track & Trace of Tires

26.04.2019:

Update of GIS MT functionality, roles of the T&T Operator and Participants
Government Resolution # 515

08.05.2019:

Fee for T&T crypto-code generation approved (50 kopecks per code)
Government Resolution # 577

20.06.2019:

Start of Tires T&T Experiment (20.06.2019-30.11.2019)
Government Resolution # 753

28.10.2019:

Methodical Recommendations for T&T Experiment participants (approved by the Ministry for Industry and Trade)

31.12.2019:

Rules for Tires T&T
Government Resolution # 1958

31.12.2019:

Rules for granting access to data contained in GIS MT
Government Resolution # 1955

2021



Transition Period and Gradual Launch

01.03.2021:

- Labeling of tires in stock, entered into circulation before 01.11.2020
- Mandatory reporting of all transactions with labeled tires to GIS MT by all supply chain participants

2017



Key Principles Outline

Assessment of labeling technologies, involving a wide range of participants

2018 (2nd half)



Preparing to Implement

08.06.2018:

Public debates in the Ministry for Industry & Trade on implementing tires track & trace and voluntary Experiment conduction

June-December 2018:

Assessment of technological options (DMX, RFID, etc.) and developing draft Methodological Recommendations

25.12.2018:

Final concept and principles of T&T with crypto-protection
Federal Law # 488

2020



Transition Period and Gradual Launch

- Mandatory registration in GIS MT: **7 days** upon the first transaction with labeled tires
- Hardware and software configuring and applying to CRPT for testing: **30 days** upon registration in GIS MT
- Testing of GIS MT interaction: **60 days** upon applying

01.11.2020:

Mandatory labeling of tires by manufacturers/importers and reporting to GIS MT

01.11.2020:

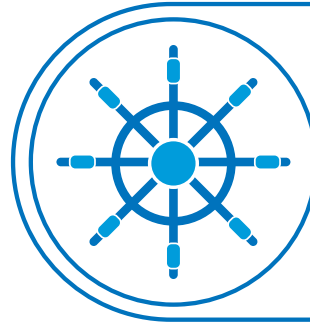
Mandatory reporting to GIS MT of tires purchase and withdrawal from circulation by wholesalers and retailers

15.12.2020:

Labeling of tires in stock, purchased before 01.11.2020 but imported into Russia after 01.11.2020

Key risks and uncertainty areas

Risks



Risk management methods

● GIS MT development is still in progress

● Rules are more complicated as compared to EU Track & Trace: 20+ reporting events, additional cryptocoding, financial data reporting

● Changes to identifier (labeling code) structure negatively impact the production process, leading to cost and/or defective rate increase

● GIS MT failures and disruptions while big data processing; lack of information on the data protection level and tools within GIS MT

● Existing IT solutions (especially international ones) are not customized to the Russian T&T requirements

● Direct interaction with GIS MT Operator to clarify data flows and IT systems requirements

● Elaborated planning and execution of data exchange processes redesign and IT systems integration, including external ones

● Upfront testing of high-density identification codes on the existing equipment

● Developing back-up solutions for data transfer to corporate repository

● Upfront assessment of IT solutions capacity/functionality and cost-benefit analysis of the improvements required



Areas for in-depth analysis and risk assessment:

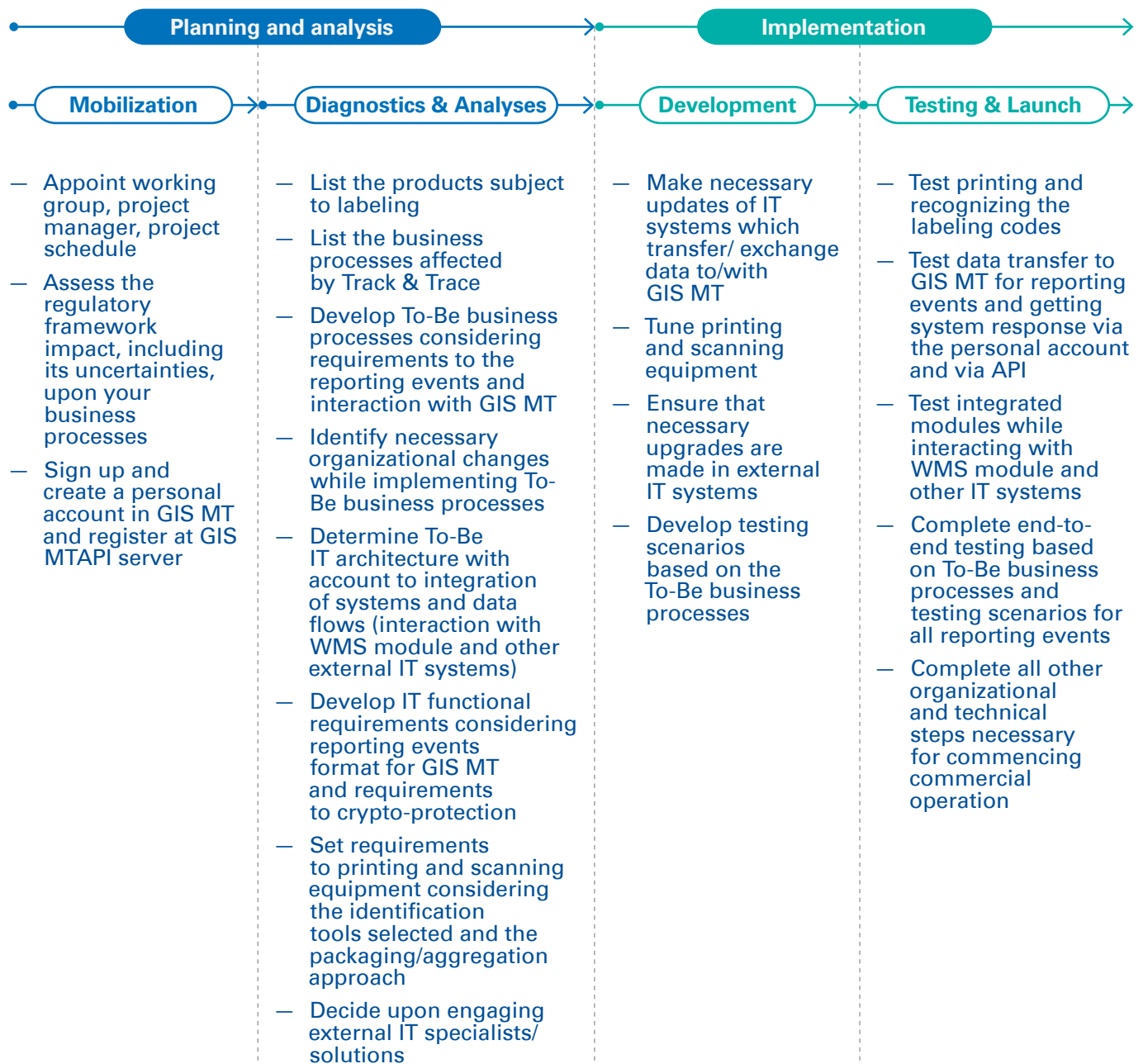
- Changes to business processes
- Unclear accounting issues (in particular, accounting and reporting on prices)
- IT systems changes
- Reporting changes



Areas to expect most significant changes:

- Printing and scanning of identification tools considering the crypto-protection requirements, data security requirements and setup of the data exchange with emission and disposal registers
- Business processes and requirements to IT systems based on the necessary reporting events sequence and requirements to formats of data submitted to GIS MT

Implementing Track & Trace: what you have to do?



Project execution control throughout all stages; coordinating and managing the working group; monitoring timing, deadlines and dependencies



Monitoring updates and changes of regulatory framework; setting up the decision-making process in the situation of regulatory uncertainties; “what-if” scenarios analyses

A complex Track & Trace project: KPMG services



Project management

Planning

- Analyzing project status, project plan and interim results, providing recommendations on improvements
- Improving the existing schedule and roadmap of T&T implementation project; functional planning
- Help with selecting the automated IT solution for T&T (for own or external IT systems)

Ongoing execution

- Coordinating global and local project teams' activities
- SPOC function for all the project participants
- Cross-functional work and communication management
- Support while interacting with external project participants (3PL provider, customs broker, etc.)

Control and reporting

- Progress monitoring and control
- Regular reporting, proactive identification of risks and challenges; risk management solutions
- Regular communications and presenting the status/results to the project management/ steering committee



Business processes

- To-Be business processes catalogue considering T&T requirements, reporting events and interaction with GIS MT
- To-Be business process maps considering requirements for inputs/outputs, stages, responsibilities allocation, paper and e-documents workflow
- List of necessary organizational changes resulting from the business processes changes



Developing requirements to IT systems (SMA L3, L4):

- Recommendations on To-Be IT architecture and IT systems integration
- Developing functional requirements to IT systems transferring/exchanging data to/with GIS MT
- Developing controls to be implemented into IT systems



Laws and Regulations

- Consulting and developing technical position on ambiguous matters and matters not addressed by law, including other affected regulatory areas (statutory and tax accounting, transfer pricing, customs and legal issues)
- "What-if" analyses focused on regulatory and fiscal risks
- Operational and legal support while interacting with 3PL providers and other data exchange participants
- Developing controls and processes to ensure transparency and compliance with the regulatory requirements



Results *(depending on the scale of KPMG involvement selected by you):*

- Effective and flexible project management; coordinated efforts of all local and global participants; meeting deadlines and quality demanded
- Integrated IT systems and smoothly functioning data exchange with GIS MT
- Harmonized approaches to interaction with the project's external participants
- Technical position on complicated/unclear regulatory matters and understanding of existing risk scenarios

Why KPMG?

Experience with serialization and labeling projects

Complex projects on serialization/labeling realized for multinationals in Russia; availability of solutions tested in practice and action

Management and IT consultancy capabilities

Many years of experience in business processes modeling, IT systems requirements development, their configuration and integration

Industry-specific experience

Long-term experience on advising tire producers on a diverse range of business matters

Availability of profound international track & trace expertise

KPMG runs an international center-of-excellence for Track & Trace

Multi-profile expertise

Availability of specialty teams and experts within KPMG who could be immediately onboarded to the project as necessary (to address customs, legal, compliance, cyber-security and other matters)

Involvement in law-making activities

Active participation in working groups and events and direct interaction with the Ministry for Industry and Trade, CRPT, business associations, experts and etc.



Contacts



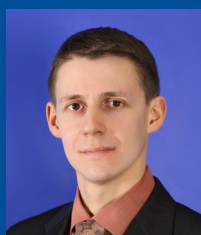
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