

**COMMISSION DECISION (EU) 2015/1158****of 8 July 2015**

**on the position to be taken by the Commission, on behalf of the European Union, in the Joint Implementation Committee set up by the Voluntary Partnership Agreement between the European Union and the Republic of Indonesia on Forest Law Enforcement, Governance and Trade in timber products into the European Union as regards the amendments to the Annexes I, II, and V of the Voluntary Partnership Agreement between the European Union and the Republic of Indonesia**

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Decision 2014/284/EU of 14 April 2014 on the conclusion of the Voluntary Partnership Agreement between the European Union and the Republic of Indonesia on forest law enforcement, governance and trade in timber products to the European Union <sup>(1)</sup>, and in particular Article 4 thereof,

Whereas:

- (1) the Voluntary Partnership Agreement between the European Union and the Republic of Indonesia on forest law enforcement, governance and trade in timber products to the European Union <sup>(2)</sup> (hereinafter referred to as 'the Agreement') entered into force on 1 May 2014.
- (2) Article 22(3) of the Agreement provides for amendments regarding the Annexes to be adopted by the Joint Implementation Committee.
- (3) There is a need to update the Annexes I, II, and V to the Agreement in order to reflect changes made after the conclusion of the Agreement in the relevant Indonesian legislation and guidelines concerning the application of the Indonesian Timber Legality Assurance System.
- (4) The proposed changes are aimed at further strengthening the TLAS and facilitate participation in the system by all economic operators
- (5) Therefore, Annexes I, II, and V to the Agreement should be amended accordingly.
- (6) Those modifications should be approved on behalf of the European Union.
- (7) This Decision is adopted in accordance with the opinion of the Committee on the Forest Law Enforcement Governance and Trade (FLEGT Committee),

HAS ADOPTED THIS DECISION:

*Article 1*

The amendments to Annexes I, II, and V to the Voluntary Partnership Agreement between the European Union and the Republic of Indonesia on Forest Law Enforcement, Governance and Trade in timber products into the European Union are hereby approved on behalf of the European Union.

The position to be taken by the Commission, on behalf of the European Union, in the Joint Implementation Committee (JIC) set up by the Voluntary Partnership Agreement between the European Union and the Republic of Indonesia on Forest Law Enforcement, Governance and Trade in timber products into the European Union shall be based on the attached draft decision of the JIC.

<sup>(1)</sup> OJ L 150, 20.5.2014, p. 250.

<sup>(2)</sup> See footnote 1.

*Article 2*

After adoption of the amendments to Annexes I, II, and V to the Agreement by the JIC, the decision of the JIC shall be published in the *Official Journal of the European Union*, as well as the date of its entry into force.

*Article 3*

This Decision shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

Done at Brussels, 8 July 2015.

*For the Commission*  
*The President*  
Jean-Claude JUNCKER

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## ANNEX

**Draft****Decision No 3/2015 of the Joint Implementation Committee set up by the Voluntary Partnership Agreement between the European Union, of the one part, and the Republic of Indonesia, of the other part, adopting amendments to the Annexes I, II, and V of the Agreement**

THE JOINT IMPLEMENTATION COMMITTEE,

Having regard to the Voluntary Partnership Agreement between the European Union and the Republic of Indonesia (hereinafter referred to as the 'Agreement'), which following ratification by the Parties entered into force on 1 May 2014,

Whereas:

- (a) The Agreement provides in Article 22, paragraph 3 that the Joint Implementation Committee may adopt amendments to the Annexes to this Agreement.
- (b) The Parties have agreed that there is a need to update the Annexes I, II, and V to the agreement in order to reflect changes made after the conclusion of the Agreement in the relevant Indonesian legislation and guidelines concerning the application of the Indonesian Timber Legality Assurance System.
- (c) The proposed changes are aimed at further strengthening the TLAS and facilitate participation in the system by all economic operators,

HAS DECIDED AS FOLLOWS:

*Article 1*

The Annexes I, II and V to the Agreement are replaced by amended version as set out in the Annex to this Decision.

*Article 2*

This Decision shall be drawn up in duplicate in the Bulgarian, Croatian, Czech, Danish, Dutch, English, Estonian, Finnish, French, German, Greek, Hungarian, Italian, Latvian, Lithuanian, Maltese, Polish, Portuguese, Romanian, Slovak, Slovenian, Spanish, Swedish and Indonesian (Bahasa Indonesia) languages, each of these texts being authentic. In case of divergence of interpretation the English text shall prevail.

*Article 3*

This Decision shall enter into force on ....

Done at ..., on .../.../...

*For the Republic of Indonesia*

*For the European Union*

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## ANNEX

## ‘ANNEX I

**PRODUCT COVERAGE**

The list in this Annex refers to the Harmonised Commodity Description and Coding System established by the International Convention on the Harmonised Commodity Description and Coding System of the World Customs Union.

## ANNEX IA

THE HARMONISED COMMODITY CODES FOR TIMBER AND TIMBER PRODUCTS COVERED UNDER THE FLEGT LICENSING SCHEME

## Chapter 44:

HS Codes	Description
	Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms; wood in chips or particles; sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms.
4401.21	— Wood in chips or particles – coniferous
Ex. 4401.22	— Wood in chips or particles – non coniferous (not from bamboo nor rattan)
4403	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared. (Prohibited from export under the Indonesian law. In line with Article 3(3) of the VPA, products under this HS code may not be FLEGT licensed and therefore may not be imported into the Union).
Ex. 4404.10	Chipwood and the like — coniferous
Ex. 4404.20	Chipwood and the like — non-coniferous – Chipwood
Ex. 4404	Hoopwood; split poles; piles, pickets and stakes of wood, pointed but not sawn lengthwise; wooden sticks, roughly trimmed, but not turned, bent or otherwise worked, suitable for the manufacture of walking-sticks, umbrellas, tool handles or the like. (Prohibited from export under the Indonesian law. In line with Article 3(3) of the VPA, products under this HS code may not be FLEGT licensed and therefore may not be imported into the Union).
4406	Railway or tramway sleepers (cross-ties) of wood. (Prohibited from export under the Indonesian law. In line with Article 3(3) of the VPA, products under this HS code may not be FLEGT licensed and therefore may not be imported into the Union).
Ex.4407	Wood sawn or chipped lengthwise, sliced or peeled, planed, sanded or end-jointed, of a thickness exceeding 6 mm.
Ex. 4407	Wood sawn or chipped lengthwise, sliced or peeled, <b>not</b> planed, <b>not</b> sanded or <b>not</b> end-jointed, of a thickness exceeding 6 mm. (Prohibited from export under the Indonesian law. In line with Article 3(3) of the VPA, products under this HS code may not be FLEGT licensed and therefore may not be imported into the Union).
4408.10	Sheets for veneering (including those obtained by slicing laminated wood), for plywood or for similar laminated wood and other wood, sawn lengthwise, sliced or peeled, whether or not planed, sanded, spliced or end-jointed, of a thickness not exceeding 6 mm Coniferous

HS Codes	Description
4408.31	Dark Red Meranti, Light Red Meranti, and Meranti Bakau
4408.39	Other, except coniferous, Dark Red Meranti, Light Red Meranti, and Meranti Bakau
Ex. 4408.90	Other, except coniferous and tropical wood specified in Subheading Note 2 to this chapter (not from bamboo nor rattan)
4409.10	Wood (including strips and friezes for parquet flooring, not assembled) continuously shaped (tongued, grooved, rebated, chamfered, V-jointed, beaded, moulded, rounded or the like) along any of its edges, ends or faces, whether or not planed, sanded or end-jointed. — Coniferous
Ex. 4409.29	— Non-coniferous — other (not from rattan)
Ex. 4410.11	Particle board, oriented strand board (OSB) and similar board (for example, waferboard) of wood or other ligneous materials, whether or not agglomerated with resins or other organic binding substances — Of wood – Particle board (not from bamboo nor rattan)
Ex. 4410.12	— Of wood – Oriented strand board (OSB) (not from bamboo nor rattan)
Ex. 4410.19	— Of wood – Other (not from bamboo nor rattan)
Ex. 4411	Fibreboard of wood or other ligneous materials, whether or not bonded with resins or other organic substances (not from bamboo nor rattan)
4412.31	Plywood, veneered panels and similar laminated wood — Other plywood, consisting solely of sheets of wood (other than bamboo), each ply not exceeding 6 mm thickness: – With at least one outer ply of tropical wood specified in Subheading Note 2 to this Chapter
4412.32	— Other plywood, consisting solely of sheets of wood (other than bamboo), each ply not exceeding 6 mm thickness: – Other, with at least one outer ply of non-coniferous wood
4412.39	— Other plywood, consisting solely of sheets of wood (other than bamboo), each ply not exceeding 6 mm thickness: – Other
Ex. 4412.94	— Other: – Blockboard, laminboard and battenboard (not from rattan)
Ex. 4412.99	Other: – Other: — Barecore (wood waste glued together) (not from rattan) and — Other (not from rattan)
Ex. 4413	Densified wood, in blocks, plates, strips or profile shapes (not from bamboo nor rattan)
Ex. 4414	Wooden frames for paintings, photographs, mirrors or similar objects (not from bamboo nor rattan)
Ex. 4415	Packing cases, boxes, crates, drums and similar packings, of wood; cable-drums of wood; pallets, box pallets and other load boards, of wood; pallet collars of wood (not from bamboo nor rattan)
Ex. 4416	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves (not from bamboo nor rattan)
Ex. 4417	Tools, tool bodies, tool handles, broom or brush bodies and handles, of wood; boot or shoe lasts and trees, of wood (not from bamboo nor rattan)

HS Codes	Description
Ex. 4418	Builders' joinery and carpentry of wood, including cellular wood panels, assembled flooring panels, shingles and shakes (not from bamboo nor rattan)
Ex. 4419	Tableware and kitchenware, of wood (not from bamboo and rattan)
Ex. 4420.90	Wood marquetry and inlaid wood; caskets and cases for jewellery or cutlery, and similar articles, of wood. — Other – Wood in the form of logs or squared logs with simple process in the surface, carved or finely threaded or painted, does not have significant added-value and no significant change in shape (HS Ex. 4420.90.90.00 in Indonesia) (Prohibited from export under the Indonesian law. In line with Article 3(3) of the VPA, products under this HS code may not be FLEGT licensed and therefore may not be imported into the Union).
Ex.4421.90	Other articles of wood — Other – Match splints (not from bamboo nor rattan) and – Other — Wooden paving blocks (not from bamboo nor rattan)
Ex. 4421.90	— Other – Other — Wood in the form of logs or squared logs with simple process in the surface, carved or finely threaded or painted, does not have significant added-value and no significant change in shape (HS Ex. 4421.90.99.00 in Indonesia) (Prohibited from export under the Indonesian law. In line with Article 3(3) of the VPA, products under this HS code may not be FLEGT licensed and therefore may not be imported into the Union).

## Chapter 47:

HS Codes	Description
	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard:
4701	Mechanical wood pulp
4702	Chemical wood pulp, dissolving grades
4703	Chemical wood pulp, soda or sulphate, other than dissolving grades.
4704	Chemical wood pulp, sulphite, other than dissolving grades
4705	Wood pulp obtained by a combination of mechanical and chemical pulping processes

## Chapter 48:

HS Codes	Description
Ex. 4802	Uncoated paper and paperboard, of a kind used for writing, printing or other graphic purposes, and non-perforated punch-cards and punch tape paper, in rolls or rectangular (including square) sheets, of any size, other than paper of heading 4801 or 4803; hand-made paper and paperboard (not from non-wooden nor recycled material)
Ex. 4803	Toilet or facial tissue stock, towel or napkin stock and similar paper of a kind used for household or sanitary purposes, cellulose wadding and webs of cellulose fibres, whether or not creped, crinkled, embossed, perforated, surface-coloured, surface-decorated or printed, in rolls or sheets (not from non-wooden nor recycled material)

HS Codes	Description
Ex.4804	Uncoated kraft paper and paperboard, in rolls or sheets, other than that of heading 4802 or 4803 (not from non-wooden nor recycled material)
Ex. 4805	Other Uncoated paper and paperboard, in rolls or sheets, not further worked or processed than as specify in Note 3 to this chapter (not from non-wooden nor recycled material)
Ex. 4806	Vegetable parchment, greaseproof papers, tracing papers and glassine and other glazed transparent or translucent papers, in rolls or sheets (not from non-wooden nor recycled material)
Ex. 4807	Composite paper and paperboard (made by sticking flat layers of paper or paperboard together with an adhesive), not surface-coated or impregnated, whether or not internally reinforced, in rolls or sheets (not from non-wooden nor recycled material)
Ex. 4808	Paper and paperboard, corrugated (with or without glued flat surface sheets), creped, crinkled, embossed or perforated, in rolls or sheets, other than paper of the kind described in heading 4803 (not from non-wooden nor recycled material)
Ex. 4809	Carbon paper, self-copy paper and other copying or transfer papers (including coated or impregnated paper for duplicator stencils or offset plates), whether or not printed, in rolls or sheets (not from non-wooden nor recycled material)
Ex. 4810	Paper and paperboard, coated on one or both sides with kaolin (China clay) or other inorganic substances, with or without binder, and with no other coating, whether or not surface-coloured, surface-decorated or printed, in rolls or rectangular (including square) sheets, of any size (not from non-wooden nor recycled material)
Ex. 4811	Paper, paperboard, cellulose wadding and webs of cellulose fibres, coated, impregnated, covered, surface-coloured, surface-decorated or printed, in rolls or rectangular (including square) sheets, of any size, other than goods of the kind described in heading 4803, 4809 or 4810 (not from non-wooden nor recycled material)
Ex. 4812	Filter blocks, slabs and plates, of paper pulp (not from non-wooden nor recycled material)
Ex. 4813	Cigarette paper, whether or not cut to size or in the form booklets or tubes (not from non-wooden nor recycled material)
Ex. 4814	Wallpaper and similar wall covering; window transparencies of paper (not from non-wooden nor recycled material)
Ex. 4816	Carbon paper, self-copy paper and other copying or transfer papers (other than those of heading 4809), duplicator stencils and offset plates, of paper, whether or not put up in boxes (not from non-wooden nor recycled material)
Ex. 4817	Envelopes, letter cards, plain postcards and correspondence cards, of paper or paper board; boxes, pouches, wallets and writing compendiums, of paper or paperboard, containing an assortment of paper stationary (not from non-wooden nor recycled material)
Ex. 4818	Toilet paper and similar paper, cellulose wadding or webs of cellulose fibres, of a kind used for household or sanitary purposes, in rolls of a width not exceeding 36 cm, or cut to size or shape; handkerchief, cleansing tissues, towels, tablecloths, serviettes, napkins for babies, tampons, bed sheets and similar household, sanitary or hospital articles, articles of apparel and clothing accessories, of paper pulp, paper, cellulose wadding or webs of cellulose fibres (not from non-wooden nor recycled material)
Ex. 4821	Paper or paperboard labels of all kinds, whether or not printed (not from non-wooden nor recycled material)

HS Codes	Description
Ex. 4822	Bobbins, spools, cops and similar support of paper pulp, paper or paper board whether or not perforated or hardened (not from non-wooden nor recycled material)
Ex. 4823	Other paper, paperboard, cellulose wadding and webs cellulose fibres, cut to size or shape; other articles of paper pulp, paper, paperboard, cellulose wadding or webs of cellulose fibres (not from non-wooden nor recycled material)

*Note:* Paper products originating from non-wooden or recycled material are accompanied by a formal letter from the Indonesian Ministry of Industry validating the use of non-wooden or recycled materials. Such products will not be FLEGT licensed.

#### Chapter 94:

HS Codes	Description
	Seats (other than those of heading 94.02), whether or not convertible into beds, and parts thereof
9401.61	— Other seats, with wooden frames: – Upholstered
9401.69	— Other seats, with wooden frames: – Other
	Other furniture and parts thereof
9403.30	— Wooden furniture of a kind used in offices
9403.40	— Wooden furniture of a kind used in the kitchen
9403.50	— Wooden furniture of a kind used in the bedroom
9403.60	— Other wooden furniture
Ex. 9403.90	— Parts: – Other (HS 9403.90.90 in Indonesia)
	Prefabricated buildings
Ex. 9406.00	— Other prefabricated buildings: – Of wood (HS 9406.00.92 in Indonesia)

#### Chapter 97:

HS Codes	Description
	Original engravings, prints and lithographs.
Ex. 9702.00	Wood in the form of logs or squared logs with simple process in the surface, carved or finely threaded or painted, does not have significant added-value and no significant change in shape (HS Ex. 9702.00.00.00 in Indonesia) (Prohibited from export under the Indonesian law. In line with Article 3(3) of the VPA, products under this HS code may not be FLEGT licensed and therefore may not be imported into the Union).



## ANNEX IB

## THE HARMONISED COMMODITY CODES FOR TIMBER PROHIBITED FROM EXPORT UNDER INDONESIAN LAW

## Chapter 44:

HS Codes	Description
4403	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared.
Ex. 4404	Hoopwood; split poles; piles, pickets and stakes of wood, pointed but not sawn lengthwise; wooden sticks, roughly trimmed, but not turned, bent or otherwise worked, suitable for the manufacture of walking-sticks, umbrellas, tool handles or the like.
4406	Railway or tramway sleepers (cross-ties) of wood.
Ex. 4407	Wood sawn or chipped lengthwise, sliced or peeled, <b>not</b> planed, <b>not</b> sanded or <b>not</b> end-jointed, of a thickness exceeding 6 mm.
Ex. 4420.90	Wood marquetry and inlaid wood; caskets and cases for jewellery or cutlery, and similar articles, of wood. — Other – Wood in the form of logs or squared logs with simple process in the surface, carved or finely threaded or painted, does not have significant added-value and no significant change in shape (HS Ex. 4420.90.90.00 in Indonesia).
Ex. 4421.90	Other articles of wood. — Other – Other — Wood in the form of logs or squared logs with simple process in the surface, carved or finely threaded or painted, does not have significant added-value and no significant change in shape (HS Ex. 4421.90.99.00 in Indonesia).
Ex. 9702.00	Original engravings, prints and lithographs. Wood in the form of logs or squared logs with simple process in the surface, carved or finely threaded or painted, does not have significant added-value and no significant change in shape (HS Ex. 9702.00.00.00 in Indonesia).

## ANNEX II

## LEGALITY DEFINITION

## INTRODUCTION

Indonesian timber is deemed legal when its origin and production process as well as subsequent processing, transport and trade activities are verified as meeting all applicable Indonesian laws and regulations.

Indonesia has five legality standards articulated through a series of principles, criteria, indicators and verifiers, all based on the underlying laws, regulations and procedures. These standards can be further divided into sub-standards as described in the TLAS Guidelines.

The Indonesian legal framework also includes sustainable forest management standards defined for permit holders operating within production forest zones on state-owned land. All permit holders must comply with the criteria of legality as stipulated in the legality standards. Not later than the date when their first legality certification expires, permit holders operating within production forest zones on state-owned land must comply with both the legality standard and the sustainable forest management standard, as stipulated in the TLAS Guidelines.

Indonesia is committed to regularly review and improve the legality standards through a multistakeholder process.

The five legality standards are:

- Legality Standard 1: the standard for concessions within production forest zones on state-owned lands: Natural Forests, Plantation Forest, Ecosystem Restoration, Forest Management Right (Hak Pengelolaan);
- Legality Standard 2: the standard for community plantation forests and community forests within production forest zones on state-owned lands;
- Legality Standard 3: the standard for privately-owned forests;
- Legality Standard 4: the standard for timber utilisation rights within non-forest zones or from convertible production forest on state-owned lands;
- Legality Standard 5: the standard for primary and downstream forest based industries and traders.

The five legality standards apply to different types of timber permits as set out in the following table:

Permit type or Right	Description	Land ownership/resource management or utilisation	Applicable legality standard
IUPHHK-HA/HPH	Permit to utilise timber from natural production forests	State owned/company managed	1
IUPHHK-HTI/HPHTI	Permit to establish and manage industrial plantation forest	State owned/company managed	1
IUPHHK-RE	Permit for forest ecosystem restoration	State owned/company managed	1
Forest management right (Perum Perhutani)	Right to manage plantation forest	State owned/company managed (state company)	1
IUPHHK- HTR	Permit for community or private forest plantation	State owned/community or privately managed	2
IUPHHK-HKM	Permit for community forest management	State owned/community managed	2
IUPHHK-HD	Permit for village forest management	State owned/managed by a single village	2
IUPHHK-HTHR	Permit to utilise timber from reforestation areas	State owned/community or privately managed	2
Private Land	No permit required	Privately owned/privately utilised	3
IPK/ILS	Permit to utilise timber from non-forest zones or from convertible production forest	State owned/privately utilised	4

Permit type or Right	Description	Land ownership/resource management or utilisation	Applicable legality standard
IUIPHHK	Permit for establishing and managing a primary processing company	Not applicable	5
IUI Lanjutan or IPKL	Permit for establishing and managing a secondary processing company	Not applicable	5
TPTs (TPT, TPT-KB, TPT-KO)	Registered timber/processed-timber depots	Not applicable	5
IRT	Household industry	Not applicable	5
ETPIK Non-Producer	Non-producer registered exporters	Not applicable	5

LEGALITY STANDARD 1: THE STANDARDS FOR CONCESSIONS WITHIN PRODUCTION FOREST ZONES

No	Principles	Criteria	Indicators	Verifiers	Related Regulations ( <sup>1</sup> )
1	P1. Legal status of area and right to utilise	K1.1. Forest management unit (concessionaires) is located within the production forest zone.	1.1.1. Permit holder can demonstrate that the timber utilisation permit (IUPHHK) is valid.	<p>Forest concession right certificate.</p> <p>Proof of payment for the timber forest product utilisation permit.</p> <p>Proof of other legal area utilisation permit (if any)</p>	<p>Government Regulation PP72/2010</p> <p>Regulation of the Minister for Forestry P12/2010</p> <p>Regulation of the Minister for Forestry P.30/2014</p> <p>Regulation of the Minister for Forestry P.31/2014</p> <p>Regulation of the Minister for Forestry P.33/2014</p> <p>Regulation of the Minister for Forestry P.76/2014</p>
2.	P2. Comply with the system and procedures for harvesting.	K2.1. Permit holder possesses a harvest plan for the cutting area that has been approved by the competent administrative authorities.	2.1.1. The competent administrative authority has approved the work plan documents: master plan, annual work plan, including their attachments.	<p>The approved master plan &amp; attachments (drawn up based on a comprehensive forest inventory conducted by technically competent staff)</p> <p>The approved annual work plan (drawn up based on the master plan)</p> <p>Maps (drawn up by technically competent staff, which describe the layout and boundaries of the areas covered by the plan of work)</p> <p>Map indicating logging exclusion zones within the Annual Work Plan and evidence of implementation on the ground.</p> <p>Harvesting locations (blocks or compartments) on the map are clearly marked and verified on the ground.</p>	<p>Regulation of the Minister for Forestry P62/2008</p> <p>Regulation of the Minister for Forestry P56/2009</p> <p>Regulation of the Minister for Forestry P60/2011</p> <p>Regulation of the Minister for Forestry P.33/2014</p>

No	Principles	Criteria	Indicators	Verifiers	Related Regulations (1)
		K2.2. Work plan is valid	2.2.1. Forest permit holder has a valid work plan in compliance with applicable regulations	Timber forest product utilisation master plan document & attachments (on going applications are acceptable).  The location and extractable volumes of natural forest logs within areas to be harvested correspond with the work plan.	Regulation of the Minister for Forestry P62/2008 Regulation of the Minister for Forestry P56/2009 Regulation of the Minister for Forestry P60/2011
3.	P3. The legality of the transport or the change of ownership of round logs.	K3.1. Permit holders ensure that all the logs transported from a log yard in the forest to a primary forest products industry, or registered log trader, including via an intermediate log yard, is physically identified and accompanied by valid documents.	3.1.1. All the large diameter logs harvested or commercially extracted have been reported in a Timber Production Report	Approved Timber Production Report documents	Regulation of the Minister for Forestry P41/2014 Regulation of the Minister for Forestry P42/2014
			3.1.2. All the timber transported out of the permit areas is accompanied by a valid transport document.	Valid transport documents and attachments accompany logs from the log yard to primary forest products industry or registered log trader, including via intermediate log yards	Regulation of the Minister for Forestry P41/2014 Regulation of the Minister for Forestry P42/2014
			3.1.3. The round logs have been harvested in the areas set out in the forest utilisation permit	Timber administration marks/barcode (PUHH) on logs  The application of the timber administration marks/barcode.	Regulation of the Minister for Forestry P41/2014 Regulation of the Minister for Forestry P42/2014
			3.1.4. All logs transported from Log Yard are accompanied by valid transport document	Valid transport document	Regulation of the Minister for Forestry P41/2014 Regulation of the Minister for Forestry P42/2014

No	Principles	Criteria	Indicators	Verifiers	Related Regulations (!)
		K3.2. Permit holder has settled the payment of applicable fees and levies for the commercial extraction of timber	3.2.1. Permit holder shows proof of payment of Reforestation Fund and/or Forest Resources Fee, which corresponds to the log production and the applicable tariff.	Payment Orders for Reforestation Funds and/or Forest Resources Fee.	Government Regulation PP22/1997 Government Regulation PP51/1998 Government Regulation PP59/1998 Regulation of the Minister for Forestry P18/2007 Regulation of the Minister for Trade 22/2012
				Proof of Deposit made for the Payment of Reforestation Fund and/or Forest Resources Fee and the Payment Slips.	
				Payment of the Reforestation Funds and/or Forest Resources Fee is consistent with log production and the applicable tariff.	
	K3.3. Inter-island transportation and trade		3.3.1. Permit holders who ship logs are Registered Inter-Island Timber Traders (PKAPT).	PKAPT documents	Regulation of the Minister for Industry and Trade 68/2003 Joint Regulation of the Minister for Forestry, Minister for Transportation, and Minister for Industry and Trade 22/2003
				3.3.2. The vessel used to transport round logs is Indonesian flagged and possesses a valid permit to operate.	Registration documents which show the identity of the vessel and valid permit.
	K3.4. Compliance of V-Legal marking		3.4.1. V-Legal marking implementation	V-Legal marking is applied accordingly	Regulation of the Minister for Forestry P43/2014

No	Principles	Criteria	Indicators	Verifiers	Related Regulations <sup>(1)</sup>	
4.	P4. Compliance with environmental and social aspects related to timber harvesting	K4.1. Permit holder has an approved applicable environmental impact assessment (EIA) document and has implemented measures identified in it.	4.1.1. Permit holder has applicable EIA documents approved by the competent authorities which cover the entire work area.	Applicable EIA documents	Government Regulation PP27/2012 Regulation of the Minister for Environment 05/2012	
			4.1.2. Permit holder has environmental management plan and environmental monitoring plan implementation reports indicating the actions taken to mitigate environmental impacts and provide social benefits.	Environmental management plan and environmental monitoring plan documents  Proof of implementation of the environmental management plan and monitoring of significant environmental and social impacts	Government Regulation PP27/2012 Regulation of the Minister for Environment 05/2012	
5.	P5. Compliance with labour laws and regulations	K5.1. Fulfilment of occupational safety and health (OSH) requirements	5.1.1 Availability of OSH procedures and their implementation	Implementation of OSH procedures	Government Regulation PP50/2012 Regulation of the Minister for Manpower & Transmigration 8/2010 Regulation of the Minister for Manpower & Transmigration 609/2012	
				OSH equipment		
				Accident records		
		K5.2. Fulfilment of workers' rights	5.2.1. Freedom of association for workers	Workers belong to workers unions or company policies allow workers to establish or get involved in union activities	Act 13/2003 Regulation of the Minister for Manpower & Transmigration 16/2011	
				5.2.2. Existence of collective labour agreements	Collective labour agreement documents or company policy documents on labour rights	Act 13/2003 Regulation of the Minister for Manpower & Transmigration 16/2011
					5.2.3. Company does not employ minors/underage workers	There are no underage workers

<sup>(1)</sup> Indicates main regulations, which also covers subsequent amendments.

No	Principles	Criteria	Indicators	Verifiers	Related Regulations
1.	P1. Legal status of area and right to utilise	K1.1. Forest management unit is located within the production forest zone.	1.1.1. Permit holder can demonstrate that the timber utilisation permit (IUPHHK) is valid.	Forest concession right certificate  Proof of payment for the timber forest product utilisation permit.	Regulation of the Minister for Forestry P37/2007 Regulation of the Minister for Forestry P49/2008 Regulation of the Minister for Forestry P12/2010 Regulation of the Minister for Forestry P55/2011
		K1.2. Business unit in the form of group.	1.2.1. The business group is legally established.	Deed or proof of establishment.	Regulation of the Minister for Forestry P43/2014
2.	P2. Comply with the system and procedures for harvesting	K2.1. Permit holder has a harvesting plan for the cutting area that has been approved by the competent administrative authorities	2.1.1. The competent administrative authority has approved the annual work plan document.	Approved annual work plan document.	Regulation of the Minister for Forestry P62/2008
				Map indicating logging exclusion zones in the annual work plan and evidence of implementation on the ground.	
		K2.2. Work plan is valid	2.2.1. Forest permit holder has a valid work plan in compliance with applicable regulations.	Timber Forest Product Utilisation Master Plan document and attachments (on-going applications are acceptable)	



No	Principles	Criteria	Indicators	Verifiers	Related Regulations
				The location and extractable volumes of logs within the area to be established to timber estate are to correspond to the work plan.	
		K2.3. Permit holders ensure that all logs transported from a log yard in the forest to a primary forest products industry or registered log trader, including via an intermediate log yard are physically identified and accompanied by valid documents.	2.3.1. All logs which have been harvested or commercially extracted are reported in the Timber Production Report.	Approved Timber Production Report documents	Regulation of the Minister for Forestry P41/2014 Regulation of the Minister for Forestry P42/2014
			2.3.2. All logs transported out of the permit area are accompanied by a legal transport document.	Legal transport documents and relevant attachments from the Log Yard to the Intermediate Log Yard and from Intermediate Log Yard to primary industry and/or registered log trader.	Regulation of the Minister for Forestry P41/2014 Regulation of the Minister for Forestry P42/2014
			2.3.3. The round logs have been harvested in the areas set out in the forest utilisation permit	Timber administration marks/barcode (PUHH) on logs.  Permit holder applies timber marking consistently.	Regulation of the Minister for Forestry P41/2014 Regulation of the Minister for Forestry P42/2014
			2.3.4. Permit holder can show the existence of log transport documents accompanying logs transported from log yard.	Log Transport Document to which is attached a log list document.	Regulation of the Minister for Forestry P41/2014 Regulation of the Minister for Forestry P42/2014
		K2.4. Permit holder has paid applicable fees and levies required for the commercial extraction of timber	2.4.1. Permit holders show proof of payment of Forest Resources Fee which corresponds to the log production and the applicable tariff.	Payment Order for Forest Resources Fee	Regulation of the Minister for Forestry P18/2007
				Proof of Payment of Forest Resources Fee	Regulation of the Minister for Trade 22/2012

No	Principles	Criteria	Indicators	Verifiers	Related Regulations
				Payment of the Forest Resources Fee is consistent with log production and the applicable tariff.	
		K2.5. Compliance of V-Legal marking	2.5.1. V-Legal marking implementation	V-Legal marking is applied accordingly	Regulation of the Minister for Forestry P43/2014
3.	P3. Compliance with environmental and social aspects pertaining to timber harvesting	K3.1. Permit holder has an approved applicable environmental impact assessment (EIA) document and has implemented measures identified in it.	3.1.1. Permit holder has applicable environmental impact assessment documents approved by the competent authorities which cover the entire work area.	Applicable EIA documents	Government Regulation PP27/2012 Regulation of the Minister for Environment 05/2012
			3.1.2. Permit holder has environmental management and monitoring implementation reports taken to mitigate environmental impacts and provide social benefits.	Relevant environmental management and monitoring documents	Government Regulation PP27/2012 Regulation of the Minister for Environment 05/2012
				Proof of implementation of environmental management and monitoring of significant environmental and social impacts	
4	P4. Compliance with labour laws and regulations	K4.1. Fulfilment of occupational safety and health (OSH) requirements	4.1.1. Availability of OSH procedures and their implementation	Implementation of OSH procedures	Government Regulation PP50/2012 Regulation of the Minister for Manpower & Transmigration 8/2010 Regulation of the Minister for Manpower & Transmigration 609/2012
				OSH equipment	
		K4.2. Fulfilment of workers' rights	4.2.1. Company does not employ minors/underage workers	There are no underage workers	Act 23/2002 Act 13/2003

No.	Principles	Criteria	Indicators	Verifiers	Related Regulations
1.	P1. Timber ownership can be verified	K1.1. Legality of ownership or land title in relation to the timber harvesting area.	1.1.1. Private land or forest owner can prove ownership or use rights of the land.	Valid land ownership or land tenure documents (land title documents recognised by competent authorities)	Act 5/1960 Regulation of the Minister for Forestry P33/2010 Government Regulation PP12/1998
			Land Cultivation Right. Deed of Establishment of the Company Business licence for companies engaging in trading business (SIUP) Company registration (TDP) Tax payer registration (NPWP) OSH Document Collective labour agreement documents or company policy documents on labour rights	Regulation of the Minister for Trade 36/2007 Regulation of the Minister for Trade 37/2007 Act 6/1983 Regulation of the Minister for Forestry P43/2014	
			Map of the area of private forest and boundaries delineated on the ground.		
			1.1.2. Management units (either owned individually or by a group) demonstrate valid timber transportation documents.	Log Transport Document	Regulation of the Minister for Forestry P30/2012
			1.1.3. Management units show proof of payment of applicable charges related to trees present prior to the transfer of rights or tenure of the area.	Proof of payment of Reforestation Fund and/or Forest Resources Fee and compensation to the state for the value of stumpage cut.	Regulation of the Minister for Forestry P18/2007

No.	Principles	Criteria	Indicators	Verifiers	Related Regulations	
		K1.2. Business unit in the form of groups are legally registered	1.2.1. The business groups are legally established.	Deed or proof of establishment	Regulation of the Minister for Forestry P43/2014	
		K1.3. Compliance of V-Legal marking	1.3.1. V-Legal marking implementation	V-Legal marking is applied accordingly	Regulation of the Minister for Forestry P43/2014	
2.	P2. Compliance with labour laws and regulations in the case of areas subject to Land Cultivation Rights	K2.1. Fulfilment of occupational safety and health (OSH) requirements	2.1.1. Availability of OSH procedures and their implementation	Implementation of OSH procedures	Government Regulation PP50/2012 Regulation of the Minister for Manpower & Transmigration 8/2010 Regulation of the Minister for Manpower & Transmigration 609/2012	
				OSH equipment		
				Accident records		
		K2.2. Fulfilment of workers' rights	2.2.1. Freedom of association for workers	Workers belong to workers unions or company policies allow workers to establish or get involved in union activities	Act 13/2003 Regulation of the Minister for Manpower & Transmigration 16/2001	
				2.2.2. Existence of collective labour agreements	Collective labour agreement documents or company policy documents on labour rights	Act 13/2003 Regulation of the Minister for Manpower & Transmigration 16/2011
					2.2.3. Company does not employ minors underage workers	There are no underage workers
3	P3. Compliance with environmental and social aspects related to timber harvesting	K3.1. Land Cultivation Rights holder or private-forest owners has an approved applicable environmental impact assessment (EIA) document and has implemented measures identified in it. (if required by regulation)	3.1.1. Land Cultivation Rights holder or private-forest owners has applicable EIA documents approved by the competent authorities which cover the entire work area.	Applicable EIA documents	Government Regulation PP27/2012 Regulation of the Minister for Environment 05/2012	

No.	Principles	Criteria	Indicators	Verifiers	Related Regulations
			3.1.2. Land Cultivation Rights has environmental management plan and environmental monitoring plan implementation reports	Environmental management plan and environmental monitoring plan documents  Proof of implementation of the environmental management plan and monitoring	Government Regulation PP27/2012 Regulation of the Minister for Environment 05/2012

LEGALITY STANDARD 4: THE STANDARD FOR TIMBER UTILISATION RIGHTS WITHIN NON-FOREST ZONES OR FROM CONVERTIBLE PRODUCTION FOREST

No.	Principles	Criteria	Indicators	Verifiers	Related Regulations
1.	P1. Legal status of area and right to utilise	K1.1. Timber harvesting permit within non-forest zone without altering the legal status of the forest.	1.1.1. Harvesting operation authorised under Other Legal Permit (ILS)/conversion permits (IPK) in a lease area <i>Note:</i> This also applies for area previously categorised as Reforestation-based Plantation Forest (HTHR)	ILS/IPK permits for harvesting operations in the lease area (including applicable environmental impact assessment/EIA document of non forestry business)  Maps attached to the ILS/IPK permits of the lease area and evidence of compliance on the ground.	Government Regulation PP27/2012 Regulation of the Minister for Forestry P18/2011 Regulation of the Minister for Forestry P59/2011 Regulation of the Minister for Environment 05/2012
		K1.2. Timber harvesting permit within non-forest zone which leads to a change in the legal status of the forest	1.2.1. Timber harvesting authorised under a land conversion permit (IPK) <i>Note:</i> This also applies for area previously categorised as Reforestation-based Plantation Forest (HTHR).	Business permit and maps attached to the permit (including applicable environmental impact assessment/EIA document of non forestry business).	Government Regulation PP27/2012 Regulation of the Minister for Forestry P33/2010 Regulation of the Minister for Forestry P14/2011 Regulation of the Minister for Forestry P59/2011 Regulation of the Minister for Environment 05/2012

No.	Principles	Criteria	Indicators	Verifiers	Related Regulations
				IPK in conversion areas Maps attached to IPK Documents authorising changes in the legal status of the forest (this requirement applies to both IPK permit holders and business permit holders)	
			1.2.2. Conversion permit (IPK) for transmigration settlement	IPK in conversion areas Maps attached to IPK	Regulation of the Minister for Forestry P14/2011
		K1.3. Timber harvesting permit within non-forest zone.	1.3.1. Timber harvesting authorised under a land conversion permit (IPK) within non-forest zone.	Planning document of IPK Business permit and maps attached to the permit (including applicable environmental impact assessment/EIA document of non forestry business). IPK in conversion areas Maps attached to IPK	Government Regulation PP27/2012 Regulation of the Minister for Forestry P14/2011 Regulation of the Minister for Environment 05/2012
			1.3.2. Conversion permit (IPK) for transmigration settlement	IPK in conversion areas Maps attached to IPK	Regulation of the Minister for Forestry P14/2011
2.	P2. Compliance with legal systems and procedures for tree harvesting and for the transportation of logs	K2.1. IPK/ILS plan and implementation complies with land use planning.	2.1.1. Approved work plan for the areas covered by IPK/ILS	IPK/ILS work plan documents	Regulation of the Minister for Forestry P62/2008 Regulation of the Minister for Forestry P53/2009

No.	Principles	Criteria	Indicators	Verifiers	Related Regulations
			2.1.2. The permit holder can demonstrate that the transported logs are from areas under valid land conversion permit/other use permits (IPK/ILS)	Forest inventory documents	Regulation of the Minister for Forestry P62/2008
				Timber Production Report documents (LHP)	Regulation of the Minister for Forestry P41/2014
		K2.2. Payment of government fees and levies and compliance with timber transportation requirements	2.2.1. Evidence of payment of charges	Payment Order for Forest Resources Fee	Regulation of the Minister for Forestry P18/2007
				Proof of payment of Forest Resources Fee	
				Payment of the Forest Resources Fee is consistent with log production and the applicable tariff.	
			2.2.2. Permit holder has valid timber transportation documents	Logs Transportation Invoice (FAKB) and log list for small diameter logs	Regulation of the Minister for Forestry P41/2014
Log Legality Document (SKSKB) and log list for large diameter logs					
K2.3. Compliance of V-Legal marking	2.3.1. V-Legal marking implementation	V-Legal marking is applied accordingly	Regulation of the Minister for Forestry P43/2014		
3.	P3. Compliance with labour laws and regulations	K3.1. Fulfilment of occupational safety and health (OSH) requirements	3.1.1. Availability of OSH procedures and their implementation	OSH procedures	Government Regulation PP50/2012 Regulation of the Minister for Manpower & Transmigration 8/2010 Regulation of the Minister for Manpower & Transmigration 609/2012
				OSH equipment	
Accident records					
		K3.2. Fulfilment of workers' rights	3.2.1. Company does not employ minors/underage workers	There are no underage workers	Act 23/2002 Act 13/2003

No.	Principles	Criteria	Indicators	Verifiers	Related Regulations
1.	P1. Business units support the realisation of legal trade in timber.	K1.1. Timber forest product processing industry is in possession of valid permits, in the form of: (a) Processing industry, and/or (b) Exporters of processed products	1.1.1. Processing industry units are in possession of valid permits	The deed of establishment of the company and latest amendments to the deed (the Company's Establishment Deed)  Permit to engage in trading business (Business Licence/SIUP) or trading permit, which may be Industrial Business Permit (IUI) or Industrial Registration Certificate (TDI)  Nuisance/disturbance permit (permit issued to the company for affecting the environment around which it operates its business)  Company Registration Certificate (TDP)  Tax Payer Identification Number (NPWP)  Availability of applicable environmental impact assessment documents  Availability of Industrial Business Permit (IUI) or Permanent Business Permit (IUT) or Industrial Registration Certificate (TDI)  Availability of Raw Materials Stock Planning (RPBBI) for primary industry.	Act 6/1983 Act 3/2014 Government Regulation PP74/2011 Government Regulation PP27/2012 Regulation of the Minister for Law & Human Rights M.01-HT.10/2006 Regulation of the Minister for Trade 36/2007 Regulation of the Minister for Trade 37/2007 Regulation of the Minister for Industry 41/2008 Regulation of the Minister for Home Affairs 27/2009 Regulation of the Minister for Trade 39/2011 Regulation of the Minister for Environment 05/2012 Regulation of the Minister for Trade 77/2013 Regulation of the Minister for Forestry P9/2014 Regulation of the Minister for Forestry P55/2014



No.	Principles	Criteria	Indicators	Verifiers	Related Regulations
			1.1.2. Exporters of processed timber products have valid permits as both producers and exporters of timber products.	The exporters have the status of Registered Exporters of Forestry Industry Products (ETPIK).	Regulation of the Minister for Trade 97/2014
		K1.2. Household industry is an Indonesian legal entity	1.2.1. Household industry owner demonstrates formal identity	ID card	Regulation of the Minister for Forestry P.43/2014
		K1.3. Importers of wood-based forest products are in possession of valid permits and implement due diligence	1.3.1. Importers of wood-based forest products have valid permits	The importers have the status of Registered Importers.	Regulation of the Minister for Trade 78/2014
			1.3.2. Importers have due diligence system	The importers have the due diligence guidelines/procedures and proof of its implementation.	Regulation of the Minister for Forestry P.43/2014
		K1.4. Registered depots or registered non-producer exporters are in possession of valid permits	1.4.1. Registered depots have valid permit	Permit document from Head of Provincial/District Forestry office.	Regulation of the Minister for Forestry P30/2012 Regulation of the Minister for Forestry P41/2014 Regulation of the Minister for Forestry P42/2014
			1.4.2. Non-producer registered-exporters have valid permits.	The deed of establishment of the company and latest amendments to the deed (the Company's Establishment Deed)	Act 6/1983 Government Regulation PP74/2011 Regulation of the Minister for Law & Human Rights M.01-HT.10/2006
				Permit to engage in trading business (Business Licence/SIUP) or trading permit.	Regulation of the Minister for Trade 36/2007 Regulation of the Minister for Trade 37/2007
			Company Registration Certificate (TDP)	Regulation of the Minister for Trade 39/2011 Regulation of the Minister for Trade 77/2013 Regulation of the Minister for Forestry P43/2014 Regulation of the Minister for Trade 97/2014	

No.	Principles	Criteria	Indicators	Verifiers	Related Regulations
				Tax Payer Identification Number (NPWP)	
				Registration of the traders as Non-Producer Exporters of Forestry Industry Products (ETPIK Non-Produ-sen).	
				Supply agreement or contract with non-ETPIK small-scale industry which has timber legality certificate (S-LK) or Supplier's Declaration of Conformity/SDoC (DKP)	
			1.4.3. Business units have applicable environmental impact assessment (EIA) documents	Applicable EIA documents	Government Regulation PP27/2012 Regulation of the Minister for Environment 13/2010 Regulation of the Minister for Environment 05/2012
		K1.5. Business units in the form of groups (of SMEs or artisans/household industries or depots) or cooperatives (artisans/household industries) are legally registered or with proof of establishment  <i>Note:</i> Not applicable for non-producer registered-exporters.	1.5.1. The business units in the form of groups or cooperatives are legally established.	Deed or proof of establishment	Regulation of the Minister for Forestry P.43/2014
				Tax Payer Registration (NPWP) in the case of cooperatives	
			1.5.2. Organisational structure of the cooperatives	Cooperative decision on organisational structure	Regulation of the Minister for Forestry P.43/2014
			1.5.3. Type of the cooperative businesses	Documents of the cooperative business plan or document that shown the cooperative type	Regulation of the Minister for Forestry P.43/2014
			1.5.4. Formal identity of each cooperatives' members	ID cards	Regulation of the Minister for Forestry P.43/2014

No.	Principles	Criteria	Indicators	Verifiers	Related Regulations
2.	P2. Business units apply timber tracking system which ensures that the origin of the timber can be traced	K2.1. Existence and application of a system which traces timber.	2.1.1. Business units can demonstrate that the timber received comes from legal sources.	<p>Sales and purchase documents and or contract of supply of materials and or proof of purchase.</p> <p>Approved report on the transfer of timber and/or proof of transfer and or official report on the examination of timber; letter of attestation of the legality of forest products</p> <p>Imported timber is accompanied by Supplier's Declaration of Conformity or legality certificate (S-LK). <i>Note:</i> Only applicable in the case of artisan/household industry.</p> <p>Timber transport documents</p> <p>Transport documents (Nota) with corresponding official reports from the officer of the local authority with respect to used timber from demolished buildings/structures, unearthed timber and buried timber.</p> <p>Transport documents in the form of Nota for industrial waste wood</p> <p>Documents/reports on changes in the stock of logs/timber/products.</p> <p>Legality certificate (S-PHPL/S-LK) or suppliers declaration of conformity (DKP)</p>	<p>Regulation of the Minister for Forestry P30/2012</p> <p>Regulation of the Minister for Forestry P.9/2014</p> <p>Regulation of the Minister for Forestry P41/2014</p> <p>Regulation of the Minister for Forestry P42/2014</p> <p>Regulation of the Minister for Trade P78/2014</p>

No.	Principles	Criteria	Indicators	Verifiers	Related Regulations
				Supporting documents for, Raw Materials Stock Planning (RPBBI) for primary industry	
			2.1.2. Importers have valid documents that proof the imported timber comes from legal sources. <i>Note:</i> Not applicable for artisan/household industry.	Import Notification (PIB) Packing list Invoice B/L (bill of lading) Import Declaration and Import Recommendation Proof of payment of import duty. Other relevant documents (including CITES permits) for types of wood whose trade is restricted Proof of utilisation of imported timber	President Decree 43/1978 Regulation of the Minister for Trade 78/2014
			2.1.3. Business units apply a timber tracking system and operate within permitted production levels <i>Note:</i> Not applicable for depots and non-producer timber registered.	Tally sheets on the use of raw materials and on production outputs. <i>Note:</i> Not applicable for artisan/household industry. Output reports on the production of processed products.	Regulation of the Minister for Industry 41/2008 Regulation of the Minister for Forestry P30/2012 Regulation of the Minister for Forestry P41/2014 Regulation of the Minister for Forestry P42/2014 Regulation of the Minister for Forestry P55/2014

No.	Principles	Criteria	Indicators	Verifiers	Related Regulations
				<p>The production of the unit does not exceed the permitted production capacity.</p> <p>Note: Not applicable for artisan/household industry.</p>	
				Segregation/separation of produced products from impounded timbers.	
			<p>2.1.4. Production process with another party (another industry or with artisans/household industries) provides for tracking of timber.</p> <p>Note: Not applicable for artisan/household industry, depots, and non-producer timber registered.</p>	<p>Legality certificate (S-LK) or suppliers declaration of conformity (DKP)</p> <p>Service contract for product processing with another party</p> <p>Letter of attestation of the raw material</p> <p>Segregation/separation of produced products.</p> <p>Documentation of raw materials, production processes, and where applicable if export is conducted through service agreement with other company.</p>	<p>Regulation of the Minister for Forestry P48/2006</p> <p>Regulation of the Minister for Trade 36/2007</p> <p>Regulation of the Minister for Industry 41/2008</p> <p>Regulation of the Minister for Forestry P.43/2014</p> <p>Regulation of the Minister for Forestry P55/2014</p>
		K2.2. Transfer of processed wood products from supplier to non-producer registered-exporters	2.2.1. Business units are able to demonstrate that the acquired products are from legal sources.	<p>Products are purchased from listed non-ETPIK industries partners that have legality certificate (S-LK) or SDoC (DKP).</p> <p>Transport document.</p> <p>Documents/reports on changes in the stock of products.</p>	Regulation of the Minister for Forestry P.43/2014

No.	Principles	Criteria	Indicators	Verifiers	Related Regulations
3.	P3. Legality of the trade or the change of ownership of timber.	<p>K3.1. Trade or transfer of timber product for domestic market complies with applicable legislation</p> <p><i>Note:</i> Not applicable for non-producer registered-exporters</p>	3.1.1. Trade or transfer of timber for domestic market accompanied with transport document.	Transport document	<p>Joint Regulation of the Minister for Forestry 22/2003, Minister for Transportation KM3/2003, and Minister for Industry and Trade 33/2003</p> <p>Regulation of the Minister for Forestry P30/2012</p> <p>Regulation of the Minister for Forestry P41/2014</p> <p>Regulation of the Minister for Forestry P42/2014</p>
		<p>K3.2. Shipping of processed timber for export complies with applicable legislation.</p> <p><i>Note:</i> Not applicable for artisan/household industry and depots.</p>	3.2.1. Shipping of processed timber for export with Export Notification (PEB) documents	<p>Products for export</p> <p>PEB</p> <p>Packing list</p> <p>Invoice</p> <p>B/L (bill of lading)</p> <p>Export licence documents (V-Legal)</p> <p>Results of technical verification (Surveyor's Report) for products for which technical verification is mandatory</p> <p>Proof of payment of export duty, where applicable.</p> <p>Other relevant documents (including CITES permits) for types of wood whose trade is restricted</p>	<p>Act 17/2006 (Customs)</p> <p>Presidential Decree 43/1978</p> <p>Regulation of the Minister for Forestry 447/2003</p> <p>Regulation of the Minister for Finance 223/2008</p> <p>Regulation of the Directorate-General for Customs P-40/2008</p> <p>Regulation of the Directorate-General for Customs P-06/2009</p> <p>Regulation of the Minister of Trade P50/2013</p> <p>Regulation of the Minister for Trade P97/2014</p>

No.	Principles	Criteria	Indicators	Verifiers	Related Regulations		
		K.3.3. Compliance of V-Legal marking	3.3.1. V-Legal marking implementation	V-Legal marking is applied accordingly	Regulation of the Minister for Forestry P43/2014		
4.	P4. Fulfilment of labour regulations as far as processing industry is concerned	K.4.1. Fulfilment of occupational safety and health (OSH) requirements	4.1.1. Availability of OSH procedures and implementation	OSH procedures or In the case of artisan/household industry, first aid and safety equipment	Government Regulation PP50/2012 Regulation of the Minister for Manpower & Transmigration 8/2010 Regulation of the Minister for Manpower & Transmigration 609/2012		
				Implementation of OSH procedures.			
				Accident records <i>Note:</i> Not applicable for artisan/household industry.			
		K.4.2. Fulfilment of the rights of workers <i>Note:</i> Not applicable for artisan/household industry	4.2.1. Freedom of association for workers	Trade union or a company policy that allows employees/workers to establish a trade union or get involved in trade union activities	Regulation of the Minister for Manpower & Transmigration 16/2001		
				4.2.2. Existence of collective labour agreement or company policy on labour rights		Availability of collective labour agreement or company policy documents on labour rights	Act 13/2003 Regulation of the Minister for Manpower & Transmigration 16/2011
				4.2.3. Company does not employ minors/underage workers		There are no underage workers	Act 23/2002 Act 13/2003'

## ANNEX V

**INDONESIAN TIMBER LEGALITY ASSURANCE SYSTEM****1. Introduction**

Objective: To provide assurance that harvesting, transportation, processing and selling of round logs and processed timber products comply with all relevant Indonesian laws and regulations.

Known for its pioneering role in combating illegal logging and the trade in illegally harvested timber and timber products, Indonesia hosted the East Asia Ministerial Conference on Forest Law Enforcement and Governance (FLEG) in Bali, in September 2001, which resulted in the Declaration on Forest Law Enforcement and Governance (Bali Declaration). Since then, Indonesia has continued to be at the forefront of international cooperation in combating illegal logging and associated trade.

As part of international efforts to address these issues, a growing number of consumer countries have committed themselves to take measures to prevent trade in illegal timber on their markets, whilst producer countries have committed themselves to provide a mechanism assuring the legality of their timber products. It is important to establish a credible system to guarantee the legality of harvesting, transportation, processing and trade of timber and processed timber products.

The Indonesian Timber Legality Assurance System (TLAS) provides assurance that timber and timber products produced and processed in Indonesia come from legal sources and are in full compliance with relevant Indonesian laws and regulations, as verified by independent auditing and monitored by civil society.

**1.1. Indonesian laws and regulations as foundation of the TLAS**

The Indonesian regulation on the “Standards and Guidelines on the Assessment of Performance of Sustainable Forest Management and the Verification of Timber Legality in the State and Privately-owned Forests” (Forestry Minister’s Regulation P.38/Menhut-II/2009) establish the TLAS. The TLAS also includes the Indonesian sustainability scheme and targets to improve forest governance, to suppress illegal logging and the associated timber trade to ensure credibility and to improve the image of Indonesia’s timber products.

The TLAS comprises the following elements:

1. Legality Standards,
2. Control of Supply Chain,
3. Verification Procedures,
4. Licensing Scheme,
5. Monitoring.

TLAS is the basic system used to assure the legality of timber and timber products produced in Indonesia for export to the Union and to other markets.

**1.2. Development of the TLAS: a multi-stakeholder process**

Since 2003, a wide range of Indonesian forestry stakeholders have been actively engaged in developing, implementing and evaluating the TLAS, thereby providing better oversight, transparency and credibility in the process. In 2009, the multi-stakeholder process resulted in the issuance of Forestry Minister’s Regulation P.38/Menhut-II/2009, followed by DG Forest Utilization Technical Guidelines No 6/VI-SET/2009 and No 02/VI-BPPHH/2010, which were revised by Forestry Minister’s Regulation P.68/Menhut-II/2011, P.45/Menhut-II/2012, P.42/Menhut-II/2013, DG Forest Utilization Technical Guidelines P.8/VI-SET/2011 and P.8/VI-BPPHH/2012.



Based on lessons learned from initial TLAS implementation, the results of the joint assessment in accordance to Annex VIII of this Agreement, and recommendations from various stakeholders, the regulations were again revised through a multi-stakeholder process to become Forestry Minister's Regulation P.43/Menhut-II/2014 in June 2014 and P.95/Menhut-II/2014 in December 2014, followed by DG Forest Utilization Technical Guidelines No.P.14/VI-BPPHH/2014 in December 2014 and No.P.1/VI-BPPHH/2015 in January 2015 (hereinafter referred to as the TLAS Guidelines).

The process of engagement with all stakeholders will be continued during implementation of the TLAS.

## 2. Scope of the TLAS

Indonesian production forest resources can broadly be divided into two types of ownership: state forests and privately owned forests/lands. State forests consist of production forests for long-term sustainable timber production under a variety of permit types and forest areas that can be converted for non-forestry purposes such as for settlement or agricultural plantations. The application of TLAS on state forests and privately owned forests/lands is set out in Annex II.

The TLAS covers timber and timber products from all permit types as well as the operations of all timber traders, downstream processors, exporters and importers.

The TLAS covers timber products destined for domestic and international markets. All Indonesian producers, processors, and traders will be verified for legality, including those supplying the domestic market.

The TLAS requires that imported timber and timber products are cleared at customs and comply with Indonesia's import regulations. These regulations require that imported timber and timber products must be accompanied by documents and other pieces of evidence providing assurance of the legality of the timber in its country of harvest. All timber and timber products imported into Indonesia must be included in a supply chain whose controls comply fully with all relevant Indonesian regulations.

Certain timber products may contain recycled materials. Specific legality requirements for recycled timber are described in the legality standards and TLAS Guidelines.

Impounded timber may be sold for use exclusively on the domestic market, with the exception of impounded timber that was harvested in conservation forest, which must be destroyed. Any industry receiving impounded timber must implement measures to segregate that timber from other supplies and duly inform a conformity assessment body (CAB), which will promptly conduct a special audit to ensure that this timber does not enter the export supply chain. No impounded timber may be covered by an export licence.

Changes in the procedures for utilization and/or administration of timber from Customary Forests, to address implementation of Constitutional Court Decision (MK) No 35/PUU-X/2012, shall be introduced after the adoption of related implementing legislation.

Timber and timber products in transit are strictly kept outside the gazetted Principal Customs Areas (PCA). Thus, such transit timber does not enter the PCA and furthermore will not be included in the timber supply chains of Indonesia. No transit timber will be issued with an export licence.

### 2.1. TLAS legality standards

The TLAS is based on specific timber legality standards covering all types of timber sources (permits and operators) and all operators' activities. These standards and their verification guidelines are set out in Annex II.

The TLAS also incorporates the "Standard and Guidelines on Assessment of Performance in Sustainable Forest Management (SFM)". The assessment of sustainable forest management using the SFM standard also verifies that the auditee complies with the relevant legality criteria of the TLAS. Permit holders operating within production forest zones on state-owned lands (permanent forest domain) must adhere to both relevant legality and SFM standards. They can opt for complying with the legality standard at first, but they must comply with both the legality standards and the sustainable forest management standards not later than the date when their initial legality certification expires.

### 3. Control of the Timber Supply Chain

The permit holder (in the case of concessions) or landowner (in the case of private land) or company (in the case of traders, processors and exporters) shall demonstrate that every node of their supply chain is controlled and documented as set out in the Minister for Forestry Regulations P.30/Menhut-II/2012, P.41/Menhut-II/2014 and P.42/Menhut-II/2014 (hereinafter referred to as the Regulations). These Regulations require provincial and district forestry officials to undertake field verification and validate the documents which are submitted by permit holders, landowners, or processors at each node of the supply chain.

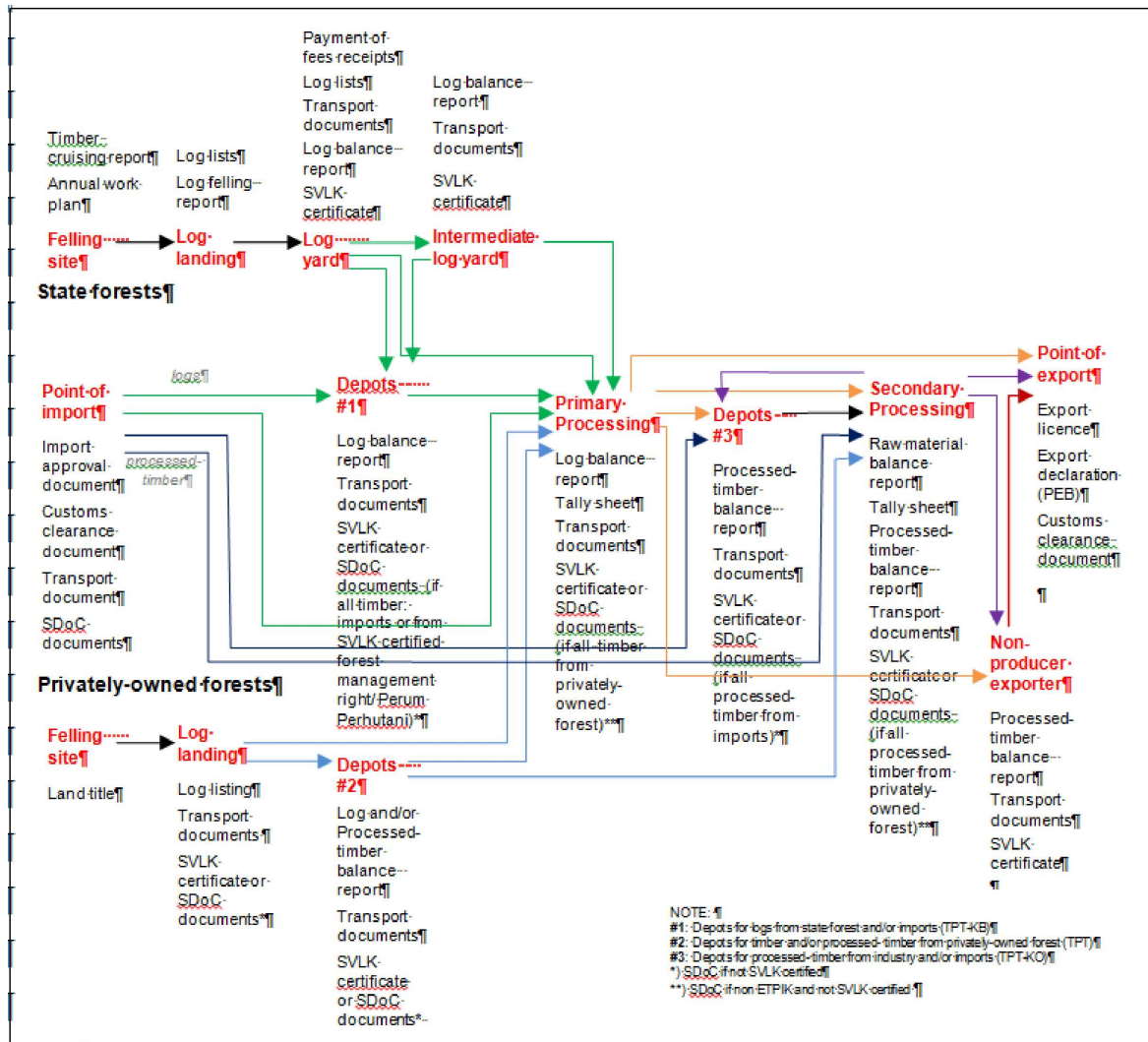
The key documents for operational controls at each point in the supply chain are summarised in Diagram 1.

All consignments in a supply chain must be accompanied by relevant transport documents indicating whether the material is covered by a valid SVLK certificate, or declared legal by use of Suppliers' Declaration of Conformity (SDoC), or originates from impounded sources. The owner or custodian of any consignment of timber or timber products at each point in a supply chain must record whether that consignment is SVLK certified, declared legal by use of Suppliers' Declaration of Conformity, or from an impounded source. If a consignment includes any impounded timber, the owner or custodian of that consignment must apply an effective system to segregate timber or timber products from verified legal sources, from impounded timber or timber products, and maintain records that distinguish between these sources.

Operators in the supply chain are required to keep complete records on received, stored, processed and delivered timber and timber products. These records must be sufficient to enable subsequent reconciliation of quantitative data between and within nodes of the supply chain. Such data shall be made available for provincial and district forestry officials to carry out reconciliation. Main activities and procedures, including reconciliation, for each stage of the supply chain and the role of the CABs in assessing the integrity of the supply chain, are further explained in the Appendix of this Annex.

Diagram 1

Control of the supply chain which shows the required key documents at each point in the supply chain where data reconciliation takes place



#### 4. Institutional set-up for Legality Verification and Export Licensing

##### 4.1. Introduction

The Indonesian TLAS is based on an approach known as “operator-based licensing” which has much in common with product or forest management certification systems. The Indonesian Ministry of Forestry nominates a number of conformity assessment bodies (Lembaga Penilai/LP and Lembaga Verifikasi/LV) which it authorizes to audit the legality of operations of timber producers, traders, processors, and exporters (“operators”).

The conformity assessment bodies (CAB) are accredited by the Indonesian National Accreditation Body (KAN). CABs are contracted by operators who want their operations to be certified as legal. CABs are required to operate according to the ISO/IEC 17065 guideline. They report the outcome of the audits to the auditee and to the Ministry of Forestry. Summaries of reports are made publicly available.

A CAB checks that the operator that is audited is operating in compliance with the Indonesian legality definition as contained in Annex II, including effective implementation of controls to prevent material from unknown sources entering its supply chains. When an auditee operating in state forests or a large industry (primary industry with a capacity above 6 000 m<sup>3</sup>/year, secondary industry with an investment above IDR 500 million) is found to be compliant, an SVLK legality certificate with a validity of 3 (three) years is issued. During this period, the CAB conducts annual surveillance visits to check that compliance is being maintained. For auditees operating small industries (primary industry with a capacity below 6 000 m<sup>3</sup>/year, secondary industry with an investment below IDR 500 million) the validity of the legality certificate is 6 (six) years, and 10 (ten) years for operators in privately owned forests/lands. In these cases CAB surveillance visits take place every second year (biennial).

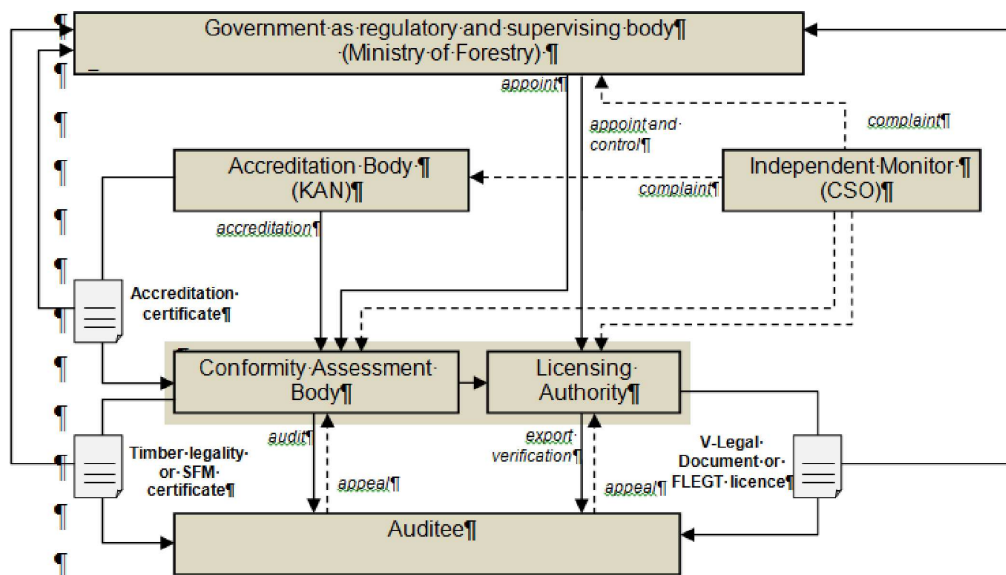
Operators in privately owned forests/lands, household industries, craftsmen/artisans, primary industry that exclusively processes timber from privately-owned forests/lands and cannot directly export, registered depots (trading timber or processed timber that is exclusively sourced from privately owned forests/lands or from SVLK certified operations under Perum Perhutani), and importers can use Suppliers' Declaration of Conformity to demonstrate the legality of their timber and timber products and are therefore not audited by the CABs (refer to section 5.3).

LVs also act as export Licensing Authorities. They check the validity of the exporters' SVLK certificate and export registration, and the consistency of exporters' data declarations (monthly balance sheets) before issuing export licences in the form of V-Legal Documents or FLEGT licences. Thus exports of timber products covered by Annex I without an export licence are prohibited. Exports to the European Union that meet these conditions are issued with FLEGT licences, while exports to other destinations are issued with V-Legal Documents.

The TLAS Guidelines specify that Indonesian civil society groups, individuals and communities have the right to monitor the implementation of the TLAS on the ground. Such Independent Monitors are allowed to assess the compliance of operations against the requirements of the legality definition and also the conformity of the auditing and licensing processes against TLAS requirements and file complaints to CABs, Licensing Authorities, KAN and the Ministry of Forestry.

Diagram 2

#### Relationship between different entities involved in implementing the TLAS



#### 4.2. Conformity assessment bodies and Licencing Authorities

The conformity assessment bodies (CABs) play a key role in the Indonesian system. They are authorized by the Ministry of Forestry and contracted by individual operators to verify the legality of the production, processing and trade activities of individual operators in the supply chain, including the integrity of the supply chain.

There are two types of CABs: (i) assessment bodies (Lembaga Penilai/LP) which audit the performance of Forest Management Units (FMUs) in state forests against the sustainability standards as well as the requirements of the legality standard; and (ii) verification bodies (Lembaga Verifikasi/LV), which audit FMUs, forest-based industries, traders and exporters against the legality standards.

In order to ensure that those audits that verify the legality standards as set out in Annex II are of the highest quality, the LP and LV are required to develop the necessary management systems addressing competency, consistency, impartiality, transparency, and assessment process requirements as outlined in ISO/IEC 17065. These requirements are specified in the TLAS Guidelines. The conformity assessment bodies (CAB) are accredited by the Indonesian National Accreditation Body (KAN).

LVs can also act as Licensing Authorities. In this case the LVs issue export licences to cover timber products destined to international markets. For non-Union markets, the Licensing Authorities will issue V-Legal Documents, and for the Union market, FLEGT licences will be issued in accordance with the requirements as outlined in Annex IV. Detailed procedures for the V-Legal Document and FLEGT licensing of export consignments are described in the TLAS Guidelines. LPs cannot act as Licensing Authorities and do not issue export licences.

All auditors working for CABs or Licensing Authorities must be registered and hold a valid certificate of competence from the Profession Certification Body (Lembaga Sertifikasi Profesi — LSP). The LSP will assess any alleged misconduct by an auditor brought to its notice, and may revoke the certificate of competence of that auditor.

#### 4.3. Accreditation body

The Indonesian National Accreditation Body (Komite Akreditasi Nasional — KAN) is an independent accreditation body established through Government Regulation (Peraturan Pemerintah/PP) 102/2000 concerning National Standardisation and Presidential Decree (Keputusan Presiden/Keppres) 78/2001 regarding the National Accreditation Committee. It operates under the guidance of ISO/IEC 17011 (General Requirements for Accreditation Bodies Accrediting Conformity Assessment Bodies). It has developed internal TLAS-specific supporting documents for the accreditation of LPs and LVs.

KAN is internationally recognised by the Pacific Accreditation Cooperation (PAC) and the International Accreditation Forum (IAF) to accredit certification bodies for Quality Management Systems, Environmental Management Systems and Product Certification. KAN is also recognised by the Asia Pacific Laboratory Accreditation Cooperation (APLAC) and the International Laboratory Accreditation Cooperation (ILAC).

On 14 July 2009, the KAN signed a Memorandum of Understanding with the Ministry of Forestry to provide accreditation services for the TLAS. This makes it responsible for the accreditation of CABs to ensure their continued compliance with ISO/IEC 17065.

Complaints concerning the performance of a LP or LV can be submitted by any interested party, including operators and independent monitors, to the KAN.

#### 4.4. Auditees

Auditees are operators which are subject to legality verification. They include forest management units (concessionaires or timber utilization permit holders, community-based or village based forest permit holders, private forest/land owners), registered timber depots, forest-based industries, non-producer registered exporters. The forest management units and forest-based industries must comply with the applicable legality standard. For export purposes, the forest-based industries and non-producer registered exporters must comply with export licensing requirements. The TLAS allows auditees to submit appeals to the LP or LV on the conduct of or results of audits.

#### 4.5. Independent monitor

Civil society plays a key role in the Independent Monitoring (IM) of the TLAS. Civil society groups, individuals and communities acting as Independent Monitors have the right to assess and report on the compliance of operations against legality requirements, as well as on accreditation, verification and licensing activities. Findings from an Independent Monitor can also be used as part of the Periodic Evaluation (PE) which is required under this Agreement (Annex VI).

In the event of an irregularity related to the legality of an operator, complaints by an Independent Monitor shall be submitted directly to the concerned LP or LV. If they consider the response to a complaint by the LP or LV to be unsatisfactory, an Independent Monitor may file a report to the KAN and to the government. In case of complaints about the issuance of export licences, the Independent Monitor may directly file complaints with the Licensing Authority or with the Ministry of Forestry.

#### 4.6. The Government

The Ministry of Forestry (as of October 2014, the Ministry of Forestry was merged with the Ministry of Environment to become the Ministry of Environment and Forestry) regulates the TLAS and authorises the accredited LPs to undertake SFM assessment and LVs to undertake legality verification.

The Ministry of Forestry also authorises the LVs to issue export licences (V-Legal Documents or FLEGT licences).

The Ministry of Forestry has issued a set of Guidelines providing the requirements related to verification and licensing activities. These Guidelines also include provisions for Ministry of Forestry's control over LVs verification, and specify the Ministry's procedures to authorize and oversee their licensing activities.

Furthermore, the Ministry of Forestry shall establish an ad-hoc follow-up team in charge of investigating on a case-by-case basis any reported violation in relation to the issuance of a legality certificate and/or V-Legal Document/FLEGT licence. The composition of the follow-up team depends on the nature of the violation reported. It can comprise different government agencies and civil society actors. Based on the follow-up team findings and recommendations, the Ministry of Forestry may revoke the authorization of the CAB resulting in an immediate cessation of their verification and licensing activities.

The Minister of Forestry will also immediately revoke their authorization of a CAB based on a KAN decision on withdrawal of its accreditation (e.g. resulting from KAN's annual surveillance activities of the CABs). CABs can appeal to KAN but not to the Ministry.

The Ministry of Forestry also regulates the Licence Information Unit (LIU) as an information management unit which validates information concerning V-Legal Document/FLEGT licence issuance. The LIU is also responsible for general information exchange on the TLAS, and receives and stores relevant data and information on the issuance of certificates of legality and V-Legal Documents/FLEGT licences. It also responds to queries from competent authorities of trading partners and stakeholders. The LIU also manages the due diligence based import recommendation process through its SILK online system.

In addition, the Ministry of Forestry controls the registration of technical governmental field supervisors (Wasganis) and technical company field staff (Ganis). Wasganis are tasked to carry out the supervision and control of log measurements. They also terminate the mandatory transport documents and carry out data reconciliation (for further details refer to the Appendix of this Annex). Ganis prepare the production and transport documents from all production in state forests. Ganis can also terminate the mandatory transport documents in the case of Wasganis' absence for more than 48 hours. Both Wasganis and Ganis are registered with the Ministry of Forestry. On a yearly basis, they are evaluated by the Ministry of Forestry through an official examination.

## 5. Legality Verification

### 5.1. Introduction

Indonesian timber is deemed legal when its origin and production process as well as subsequent processing, transport and trade activities are verified as meeting all applicable Indonesian laws and regulations, as set out in Annex II. CABs carry out conformity assessments to verify compliance. To reduce the burden on private forest owners, as well as traders and household industries/craftsmen/artisans fully depending on timber from privately owned/privately utilized forests (private land permit), such operators are allowed in clearly described cases to issue a Supplier's Declaration of Conformity as an alternative to obtaining an SVLK certification (see paragraph 5.2 below for more detail).

### 5.2. Legality verification process by CABs

In accordance with ISO/IEC 17065 and the TLAS Guidelines, the legality verification process consists of the following:

**Application and contracting:** The operator submits to the CAB an application that defines the scope of verification, operator's profile and other necessary information. A contract between the operator and the CAB, setting out the conditions for verification, is required prior to the commencement of the verification activities.

**Verification plan:** After the signing of the verification contract, the CAB prepares a verification plan, which includes nomination of the audit team, verification programme and schedule of activities. The plan is communicated to the auditee, to the relevant Provincial Forestry Authority and other relevant authorities at provincial and regional levels, and the dates of verification activities are agreed upon. This information shall be made available in advance for the independent monitors and to the public through the websites of the CABs and the Ministry of Forestry, and/or mass media or letters.

**Verification activities:** The verification audit consists of three stages: (i) opening audit meeting and coordination, (ii) document verification & field observation and (iii) closing audit meeting.

- **Opening audit meeting and coordination:** coordinate with relevant regional, provincial and district offices to inform about audit plans and to gather initial information from those offices. The CAB may also disseminate information and build communication with relevant CSOs to add to the initial information. The CAB discusses the audit's objective, scope, schedule and methodology with the auditee in the opening audit meeting, so as to allow the auditee to raise questions on methods and conduct of verification activities;
- **Document verification and field observation stage:** in order to collect evidence on the auditee's compliance with the Indonesian TLAS requirements, the CAB checks the auditee's systems and procedures, relevant documents and records. The CAB then carries out field checks to verify compliance, including cross-checking their findings with the findings of official inspection reports. The CAB also checks the auditee's timber traceability system to ensure that there is evidence that all timber entering the supply meets the legality requirements.
- **Closing audit meeting:** the verification results, in particular any non-compliances that may be detected, are presented to the auditee. The auditee may raise questions on the verification results and provide clarification on the evidence presented by the CAB.

**Reporting and decision making:** The audit team draws up a verification report, following a structure provided by the Ministry of Forestry. The report, which includes a description of any findings of non-compliances and the decision on certification taken, is shared with the auditee within fourteen calendar days after the closing audit meeting and submitted by the CAB to the Ministry of Forestry.

The audit team findings are used primarily to decide on the outcome of the verification audit by the CAB. The CAB takes the decision on whether to issue a legality certificate based on the verification report prepared by the audit team.

In cases of any non-compliance, the CAB will refrain from issuing a legality certificate, which will prevent the timber from entering the supply chain of verified legal timber. Once the non-compliance has been addressed, the operator may resubmit a request for legality verification.

Infringements, which are discovered by a CAB during the verification, are reported to the Ministry of Forestry and handled by the responsible authorities in accordance with administrative or judicial procedures. If an operator is suspected of breaching regulations, the national, provincial and district authorities may decide to halt the operator's activities.

Issuance of the legality certificate and recertification: the CAB will issue a legality certificate if an auditee is found to fully comply with all the indicators and verifiers in the legality standard, including the rules on control of the timber supply chain.

The CAB may report at any time to the Ministry of Forestry on issued, changed, suspended and withdrawn certificates and every three months shall issue a report. The Ministry of Forestry will then publish these reports on its website.

According to the type of permit held by the auditee, a legality certificate is valid for a period of three to 10 years, after which the operator is subject to a re-certification audit. The re-certification shall be done prior to the expiry date of the certificate.

Surveillance: According to the type of permit held by the auditee, operators with a legality certificate are subject to annual or biennial surveillance that follow the principles of the verification activities summarised above. The CAB may also carry out surveillance earlier than scheduled if the scope of the verification has been extended.

The surveillance team draws up a surveillance report. A copy of the report, including a description of any non-compliance found, is submitted to the Ministry of Forestry. Non-compliances detected by the surveillance will result in suspension or withdrawal of the legality certificate.

Special audits: Operators with a legality certificate are obliged to report to the CAB any significant changes in ownership, structures, management, and operations that may affect the quality of its legality controls during the period of validity of the certificate. The CAB may carry out special audits to investigate any complaints or disputes filed by the independent monitors, government institutions or other stakeholders or upon receipt of the operator's report on changes that affect the quality of its legality controls. CABs also carry out special audits if the operator reports that he intends to process impounded timber.

### 5.3. Legality verification using Supplier's Declaration of Conformity (SDoC) and internal checks

Supplier's declaration of conformity based on SNI/ISO 17050 is a "self-declaration" as defined in ISO/IEC 17000, i.e. first-party attestation following review that fulfilment of specific requirements has been demonstrated.

The SDoC can be used by (i) private forest owners, (ii) registered timber depots (only timber depots that exclusively receive timber from privately owned forests/lands or receive SVLK certified timber from Perum Perhutani), (iii) household industries/craftsmen/artisans, (iv) primary and secondary industries that exclusively process timber from privately owned forests/lands and hold no export permit. The SDoC applies to (a) timber from privately-owned forests/lands, (b) timber from regenerations of roadsides and graveyards, (c) recycled/demolished timber, and (d) imported timber or timber products.

The SDoC contains information about the supplier, products and their sources, transport document, recipient of the products, and date of issuance. The SDoC by private forest owners shall also include a proof of ownership of the land the timber comes from. The SDoC is attached to the transport document based on timber administration regulations. Detailed procedures for SDoC issuance and related checks are provided in the TLAS Guidelines.

The recipient of the SDoC from privately owned forest shall undertake and document internal checks on the validity of the information to be declared in the SDoC prior to signing of the purchase contract and at least once a year after the contract has been signed. Information contained in SDoCs issued by timber depots is checked by the recipient of the SDoC (primary or secondary industries) in intervals of three months for the traceability of log sources. This is verified by CABs when conducting an SVLK audit of the recipient through document review in case the recipient is certified. In addition, the Ministry of Forestry can carry out random inspections, which may be contracted to competent third parties. In indications of fraud and irregularities, the Ministry of Forestry can conduct special inspections of the operator which uses SDoC.



All timber products covered by a V-Legal Document or FLEGT licence must come from a SVLK certified and or SDoC supply chain. Timber and timber products covered by SDoC cannot directly access international markets. Such access is only possible through a SVLK certified operator.

#### 5.4. Legality verification of imported timber and timber products

Minister for Trade regulation 78/M-DAG/PER/10/2014 states that imported timber and timber products require proof of legality in the country of harvest. In this context, the SDoC template is also used for imports. Only registered importers (traders) and processing operators can import timber and/or timber products into Indonesia. These operators must exercise due diligence on imported timber and/or timber products to minimize the risk of illegal timber entering the Indonesian supply chain. They are required to provide information such as HS codes of products, Bill of Lading, countries of harvest, country of origin, proof of timber legality, and port of export in the declaration template. The due diligence procedures encompass data collection, risk analysis and risk mitigation. Procedures are carried out using the SILK online system of the Ministry of Forestry. The Ministry issues an import recommendation to the Ministry of Trade after assessing each due diligence process conducted by an operator.

CABs when conducting audits of the importer carry out document review of the due diligence system applied. Detailed procedures for the due diligence system and related checks will be provided in the TLAS guidelines and related import regulations.

#### 5.5. Government responsibility for enforcement

The Ministry of Forestry, as well as provincial and district forestry offices are responsible for the control of timber supply chains and checking of related documents (e.g. annual work plans, log felling reports, log balance-sheet reports, transport documents, logs/raw material/processed products balance-sheet reports and production tally sheets). In the event of inconsistencies, forestry officials may withhold approval of the control documents resulting in a suspension of operations.

Infringements detected by forestry officials or by independent monitors are communicated to the CAB, which upon verification may lead the CAB to suspend or withdraw the awarded legality certificate. Forestry officials may take appropriate follow-up action in accordance with the regulatory procedures.

The Ministry of Forestry also receives copies of the verification reports and subsequent surveillance and special audit reports issued by the CABs. Infringements discovered by the CABs, by forestry officials or by independent monitors are communicated between the involved actors and handled in accordance with administrative and judicial procedures. If an operator is suspected of breaching regulations, the national, provincial and district authorities may decide to suspend or halt the operator's activities. CABs immediately revoke the legality certificates if the requirements of the legality standard are no longer met.

The Ministry of Forestry shall establish an ad-hoc task force in charge of inquiring and investigating any reported violation in relation to the issuance of a legality certificate and/or V-Legal Document/FLEGT licence (follow up team) on a case-by-case basis.

## 6. FLEGT Licensing

The Indonesian export licence for legal timber products is known as the "V-Legal Document". This is an export licence that provides evidence that the timber products exported meet the requirements of the Indonesian legality standard as set out in Annex II and were sourced from a supply chain with adequate controls against the inflow of timber from sources not verified as legal. The V-Legal Document is issued by the LVs who act as Licensing Authorities (LA) and will be used as a FLEGT licence for shipments to the Union once the parties have agreed to start the FLEGT licensing scheme.

The procedures for issuing FLEGT licences/V-Legal Documents are provided in the TLAS Guidelines.

The Ministry of Forestry has established a Licence Information Unit to maintain an electronic database with copies of all V-Legal Documents/FLEGT licences and LA non-compliance reports. The Licence Information Unit will grant on-line access to its database to the competent authorities of the Union. In the event of an inquiry concerning the authenticity, completeness, and validity of a specific FLEGT licence, the competent authority in the Union will be able to verify the licence information by using the SILK on-line database. For further information, the competent authorities of the Union can contact the Licence Information Unit, which will communicate with the relevant LA if needed.

The V-Legal Document/FLEGT licence is issued at the point at which the consignment is consolidated prior to export. The procedure is as follows:

- 6.1. The V-Legal Document/FLEGT licence is issued by the LA, which holds a contract with the exporter, for the consignment of timber products to be exported.
- 6.2. The exporter's internal traceability system shall provide evidence on the legality of timber for export licensing. The previous stage of the supply chain shall be included in the exporter's internal traceability system.
- 6.3. For a V-Legal Document/FLEGT licence to be issued, all suppliers in the exporter's supply chain that make up the consignment must have been covered by a valid legality or SFM certificate or a SDoC.
- 6.4. To obtain a V-Legal Document/FLEGT licence, an operator must be a registered exporter (an ETPIK holder) who possesses a valid legality certificate. The ETPIK holder submits a letter of application to the LA and attaches the following documents to demonstrate that the timber raw materials in the product originate only from verified legal sources (SVLK certified or SDoC declared):
  - 6.4.1. A summary of the transport documents for all timber/raw materials received by the factory since the last audit (up to max 12 months); and
  - 6.4.2. Summaries of Timber/Raw Material Balance-Sheet Reports and Processed Timber Balance-Sheet Reports since the last audit (up to max 12 months).
- 6.5. The LA then carries out the following verification steps:
  - 6.5.1. Verification of the validity of the operator's legality certificate and ETPIK registration, using LA's own database as well as SILK.
  - 6.5.2. Data reconciliation based on the summaries of the transport documents, Timber/Raw Material Balance-Sheet Report, and Processed Timber Balance-Sheet Report;
  - 6.5.3. Control of the recovery rate(s) for each type of product (primary industry only), based on analysis of the Timber/Raw Material Balance-Sheet Report and Processed Timber Balance-Sheet Report.
  - 6.5.4. Where necessary, a field visit may be conducted by the LA after data reconciliation so as to ensure consistency with the information to be specified in the V-Legal Document/FLEGT licence. This may be done through export consignments sample checking and inspecting the factory operation or timber depot, and record-keeping.
- 6.6. Result of verification:
  - 6.6.1. If an ETPIK holder complies with legality and supply chain requirements, the LA issues a V-Legal Document/FLEGT licence in the format presented in Annex IV;
  - 6.6.2. An ETPIK holder meeting the above mentioned requirements may use conformity marking (V-Legal Label) on the products and/or packaging. National Guidelines on the use of conformity marking are described in the TLAS Guidelines.
  - 6.6.3. If an ETPIK holder does not comply with the legality and supply chain requirements, LA will issue a non-compliance report instead of V-Legal Document/FLEGT licence. The non-compliance report halts the movement of the related timber and/or timber products.

- 6.6.4. In case a shipment changes configuration before leaving the port of export (e.g. change of destination, volume, species as defined in the TLAS Guidelines), the exporter must request the Licensing Authority to cancel the initial export license and issue new licence(s). The Licensing Authority must inform LIU of all cancelled export licences.
- 6.6.5. In case of misuse or falsification of legality certificates and/or export licences by an operator, a sanction shall be imposed by the Ministry of Forestry as defined in applicable regulations.
- 6.7. The LA shall:
- 6.7.1. Forward a copy of a V-Legal Document/FLEGT licence or non-compliance report to the Ministry of Forestry within twenty four hours from the time the decision was taken;
- 6.7.2. Submit a comprehensive report and a public summary report outlining the number of V-Legal Documents/FLEGT licence issued as well as the number and type of non-compliances detected to the Ministry of Forestry once every three months with copies to the Ministry of Trade and Ministry of Industry.

## 7. Monitoring

The Indonesian TLAS includes civil society monitoring (Independent Monitoring). To make the system even more robust for a FLEGT-VPA, a Period Evaluation (PE) component is added.

IM is carried out by civil society to assess compliance of the operators, LPs, LV, and LAs with the Indonesian TLAS requirements including accreditation standards and Guidelines. Civil society is defined in this context as Indonesian legal entities including NGOs, communities, and individual Indonesian citizens.

The objective of PE is to provide independent assurance that the Indonesian TLAS is functioning as described, thereby enhancing the credibility of the FLEGT licences issued. PE makes use of the findings and recommendations of IM. Terms of Reference for PE are set out in Annex VI.

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### Appendix

#### Control of the Supply Chain

As described in Annex V, all along the different supply chains, operators' declarations and record keeping (e.g. transport documents and balance-sheet reports) must indicate whether timber or timber products are SVLK certified, declared legal by use of Suppliers' Declaration of Conformity (SDoC), or from an impounded source.

#### 1. DESCRIPTION OF THE OPERATIONAL CONTROL OF THE SUPPLY CHAIN FOR TIMBER FROM STATE-OWNED FORESTS

Operational controls of the supply chain for state-owned forests (natural forests and plantation forests) are regulated by Minister for Forestry regulations P.41/Menhut-II/2014 and P.42/Menhut-II/2014 on timber administration. This includes Minister for Forestry regulation P.43/Menhut-II/2014 on SVLK standards, followed by DG Forest Utilization Technical guidelines P.14/VI-BPPHH/2014 and DG circulation letter SE 8/VI-BPPHH/2014 in August 2014.

All procedures and rules for decision-making related to verification, data reconciliation and non-compliance management at each stage of the supply chain listed below apply to all kinds of forest permits granted on state-owned forests: natural forest concessions (IUPHHK-HA/HPH), industrial plantation forest concessions (IUPHHK-HT/HPHTI), ecosystem restoration concessions (IUPHHK-RE), management right for plantation forests (Perum Perhutani), community forest plantation concessions (IUPHHK-HTR) and community forest concessions (IUPHHK-HKM), village forest concessions (IUPHHK-HD), utilization of timber from reforestation area concessions (IUPHHK-HTHR) and utilization of timber from non-forest zones or convertible production forest (IPK). These procedures and rules are described in the technical guidelines provided in Minister for Forestry regulations P.41/Menhut-II/2014 and P.42/Menhut-II/2014 on timber administration.

All operators holding a harvesting permit for timber from a natural forest concession must declare all their production data in the national online-tracking system at each stage of the supply chain from the forest concession until intermediate log-yard and primary industry.

### 1.1. Felling Site

#### (a) Main activities:

- Timber cruising (enumeration of trees for natural forest concessions or Perum Perhutani) or timber inventory (for plantation forest concessions or to propose an IPK) by the permit holder;
- Preparation of a Timber Cruising Report or Timber Inventory Report by the permit holder;
- Verification and approval of the Timber Cruising Report or Timber Inventory Report by the district forestry official;
- Submission of a Proposed Annual Work Plan (or Work Plan/*Bagan Kerja* to propose an IPK) by the permit holder;
- Approval of the Annual Work Plan(or Work Plan/*Bagan Kerja* for IPK) by the provincial forestry official;

Note that an operator holding a valid SFM certificate issued under the SVLK can self-approve and issue his Annual Work Plan. Conformity of the Annual Work Plan is verified by the CAB when carrying out initial and surveillance audits.

- Harvesting operations by the permit holder, including skidding of logs to the log-landing site.

#### (b) Procedures:

- Timber cruising (enumeration of trees) for natural forest concessions or Perum Perhutani, is conducted by the permit holder using tags. These tags are made up of three detachable sections, attached to the stump, harvested log, and the operator report. Each section contains the necessary information required for timber tracking, including the number of the tree and its location. Timber inventory for plantation forest concessions or IPK is conducted by permit holders;
- The permit holder prepares a Timber Cruising Report or a Timber Inventory Report, which contains information on the number, estimated volume, preliminary species identification, and location of trees (or harvesting location for plantation forest concessions or IPK) to be harvested, and a summary, using official Ministry of Forestry Forms;
- The permit holder submits the Timber Cruising Report or the Timber Inventory Report to the district forestry official. The official conducts both a document-based and field verification of the Timber Cruising Report or the Timber Inventory Report on a sample basis. The official approves the Report if all declared data match field observations.
- The Timber Cruising Report (or the Timber Inventory Report) provides the basis for the Proposed Annual Work Plan (or Work Plan/*Bagan Kerja*), which is prepared by the permit holder and submitted to the district forestry officer for review and to the provincial forestry officer for approval. The district forestry official reviews and cross-checks the Proposed Annual Work Plan (or Work Plan/*Bagan Kerja*) against the approved Timber Cruising Report (or the Timber Inventory Report) and approves the work plan if all is in order. The official approval is not required for a permit holder who has passed SFM certification with a good grade as described in TLAS Guidelines. Once the Annual Work Plan (or Work Plan/*Bagan Kerja*) is approved by the official, the permit holder is allowed to commence harvesting operations;
- During harvesting operations, tags are used to ensure that the log is from an approved felling site, as described above. For planted trees or trees harvested in plantation forest concessions (for pulp or chip purposes), tags are not required.

## 1.2. Log-Landing Site

### (a) Main activities:

- Where necessary, cross cutting of the logs by the permit holder, and marking of such logs so as to ensure consistency with the Log Production Report. Marking is not applied for plantation forest concessions for pulp or chip purposes;
- Scaling (measurement) and grading of logs by the permit holder. Grading is not applied for plantation forest concessions (for pulp or chip purposes);
- Preparation of a log-list by the permit holder;
- Submission of Proposed Log Production Report by the permit holder;
- Approval of the Log Production Report by the technical governmental field supervisor (Wasganis).

### (b) Procedures:

- The permit holder marks all cross-cut logs (not applied for plantation forest concessions for pulp or chip purposes);
- The permanent physical marking of logs consists of the original tree ID number and other marks enabling the log to be linked to the approved felling site (not applied for plantation forest concessions for pulp or chip purposes);
- The permit holder scales and grades all logs and records the information on the logs in a log-list using an official Ministry of Forestry Form (grading not applied for plantation forest concessions for pulp or chip purposes);
- The permit holder uploads the log-list data in the national online tracking system. Unique barcodes issued via the online tracking system must be tagged on the corresponding logs and strains, and labelled in the related transport document (only applied for natural forest concessions);
- Based on the log-list, the permit holder prepares a periodic Log Production Reports and the related summary report using official Ministry of Forestry Forms;
- The permit holder periodically submits the Log Production Reports and the related summaries to the Wasganis for approval;
- The Wasganis carries out sample-based physical verification of the reports. The result of the physical verification is summarised in a log-verification-list using an official Ministry of Forestry Form;

Subject to a positive outcome of the sample-based physical verification, the Wasganis approves the Log Production Reports; In case of 48 hours are exceeded since the report submission, the designated technical company staff (Ganis) of the permit holder can self-approve and issue the Log Production Reports on its own responsibility (not applied for IPK);

- Once logs have been verified by the Wasganis, they must be stacked separately from any non-verified logs;
- The Log Production Report is used to calculate the required payment of the Forest Resources Fee and to the Reforestation Fund (as applicable);
- The permit holder monthly submits the approved Log Production Reports and the related summaries to the district forestry office.

### (c) Data reconciliation:

For natural forest concessions or ecosystem restoration concessions or community forests concessions or village forest concessions or IPK:

The district forestry official checks the number of logs, the tags and the total cumulative volume of logs extracted and declared in the Log Production Report against the quota approved in the Annual Work Plan. Tags are not applied for IPK.

For industrial plantation forest concessions or Perum Perhutani or community forest plantation concessions or utilization of timber from reforestation area concessions:

The district forestry official checks the total cumulative volume of logs extracted and declared in the Log Production Report against the approved quota in the Annual Work Plan.

The Log Production Reports are also checked by CABs during initial and surveillance audits. CABs also organize field inspections on an ad-hoc basis when needed as described in the TLAS Guidelines.

In case of any inconsistencies detected, the district forestry official informs the CAB in charge of verifying the compliance of the operator, and vice-versa.

### 1.3. Log-Yard

Logs are transported from the log-landing site to log yards and then either directly transported to a processing mill, to an intermediate log-yard or to a registered timber depot.

#### (a) Main activities:

- In the case the Log Production Report has not yet been approved at the Log-Landing Site: Preparation of a log-list by the permit holder; Submission of Proposed Log Production Report by the permit holder; Approval of the Log Production Report by the Wasganis;
- Invoicing by the district forest office and payment of relevant amount for the Forest Resources Fee and to the Reforestation Fund by the permit holder based on the approved Log Production Reports;
- Issuance a Log Transport Document by the Ganis, to which is annexed a log-list;
- Preparation of a Log Balance-Sheet Report by the permit holder.

#### (b) Procedures:

- If using the national online log tracking system, the permit holder may submit the Log Production Reports and the related summary report to the Wasganis for approval; the Wasganis carries out sample-based physical verification of the reports, if not already approved at the log-landing site. The result of the field inspection is summarised in a log-verification-list using an official form established by the Ministry of Forestry; subject to a positive outcome of the field inspection, the official approves the reports; in case 48h is exceeded after the submission of the Log Production Reports and the related summary report, the Ganis self-approves the reports on its own responsibility (not applied for IPK);
- The permit holder submits a request to settle the relevant fees to the district forestry official in charge of billing, based on the log-list, which is attached to the request;
- Based on the aforementioned request, the district forestry official issues an invoice or invoices for settlement by the permit holder;
- In case 48 hours are exceeded after the submission of the request, the permit holder can issue the related invoice or invoices engaging its own responsibility;
- The permit holder pays the amount set out in the Forest Resources Fee and/or Reforestation Fund Invoice(s) and/or stumpage value and the district forestry official issues a receipt or receipts for this payment. Stumpage value only applied for HTHR or IPK;

- The permit holder submits a request for the issuance of Log Transportation Documents, accompanied by the payment receipt, log-list, and Log Balance-Sheet Report;
- The Ganis issues the Log Transport Documents to accompany the log-list;
- The permit holder prepares/updates the Log Balance-Sheet Report to record the quantity of incoming, stored and outgoing logs at the log-yard.
- The permit holder monthly submits the Log Balance-Sheet Report to the district forestry office.

(c) Data reconciliation:

The district forestry official checks the Log Balance-Sheet Report comparing inflows, outflows and storage of logs at the log-yard, based on Log Production Reports and relevant Log Transport Documents. When needed, the district forestry official also carries out field inspections to assess the consistency between stocked logs, the balance-sheet report and relevant transport documents. The Log Balance-Sheet Report is also checked by CABs during initial and surveillance audits. CABs also organize field inspections on an ad-hoc basis when needed as described in the TLAS Guidelines.

In case of any inconsistencies detected, the district forestry official informs the CAB in charge of verifying the compliance of the operator, and vice-versa.

#### 1.4. Intermediate Log-Yard

Intermediate log-yards are used if logs are not transported from the concession area directly to the mill yard. Intermediate log-yards are used in particular for inter-island transportation of logs or if the transport mode is changed.

The permit for establishment of an intermediate log-yard located in state forests is granted by the district forestry official based on a proposal submitted by the permit holder. An intermediate log-yard permit is valid for three years, but can be extended following review and approval by the forestry official. The establishment of an intermediate log-yard located outside state forests does not require any specific permit and is determined by the permit holder.

(a) Main activities:

- Termination of the validity of the Log Transport Document for timber from natural forests by a district forestry official;

In case 48 hours are exceeded after the submission of Log Transport Document, termination of its validity can be done by the Ganis.

In addition, termination of the validity of the Log Transport Document can be done by the Ganis only in the case of:

- (i) an operator using timber from natural forests declaring its production through the online log tracking system, or
- (ii) an operator using plantation timber (only applied for plantation forest concessions for pulp or chip purposes);

- Preparation of Log Balance-Sheet Report by the permit holder;
- Preparation of log-list by the Ganis;
- The Ganis completes the Log Transport Document following the format provided by the Ministry of Forestry.

(b) Procedures:

- The Wasganis physically verifies the number, species, and dimensions of incoming logs by counting them (census) or on a sample basis if the number of logs exceeds 100;

In the case of 48 hours are exceeded after the Log Transport Document was submitted, this verification can be done by the Ganis.

The Ganis can also carry out this verification in the case of:

- (i) an operator using timber from natural forests declaring its production through the online log tracking system, or
- (ii) an operator using timber from plantation forests (only applied for plantation forest concessions for pulp or chip purposes);

- Subject to a positive outcome of the verification, the Wasganis terminates the validity of the Log Transport Document for the incoming logs and records the logs in the Log Balance-Sheet Report;
- The permit holder prepares a Log Balance-Sheet Report as a means to control the inflow and outflow of logs at the intermediate log-yard;
- For the outgoing logs, the Ganis prepares a log-list, which is linked to the previous Log Transport Documents;
- The Log Transport Document for moving logs from the intermediate log yard is completed by the Ganis;
- The permit holder updates the Log Balance-Sheet Report, which records inflows, outflows and storage of logs at the intermediate log-yard, based on the relevant Log Transport Documents;
- The permit holder monthly submits the Log Balance-Sheet Report to the district forestry office.

(c) Data reconciliation:

The district forestry official checks the Log Balance-Sheet report to assess the consistency between the logs transported from the log-yard and the logs entering the intermediate log-yard. When needed, the district forestry official also carries out field inspections to assess the consistency between stocked logs, the balance-sheet report and relevant transport documents.

The Log Balance-Sheet report is also checked by CABs during initial and surveillance audits. CABs also organize field inspections on an ad-hoc basis when needed as described in the TLAS Guidelines.

## 2. DESCRIPTION OF THE OPERATIONAL CONTROL OF SUPPLY CHAINS OF TIMBER FROM FOR PRIVATELY OWNED FORESTS/LANDS

Timber harvesting operations on privately-owned forests/lands are regulated by Minister of Forestry Regulation P.30/Menhut-II/2012 (hereinafter referred to as the Regulation).

There are no legal requirements for the private owners of forests/lands to affix ID tags or marks on trees inventoried for harvesting. Log-yards and intermediate log-yards are generally not used for timber harvested from privately-owned forests/lands.

Control procedures for timber from privately-owned forests/lands differ between logs obtained from trees which were on the site when the land title was acquired and logs obtained from trees that have been established since the title was acquired. They also depend on the tree species harvested. The payment of the Forest Resources Fee, to the Reforestation Fund and stumpage fee apply to logs from trees already present on the site when the land title was awarded but does not apply to logs from trees established after the award of the land title.

In the case of logs harvested from trees established after granting of the land title, there are two scenarios:

- for species listed in Article 5(1) of the Regulation (such as Rubber, Sengon, and fruit trees), the owner prepares an invoice, following the format provided by the Ministry of Forestry which serves as the Transport document.
- for other species (such as Teak, Mahogany, Pine), the trained and appointed head of the village or appointed official issues the Transport document.

In the case of logs harvested from trees present on a site before the granting of the land title, the district forestry official issues the Transport document. Such timber needs to be SVLK certified.



## 2.1. Felling/Log-Landing Site

### (a) Main activities:

- Recognition of the property right;
- Where necessary, cross-cutting;
- Scaling (measurement);
- Preparation of a log-list;
- Invoicing by the district forestry office and payment of the invoiced amount by the owner of the Forest Resources Fee and/or to the Reforestation Fund;
- Issuance or preparation of the transport document.
- Issuance or preparation of the Supplier's Declaration of Conformity (SDoC), unless the operator is engaged into SVLK certification.

### (b) Procedures:

- The private forest/land owner requests recognition of his or her property right;
- Once the forest/land property right is recognised by the State (National Land Agency), the owner prepares a log-list after measurement of the logs;

In the case of logs harvested from trees present on a site before the granting of the land title:

- The owner submits a log-list and a request to settle the Forest Resources Fee, Reforestation Fund and stumpage fee payment to the district forestry official;
- The official conducts document checks and physical verification of the logs (dimensions, species identification, and number of logs);
- Subject to a positive outcome of the document checks and physical verification, the district forestry official issues a Forest Resources Fee and Reforestation Fund Invoice for settlement by the owner;
- The landowner submits the receipt for payment of the Forest Resources Fee and to the Reforestation Fund to the district forestry official, together with a request for issuance of a Log Transport Document;
- The district forestry official conducts document checks and physical verification of the logs (dimensions, species identification, and number of logs);
- Based on the above, the district forestry official issues the Log Transport Document.

In the case of logs harvested from trees established after granting of the land title:

Species listed in Article 5(1) of the Regulation:

- The owner marks the logs and identifies the species;
- The owner prepares a log-list;
- Based on the above, the owner prepares an invoice following the format provided by the Ministry of Forestry, which also serves as the transport document.

Other species not listed in Article 5(1) of the Regulation:

- The owner marks the logs and identifies the species;
- The owner prepares a log-list;
- The owner submits the log-list and a request for issuance of a Log Transport Document to the head of village or appointed official;

- The head of village or appointed official conducts document checks and physical verification of the logs (species identification, number of logs, marks/number on each log, location of harvest);
- Based on the above, the head of village or appointed official issues the Log Transport Document following the format provided by the Ministry of Forestry.

For all timber harvested from planted trees, if not SVLK certified, the owner issues an SDoC using the format provided by the Ministry of Forestry.

(c) Data reconciliation:

The head of village or an official appointed by the district forestry official, or the district forestry official (in case of timber from naturally grown trees) compares the volume of harvested logs with the log-list.

In case the operator engaged into SVLK certification, the CAB also checks the consistency between the volume of harvested logs with the log-list during initial and surveillance audits. The CAB also organizes field inspections on an ad-hoc basis when needed.

In case of any inconsistencies detected, the head of village or appointed official or the district forestry official (in case of timber from naturally grown trees) informs the CAB in charge of verifying the operator's compliance and vice-versa.

### 3. DESCRIPTION OF THE OPERATIONAL CONTROL OF TIMBER SUPPLY CHAINS FOR DEPOTS AND INDUSTRY

Registered Timber and Processed-Timber Depots represent specific actors within the supply chain. Acting as traders, these operators buy, stock and sell timber and timber products to other operators without being involved in producing or processing activities.

There are three different types of permits for registered timber and processed-timber depots:

- Depots using exclusively timber (logs) originating from state forests and/or imports (TPT-KB);
- Depots using exclusively timber and/or processed-timber originating from privately-owned forests/lands (TPT);
- Depots using exclusively processed-timber originating from state forests and/or imports (TPT-KO).

#### 3.1. Registered Timber Depot for timber from State forests and Imported timber (TPT-KB)

Registered Timber Depots for timber from State forests and imported timber (TPT-KB) are used if logs are not transported directly to the mill yard, from the concession area and/or intermediate log-yards and/or other TPT-KB or in the case of imported timber(logs).

The permit for the establishment of a TPT-KB is granted by the forestry official based on a proposal submitted by the permit holder. A TPT-KB permit is valid for three years, but can be extended following review and approval by the forestry official.

TPT-KB operators can use SDoC only if they use exclusively imported timber and/or SVLK certified Perum Perhutani timber. If only one of their timber sources contains timber from state forests (except the certified Perum Perhutani timber), they must be SVLK certified.

(a) Main activities:

- Termination of the validity of the Log Transport Document for incoming logs by the Wasganis;
- Preparation of the Log Balance-Sheet Report by the permit holder;
- Preparation of the log-list by the permit holder or Ganis for outgoing logs;

- The permit holder or Ganis completes the Log Transport Document for outgoing logs following the format provided by the Ministry of Forestry;
- Issuance or preparation of the SDoC (in case of only imported timber and/or certified Perum Perhutani timber being used and operator not being SVLK certified)

(b) Procedures:

- The Wasganis terminates the validity of the Log Transport Document for the incoming logs.
- The Wasganis physically verifies the number, species, and dimensions of incoming logs by counting of all of them (census) or on a sample basis if the number of logs exceeds 100;
- Subject to a positive outcome of the verification, the permit holder records the timber in the Log Balance-Sheet Report.
- The permit holder prepares a Log Balance-Sheet Report as a means to control the inflow and outflow of logs at the registered log depot;
- For the outgoing logs, the permit holder or the Ganis prepares a log-list, which is linked to the previous Log Transport Documents;
- The Log Transport Document for outgoing logs is completed by the permit holder or Ganis.
- If not SVLK certified and using exclusively imported timber and/or certified Perum Perhutani timber, the permit holder issues an SDoC using the format provided by the Ministry of Forestry.
- The permit holder updates the Log Balance-Sheet Report, which records inflows, outflows and storage of logs at the registered timber depots, based on the relevant Log Transport Documents;
- The permit holder monthly submits the Log Balance-Sheet Report to the district forestry office.

(c) Data reconciliation:

The district forestry official checks the Log Balance-Sheet Report and the consistency between the logs transported from the log-yard or the intermediate log-yard and the logs entering into the registered timber depot by comparing the log transport document and the log list of incoming logs. The district forestry official carries out field inspections when needed.

In case the permit holder engaged into SVLK certification, the Log Balance-Sheet report is also checked by the CAB during initial and surveillance audits. The CAB also organizes field inspections on an ad-hoc basis when needed as described in the TLAS Guidelines.

In case of any inconsistencies detected, the district forestry official informs the CAB in charge of verifying the operator's compliance and vice-versa.

### 3.2. **Registered Timber and/or Processed-timber Depot for timber originating from Privately-owned forests/lands(TPT)**

Registered Timber and/or Processed-timber Depots for timber from Privately-owned forests/lands(TPTs) are used if logs and/or processed-timber are not transported directly to the mill yard, from privately-owned forests/lands and/or other TPT.

The permit for the establishment of a TPT is granted by the forestry official based on a proposal submitted by the permit holder. A TPT permit is reviewed and approved by the forestry official.

Operators running TPTs can use SDoC only if they are not engaged into SVLK certification.

Operators running TPTs must use exclusively timber and/or processed timber from planted trees of privately-owned forests/lands.

## (a) Main activities:

- Checking of the validity of the Log and/or Processed-timber Transport Document by the permit holder;
- Preparation of the Log and/or Processed-timber Balance-Sheet Report by the permit holder;
- Preparation of the log-list and/or processed-timber list by the permit holder;
- The permit holder completes the Log and/or Processed-timber Transport Document.
- Issuance or preparation of the SDoC (in case of the operator not engaged into SVLK certification)

## (b) Procedures:

- The permit holder checks the validity of the Log and/or Processed-timber Transport Document for the incoming logs and/or processed-timber;
- The permit holder prepares the Log and/or Processed-timber Balance-Sheet Report as a means to control the inflow and outflow of logs and/or processed-timber;
- For the outgoing logs, the permit holder prepares a log-list and/or processed-timber list, which may be linked to the previous Log and/or Processed-timber Transport Documents;
- The Log and/or Processed-timber Transport Document is completed by the permit holder;
- If not engaged into SVLK certification, the permit holder issues an SDoC using the format provided by the Ministry of Forestry;
- The permit holder updates the Log and/or Processed-timber Balance-Sheet Report, which records inflows, outflows and storage of logs and/or processed-timber at the registered Depots, based on the relevant Log and/or Processed-timber Transport Documents;
- The permit holder monthly submits the Log and/or Processed-timber Balance-Sheet Report to the district forestry office.

## (c) Data reconciliation:

The district forestry official checks the Log and/or Processed-timber Balance-Sheet Reports and the consistency between the logs and/or processed-timber transported from the privately-owned forests or other TPTs and the logs and/or processed-timber entering the TPT by comparing the Log and/or Processed-timber Transport Document and the log-list and/or processed-timber list of incoming logs and/or processed-timber. The district forestry official carries out field inspections when needed.

If the permit holder is engaged into SVLK certification, the Log and/or Processed-timber Balance-Sheet Reports are also checked by CABs during initial and surveillance audits. CABs also organize field inspections on an ad-hoc basis when needed as described in the TLAS Guidelines.

In case of any inconsistencies detected, the district forestry official informs the CAB in charge of verifying the operator's compliance and vice-versa.

### 3.3. Primary/Integrated Industry

## (a) Main activities:

- Preparation of Log Balance-Sheet Report by the processing mill;
- Termination of the validity of Log Transport Document by a district forestry official;
- Physical verification of logs by the district forestry official;
- In case the operator uses an official online log tracking system, information is recorded by using a barcode reader and uploaded to the system;

- Preparation of Raw Material and Products Tally Sheet by the mill operator;
- Preparation of Processed Timber Balance-Sheet Report by the mill operator;
- The mill operator fills in the Timber Products Transport Document following the format provided by the Ministry of Forestry;
- Preparation of sales report of the mill;
- Issuance or preparation of the SDoC (in case of the operator uses exclusively timber originating from privately owned forests/lands and not engaged into SVLK certification).

(b) Procedures:

- The mill operator prepares a draft Log Balance-Sheet Report as a means to record the flow of logs received by the mill (mill-yard) and logs entering into the mill (production lines);
- The mill operator submits copies of the Log Transport Documents corresponding to each batch of logs received by the mill to the district forestry official;
- The district forestry official terminates the validity of the Log Transport Documents;
- In case the operator uses an official online log tracking system, the Log Transport Documents are terminated by the registered technical staff.
- The district forestry official verifies the information in the Log Transport Documents by comparing with the physical products. This may be done on the basis of a sample if there are over 100 logs;
- The district forestry official verifies the information contained into the Log Balance-Sheet Reports;
- Subject to a positive outcome of the verification, the timber is recorded in the final Log Balance-Sheet Report;
- The district forestry official archives copies of the Log Transport Documents and prepares a Summary List of the Log Transport Documents, following the format provided by the Ministry of Forestry;
- Copies of the Log Transport Documents of which validity has been terminated by an official are handed over to the company for filing;
- A summary of the Log Transport Documents is submitted to the district forestry office at the end of each month;
- The mill operator prepares one raw material and product tally sheet by production line as a means to control the input of logs and output of timber products and to calculate the recovery rate;
- The mill operator prepares a Processed-Timber Balance-Sheet Report as a means to report on flows of timber products, entering and getting out from the mill, as well as stocks;
- The mill operator prepares sales reports of the mill for his records;
- If using exclusively timber originating from privately owned-forests/lands and not engaged into SVLK certification, the permit holder issues an SDoC using the format provided by the Ministry of Forestry;
- The permit holder monthly submits the Log Balance-Sheet Report and the Processed-timber Balance-Sheet Report to the forestry office.

(c) Data reconciliation:

The forestry official checks the Log Balance-Sheet and Processed-timber Balance-Sheet Reports comparing inflows, outflows and storage of logs based on Log Transport Documents.

The Production Tally Sheet is used to reconcile input and output volume of production lines and the recovery rate is compared with the published average rate.

If the permit holder is engaged into SVLK certification, the Log Balance-Sheet and Processed-Timber Balance-Sheet Reports are also checked by the CAB during initial and surveillance audits. The CAB also organizes field inspections on an ad-hoc basis when needed as described in the TLAS Guidelines.

In case of any inconsistencies detected, the forestry official informs the CAB in charge of verifying the operator's compliance and vice-versa.

#### 3.4. **Registered Processed-Timber Depots for timber originating from State Forest and/or Imports (TPT-KO)**

Registered Processed-timber Depots for timber originating from State Forests and/or Imports (TPT-KOs) are processed-timber depots that receive processed-timber from primary processing units, and/or from other TPT-KOs, and/or imported processed-timber. Timber products from TPT-KOs are sold to secondary processing units, other TPT-KOs, household industries, registered exporters, and/or end users.

The permit for establishment of a TPT-KO is granted by the district forestry official based on a proposal submitted by the permit holder. A permit for TPT-KO is valid for three years, but can be extended following review and approval by the district forestry official.

TPT-KO operators can use SDoC only if they use exclusively timber products originating from imported processed-timber. If only one of their processed-timber products contains processed-timber originating from natural forests, they must be SVLK certified.

##### (a) Main activities:

- Termination of the validity of the Timber Product Transport Document by the Ganis;
- Preparation of Processed-Timber Balance-Sheet Report by the permit holder;
- Preparation of processed timber list by the permit holder;
- The permit holder completes the Timber Product Transport Document filling in the form/using the template following the format provided by the Ministry of Forestry;
- Issuance or preparation of the SDoC (in case of processed-timber exclusively from imported timber and operator not engaged into SVLK certification).

##### (b) Procedures:

- The Ganis terminates the validity of the Timber Products Transport Documents for the incoming processed-timber.
- The permit holder prepares a Processed-Timber Balance-Sheet Report as a means to control the inflow and outflow of processed-timber at the Registered Processed-timber Depots;
- For the outgoing processed-timber, the permit holder prepares a timber product-list, which is linked to the previous Timber Products Transport Documents;
- The permit holder completes the Timber Product Transport Documents
- If not SVLK certified and using exclusively imported processed-timber, the permit holder issues an SDoC using the format provided by the Ministry of Forestry.
- The permit holder updates the Processed-Timber Balance-Sheet Report, which records inflows, outflows and storage of timber products at the Registered Processed-timber Depots, based on the relevant Timber Products Transport Documents and import documents.

##### (c) Data reconciliation:

The Ganis checks the Processed-Timber Balance-Sheet Report and the consistency between the incoming processed-timber and related Timber Products Transport Documents and import documents.

The district forestry official carries out field inspections when needed.

In case the permit holder is engaged into SVLK certification, the Processed-Timber Balance-Sheet Report is also checked by the CAB during initial and surveillance audits. The CAB organizes field inspections on an ad-hoc basis when needed as described in the TLAS Guidelines.

In case of any inconsistencies detected, the district forestry official informs the CAB in charge of verifying the operator's compliance and vice-versa.

### 3.5. Secondary Industry

#### (a) Main activities:

- Preparation of Processed Timber (semi-processed products) and Processed Products Balance-Sheet Reports by the factory operator;
- Preparation of invoices by the factory operator, using the format provided by the Ministry of Forestry which also serve as transport documents for processed timber products;
- Preparation of Processed Timber Balance-Sheet Report by the factory operator;
- Preparation of Sales Report by the company or factory operator;
- Issuance or preparation of the SDoC (in case of the operator uses exclusively timber originating from privately owned forests/lands and not engaged into SVLK certification).

#### (b) Procedures:

- The factory operator archives the Processed Timber Transport Documents (for incoming material) and prepares a summary of these documents;
- The factory operator uses the Processed Timber and Processed Products Tally Sheet by production line as a means to report on flows of materials into the factory and output of products and to calculate the raw material recovery rate;
- The factory operator prepares a Processed Timber Balance-Sheet Report as a means to check flows of materials into the mill, output of timber products and stocks held; the factory operator prepares invoices for processed products, following the format provided by the Ministry of Forestry, which also serve as the transport document, and archives copies of the invoices. A timber products list is annexed to each invoice;
- The factory operator prepares Sales Reports for his record;
- In case the factory operator wants to re-transport the sawn timber products, the company shall be registered also as a Processed-timber Depots and the operator shall prepare the Processed Timber Transport Documents for the outgoing sawn timber products;
- If using exclusively processed-timber originating from privately owned-forests/lands and not engaged into SVLK certification, the non ETPIK permit holder issues an SDoC using the format provided by the Ministry of Forestry.

#### (c) Data reconciliation:

The factory operator checks the Processed Timber Balance-Sheet Report comparing inflows, outflows and storage of materials based on Processed Timber Transport Documents and Processed Timber Tally Sheet.

The Production Tally Sheet is used to check input and output volume of production lines and the recovery rate is evaluated.

The company operator checks the Processed Timber Balance-Sheet Report, comparing inflows, outflows and storage of products based on invoices.

The forestry official carries out field inspections when needed.

In case the permit holder engaged into SVLK certification, the Processed Timber Balance-Sheet Report is also checked by the CAB during initial and surveillance audits. The CAB organizes field inspections on an ad-hoc basis when needed as described in the TLAS Guidelines.

In case of any inconsistencies detected, the forestry official informs the CAB in charge of verifying operator's compliance and vice-versa.

#### 4. EXPORT

The procedures and data reconciliation processes for export of timber originating from state-owned forests and privately-owned forest/lands are identical.

##### (a) Main activities:

- The Ministry of Trade issues a Forestry Industry Products Registered Exporters Certificate (ETPIK) to the exporter;
- The Exporter requests the issuance of a V-Legal Document/FLEGT licence for each export consignment;
- If an ETPIK holder complies with legality and supply chain requirements, the LA issues a V-Legal Document/FLEGT licence. The FLEGT licence is issued in the format presented in Annex IV;
- The exporter prepares an Export Declaration Document (PEB) using the format provided by Customs, which is submitted to Customs;
- The Customs issues an Export Approval Document for Customs clearance.

##### (b) Procedures:

- The exporter requests the LA to issue a V-Legal Document/FLEGT licence by submitting a letter of application and attaching documents to demonstrate that the timber raw materials in the products originate only from verified legal sources (SVLK certified or covered by an SDoC);
- The LA issues a V-Legal Document/FLEGT licence after a document-based check and physical verification of data consistency if needed, so as to ensure that the timber products come from legally verified sources and are thus produced in compliance with the legality definition described in Annex II. The LAs need to issue the export license via the online database SILK. This ensures that the operator holds valid export (ETPIK) and legality certificates;
- The exporter submits an Export Declaration Document (PEB) to which are attached the invoice, Packing List, Export Duty Receipt (if regulated), ETPIK Certificate, V-Legal Document/FLEGT licence, Export Permit (if regulated), Surveyor Report (if regulated), and CITES Document (where applicable) to the Customs for approval;
- Subject to a positive outcome of the verification of the Export Declaration Document, Customs issue an Export Approval Document.

##### (c) Data reconciliation

The forestry official carries out field inspections when needed.

The CAB and the LA check the consistency of inflows, outflows and storage based on the Processed-timber Balance Sheet Report. The CAB also cross-checks these data with the volume given in the invoice during initial and surveillance audits. The CAB organizes field inspections and the LA organizes physical verification of data consistency on an ad-hoc basis when needed as described in the TLAS Guidelines.

In case of any inconsistencies detected, the forestry official informs the CAB in charge of verifying operator's compliance and vice-versa.'

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