

**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**

THE EUROPEAN UNION

hereinafter referred to as "the Union"

and

THE REPUBLIC OF INDONESIA

hereinafter referred to as "Indonesia"

hereinafter referred to together as the "Parties",

RECALLING The Framework Agreement on Comprehensive Partnership and Cooperation between the Republic of Indonesia and the European Community signed on 9 November 2009 in Jakarta;

CONSIDERING the close working relationship between the Union and Indonesia, particularly in the context of the 1980 Cooperation Agreement between the European Economic Community and Indonesia, Malaysia, the Philippines, Singapore and Thailand - member countries of the Association of South-East Asian Nations;

RECALLING the commitment made in the Bali Declaration on Forest Law Enforcement and Governance (FLEG) of 13 September 2001 by countries from the East Asian and other regions to take immediate action to intensify national efforts and to strengthen bilateral, regional and multilateral collaboration to address violations of forest law and forest crime, in particular illegal logging, associated illegal trade and corruption, and their negative effects on the rule of law;

NOTING the Communication from the Commission to the Council and the European Parliament on a European Union Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT) as a first step towards tackling the urgent issue of illegal logging and associated trade;

REFERRING to the Joint Statement between the Minister of Forestry of the Republic of Indonesia and the European Commissioners for Development and for Environment signed on 8 January 2007 in Brussels;

HAVING REGARD to the 1992 Non-Legally Binding Authoritative Statement of Principles for a Global Consensus on the management, conservation and sustainable development of all types of forests, and to the adoption by the United Nations General Assembly of the Non Legally Binding Instrument on all types of forest;

AWARE of the importance of principles set out in the 1992 Rio Declaration on Environment and Development in the context of securing sustainable forest management, and in particular of Principle 10 concerning the importance of public awareness and participation in environmental issues and of Principle 22 concerning the vital role of indigenous people and other local communities in environmental management and development;

RECOGNISING efforts by the Government of the Republic of Indonesia to promote good forestry governance, law enforcement and the trade in legal timber, including through the Sistem Verifikasi Legalitas Kayu (SVLK) as the Indonesian Timber Legality Assurance System (TLAS) which is developed through a multi-stakeholder process following the principles of good governance, credibility and representativeness;

RECOGNISING that the Indonesian TLAS is designed to ensure the legal compliance of all timber products;

RECOGNISING that implementation of a FLEGT Voluntary Partnership Agreement will reinforce sustainable forest management and contribute to combating climate change through reduced emissions from deforestation and forest degradation and the role of conservation, sustainable management of forest and enhancement of forest carbon stocks (REDD+);

HAVING REGARD to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and in particular the requirement that export permits issued by parties to CITES for specimens of species listed in Appendices I, II or III be granted only under certain conditions, including that such specimens were not obtained in contravention of the laws of that party for the protection of fauna and flora;

RESOLVED that the Parties shall seek to minimise any adverse impacts on indigenous and local communities and poor people which may arise as a direct consequence of implementing this Agreement;

CONSIDERING the importance attached by the Parties to development objectives agreed at international level and to the Millennium Development Goals of the United Nations;

CONSIDERING the importance attached by the Parties to the principles and rules which govern the multilateral trading systems, in particular the rights and obligations laid down in the General Agreement on Tariffs and Trade (GATT) 1994 and in other multilateral agreements establishing the World Trade Organisation (WTO) and the need to apply them in a transparent and non-discriminatory manner;

HAVING REGARD to Council Regulation (EC) No 2173/2005 of 20 December 2005 on the establishment of a FLEGT licensing scheme for imports of timber into the European Community and to Regulation (EU) No 995/2010 of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market;

REAFFIRMING the principles of mutual respect, sovereignty, equality and non-discrimination and recognising the benefits to the Parties arising from this Agreement;

PURSUANT to the respective laws and regulations of the Parties;

HEREBY AGREE AS FOLLOWS:

#### *Article 1*

##### **Objective**

1. The objective of this Agreement, consistent with the Parties' common commitment to the sustainable management of all types of forest, is to provide a legal framework aimed at ensuring that all imports into the Union from Indonesia of timber products covered by this Agreement have been legally produced and in doing so to promote trade in timber products.
2. This Agreement also provides a basis for dialogue and co-operation between the Parties to facilitate and promote the full implementation of this Agreement and enhance forest law enforcement and governance.

#### *Article 2*

##### **Definitions**

For the purposes of this Agreement, the following definitions shall apply:

- (a) "import into the Union" means the release for free circulation of timber products in the Union within the meaning of Article 79 of Regulation (EEC) No 2913/1992 of 12 October 1992 establishing the Union Customs Code which cannot be qualified as "goods of a non-commercial nature" as defined in Article 1(6) of Commission Regulation (EEC) No 2454/93 of 2 July 1993 laying down provisions for the implementation of Council Regulation (EEC) No 2913/1992 establishing the Union Customs Code;

- (b) "export" means the physical leaving or taking out of timber products from any part of the geographical territory of Indonesia;
- (c) "timber products" means the products listed in Annex IA and Annex IB;
- (d) "HS Code" means a four- or six-digit commodity code as set out in the Harmonised Commodity Description and Coding System established by the International Convention on the Harmonised Commodity Description and Coding System of the World Customs Organisation;
- (e) "FLEGT licence" means an Indonesian Verified Legal (V-Legal) document which confirms that a shipment of timber products intended for export to the Union has been legally produced. A FLEGT licence may be in paper or electronic form;
- (f) "licensing authority" means the entities authorised by Indonesia to issue and validate FLEGT licences;
- (g) "competent authorities" means the authorities designated by the Member States of the Union to receive, accept and verify FLEGT licences;
- (h) "shipment" means a quantity of timber products covered by a FLEGT licence that is sent by a consignor or a shipper from Indonesia and is presented for release for free circulation at a customs office in the Union;
- (i) "legally-produced timber" means timber products harvested or imported and produced in accordance with the legislation as set out in Annex II.

#### *Article 3*

#### **FLEGT Licensing Scheme**

1. A Forest Law Enforcement, Governance and Trade licensing scheme' (hereinafter "FLEGT Licensing Scheme") is hereby established between the Parties to this Agreement. It establishes a set of procedures and requirements aiming at verifying and attesting, by means of FLEGT licences, that timber products shipped to the Union were legally produced. In accordance with Council Regulation 2173/2005 of 20 December 2005, the Union shall only accept such shipments from Indonesia for import into the Union if they are covered by FLEGT licences.
2. The FLEGT Licensing Scheme shall apply to the timber products listed in Annex IA.
3. The timber products listed in Annex IB may not be exported from Indonesia and may not be FLEGT licensed.
4. The Parties agree to take all necessary measures to implement the FLEGT Licensing Scheme in accordance with the provisions of this Agreement.

#### *Article 4*

#### **Licensing Authorities**

1. The Licensing Authority will verify that timber products have been legally produced in accordance with the legislation identified in Annex II. The Licensing Authority will issue FLEGT licences covering shipments of legally-produced timber products for export to the Union.
2. The Licensing Authority shall not issue FLEGT licences for any timber products that are composed of, or include, timber products imported into Indonesia from a third country in a form in which the laws of that third country forbid export, or for which there is evidence that those timber products were produced in contravention of the laws of the country where the trees were harvested.

3. The Licensing Authority will maintain and make publicly available its procedures for issuing FLEGT licences. The Licensing Authority will also maintain records of all shipments covered by FLEGT licences and consistent with national legislation concerning data protection will make these records available for the purposes of independent monitoring, while respecting the confidentiality of exporters' proprietary information.

4. Indonesia shall establish a Licence Information Unit that will serve as a contact point for communications between the competent authorities and the Licensing Authorities as set out in Annexes III and V.

5. Indonesia shall notify contact details of the Licensing Authority and the Licence Information Unit to the European Commission. The Parties shall make this information available to the public.

#### *Article 5*

##### **Competent Authorities**

1. The competent authorities shall verify that each shipment is covered by a valid FLEGT licence before releasing that shipment for free circulation in the Union. The release of the shipment may be suspended and the shipment detained if there are doubts regarding the validity of the FLEGT licence.

2. The competent authorities shall maintain and publish annually a record of FLEGT licences received.

3. The competent authorities shall grant persons or bodies designated as independent market monitor access to the relevant documents and data, in accordance with their national legislation on data protection.

4. The competent authorities shall not perform the action described in Article 5(1) in the case of a shipment of timber products derived from species listed under the Appendices of the CITES as these are covered by the provisions for verification set out in the Council Regulation (EC) No 338/97 of 9 December 1996 on the protection of species of wild fauna and flora by regulating trade therein.

5. The European Commission shall notify Indonesia of the contact details of the competent authorities. The Parties shall make this information available to the public.

#### *Article 6*

##### **FLEGT Licences**

1. FLEGT licences shall be issued by the Licensing Authority as a means of attesting that timber products have been legally produced.

2. The FLEGT licence shall be laid out and completed in English.

3. The Parties may, by agreement, establish electronic systems for issuing, sending and receiving FLEGT licences.

4. The technical specifications of the licence are set out in Annex IV. The procedure for issuing FLEGT licences is set out in Annex V.

#### *Article 7*

##### **Verification of Legally-Produced Timber**

1. Indonesia shall implement a TLAS to verify that timber products for shipment have been legally produced and to ensure that only shipments verified as such are exported to the Union.

2. The system for verifying that shipments of timber products have been legally produced is set out in Annex V.

*Article 8***Release of Shipments covered by a FLEGT Licence**

1. The procedures governing release for free circulation in the Union for shipments covered by a FLEGT licence are described in Annex III.
2. Where the competent authorities have reasonable grounds to suspect that a licence is not valid or authentic or does not conform to the shipment it purports to cover, the procedures contained in Annex III may be applied.
3. Where persistent disagreements or difficulties arise in consultations concerning FLEGT licences the matter may be referred to the Joint Implementation Committee.

*Article 9***Irregularities**

The Parties shall inform each other if they suspect or have found evidence of any circumvention or irregularity in the FLEGT Licensing Scheme, including in relation to the following:

- (a) circumvention of trade, including by re-direction of trade from Indonesia to the Union via a third country;
- (b) FLEGT licences covering timber products which contain timber from third countries that is suspected of being illegally produced; or
- (c) fraud in obtaining or using FLEGT licences.

*Article 10***Application of the Indonesian TLAS and Other Measures**

1. Using the Indonesian TLAS, Indonesia shall verify the legality of timber exported to non-Union markets and timber sold on domestic markets, and shall endeavour to verify the legality of imported timber products using, where possible, the system developed for implementing this Agreement.
2. In support of such endeavours, the Union shall encourage the use of the abovementioned system with respect to trade in other international markets and with third countries.
3. The Union shall implement measures to prevent the placing on the Union market of illegally-harvested timber and products derived therefrom.

*Article 11***Stakeholder Involvement in the Implementation of the Agreement**

1. Indonesia will hold regular consultations with stakeholders on the implementation of this Agreement and will in that regard promote appropriate consultation strategies, modalities and programmes.
2. The Union will hold regular consultations with stakeholders on the implementation of this Agreement, taking into account its obligations under the 1998 Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters (Aarhus Convention)

*Article 12***Social Safeguards**

1. In order to minimize possible adverse impacts of this Agreement, the Parties agree to develop a better understanding of the impacts on the timber industry as well as on the livelihoods of potentially affected indigenous and local communities as described in their respective national laws and regulations.

2. The Parties will monitor the impacts of this Agreement on those communities and other actors identified in paragraph 1, while taking reasonable steps to mitigate any adverse impacts. The Parties may agree on additional measures to address adverse impacts.

#### Article 13

##### **Market Incentives**

Taking into account its international obligations, the Union shall promote a favourable position in the Union market for the timber products covered by this Agreement. Such efforts will include in particular measures to support:

- (a) public and private procurement policies that recognise a supply of and ensure a market for legally harvested timber products; and
- (b) a more favourable perception of FLEGT-licensed products on the Union market.

#### Article 14

##### **Joint Implementation Committee**

1. The Parties shall establish a joint mechanism (hereinafter referred to as the "Joint Implementation Committee" or "JIC"), to consider issues relating to the implementation and review of this Agreement.

2. Each Party shall nominate its representatives on the JIC which shall take its decisions by consensus. The JIC shall be co-chaired by senior officials; one from the Union and the other from Indonesia.

3. The JIC shall establish its rules of procedure.

4. The JIC shall meet at least once a year, on a date and with an agenda which are agreed in advance by the Parties. Additional meetings may be convened at the request of either of the Parties.

5. The JIC shall:

- (a) consider and adopt joint measures to implement this Agreement;
- (b) review and monitor the overall progress in implementing this Agreement including the functioning of the TLAS and market-related measures, on the basis of the findings and reports of the mechanisms established under Article 15;
- (c) assess the benefits and constraints arising from the implementation of this Agreement and decide on remedial measures;
- (d) examine reports and complaints about the application of the FLEGT licensing scheme in the territory of either of the Parties;
- (e) agree on the date from which the FLEGT licensing scheme will start operating after an evaluation of the functioning of the TLAS on the basis of the criteria set out in Annex VIII;
- (f) identify areas of cooperation to support the implementation of this Agreement;
- (g) establish subsidiary bodies for work requiring specific expertise, if necessary;
- (h) prepare, approve, distribute, and make public annual reports, reports of its meetings and other documents arising out of its work.
- (i) perform any other tasks it may agree to carry out.

*Article 15***Monitoring and Evaluation**

The Parties agree to use the reports and findings of the following two mechanisms to evaluate the implementation and effectiveness of this Agreement.

- (a) Indonesia, in consultation with the Union, shall engage the services of a Periodic Evaluator to implement the tasks as set out in Annex VI.
- (b) the Union, in consultation with Indonesia, shall engage the services of an Independent Market Monitor to implement the tasks as set out in Annex VII.

*Article 16***Supporting Measures**

1. The provision of any resources necessary for measures to support the implementation of this Agreement, identified pursuant to Article 14(5) (f) above shall be determined in the context of the programming exercises of the Union and its Member States for cooperation with Indonesia.
2. The Parties shall ensure that activities associated with the implementation of this Agreement are coordinated with existing and future development programmes and initiatives.

*Article 17***Reporting and Public Disclosure of Information**

1. The Parties shall ensure that the workings of the JIC are as transparent as possible. Reports arising out of its work shall be jointly prepared and made public.
2. The JIC shall make public a yearly report that includes *inter alia*, details on:
  - (a) quantities of timber products exported to the Union under the FLEGT licensing scheme, according to the relevant HS Heading;
  - (b) the number of FLEGT licences issued by Indonesia;
  - (c) progress in achieving the objectives of this Agreement and matters relating to its implementation;
  - (d) actions to prevent illegally-produced timber products being exported, imported, and placed or traded on the domestic market;
  - (e) quantities of timber and timber products imported into Indonesia and actions taken to prevent imports of illegally-produced timber products and maintain the integrity of the FLEGT Licensing Scheme;
  - (f) cases of non-compliance with the FLEGT Licensing Scheme and the action taken to deal with them;
  - (g) quantities of timber products imported into the Union under the FLEGT licensing scheme, according to the relevant HS Heading and Union Member State in which importation into the Union took place;
  - (h) the number of FLEGT licences received by the Union;
  - (i) the number of cases and quantities of timber products involved where consultations took place under Article 8(2).

3. In order to achieve the objective of improved governance and transparency in the forest sector and to monitor the implementation and impacts of this Agreement in both Indonesia and the Union, the Parties agree that the information as described in Annex IX shall be made publicly available.

4. The Parties agree not to disclose confidential information exchanged under this Agreement, in accordance with their respective legislation. Neither Party shall disclose to the public, nor permit its authorities to disclose, information exchanged under this Agreement concerning trade secrets or confidential commercial information.

#### Article 18

##### **Communication on Implementation**

1. The representatives of the Parties responsible for official communications concerning implementation of this Agreement shall be:

For Indonesia:

The Director-General of Forest

Utilisation, Ministry for Forestry

For the Union:

The Head of Delegation

of the European Union in Indonesia

2. The Parties shall communicate to each other in a timely manner the information necessary for implementing this Agreement, including changes in paragraph 1

#### Article 19

##### **Territorial Application**

This Agreement shall apply to the territory in which the Treaty on the Functioning of the European Union is applied under the conditions laid down in that Treaty, on the one hand, and to the territory of Indonesia, on the other.

#### Article 20

##### **Settlement of Disputes**

1. The Parties shall seek to resolve any dispute concerning the application or interpretation of this Agreement through prompt consultations.

2. If a dispute has not been settled by means of consultations within two months from the date of the initial request for consultations either Party may refer the dispute to the JIC which shall endeavour to settle it. The JIC shall be provided with all relevant information for an in depth examination of the situation with a view to finding an acceptable solution. To this end, the JIC shall be required to examine all possibilities for maintaining the effective implementation of this Agreement.

3. In the event that the JIC is unable to settle the dispute within two months, the Parties may jointly seek the good offices of, or request mediation by, a third party.

4. If it is not possible to settle the dispute in accordance with paragraph 3, either Party may notify the other of the appointment of an arbitrator; the other Party must then appoint a second arbitrator within thirty calendar days of the appointment of the first arbitrator. The Parties shall jointly appoint a third arbitrator within two months of the appointment of the second arbitrator.

5. The arbitrators decisions shall be taken by majority vote within six months of the third arbitrator being appointed.

6. The award shall be binding on the Parties and it shall be without appeal.

7. The JIC shall establish the working procedures for arbitration.



*Article 21***Suspension**

1. A Party wishing to suspend this Agreement shall notify the other Party in writing of its intention to do so. The matter shall subsequently be discussed between the Parties.
2. Either Party may suspend the application of this Agreement. The decision on suspension and the reasons for that decision shall be notified to the other Party in writing.
3. The conditions of this Agreement will cease to apply thirty calendar days after such notice is given.
4. Application of this Agreement shall resume thirty calendar days after the Party that has suspended its application informs the other Party that the reasons for the suspension no longer apply.

*Article 22***Amendments**

1. Either Party wishing to amend this Agreement shall put the proposal forward at least three months before the next meeting of the JIC. The JIC shall discuss the proposal and if consensus is reached, it shall make a recommendation. If the Parties agree with the recommendation, they shall approve it in accordance with their respective internal procedures.
2. Any amendment so approved by the Parties shall enter into force on the first day of the month following the date on which the Parties notify each other of the completion of the procedures necessary for this purpose.
3. The JIC may adopt amendments to the Annexes to this Agreement.
4. Notification of any amendment shall be made to the Secretary-General of the Council of the European Union and to the Minister for Foreign Affairs of the Republic of Indonesia through diplomatic channels.

*Article 23***Entry into Force, Duration and Termination**

1. This Agreement shall enter into force on the first day of the month following the date on which the Parties notify each other in writing of the completion of their respective procedures necessary for this purpose.
2. Notification shall be made to the Secretary-General of the Council of the European Union and to the Minister for Foreign Affairs of the Republic of Indonesia through diplomatic channels
3. This Agreement shall remain in force for a period of five years. It shall be extended for consecutive periods of five years, unless a Party renounces the extension by notifying the other Party in writing at least twelve months before this Agreement expires.
4. Either Party may terminate this Agreement by notifying the other Party in writing. This Agreement shall cease to apply twelve months after the date of such notification.

*Article 24***Annexes**

The Annexes to this Agreement shall form an integral part thereof.

*Article 25***Authentic Texts**

This Agreement 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.

IN WITNESS WHEREOF, the undersigned, being duly authorised thereto, have signed this Agreement.

Съставено в Брюксел на тридесети септември две хиляди и тринадесета година.

Hecho en Bruselas, el treinta de septiembre de dos mil trece.

V Bruselu dne třicátého září dva tisíce třináct.

Udfærdiget i Bruxelles den tredivte september to tusind og tretten.

Geschehen zu Brüssel am dreißigsten September zweitausenddreizehn.

Kahe tuhande kolmeteistkümnenda aasta septembrikuu kolmekümnendal päeval Brüsselis.

Έγινε στις Βρυξέλλες, στις τριάντα Σεπτεμβρίου δύο χιλιάδες δεκατρία.

Done at Brussels on the thirtieth day of September in the year two thousand and thirteen.

Fait à Bruxelles, le trente septembre deux mille treize.

Sastavljeno u Bruxellesu tridesetog rujna dvije tisuće trinaeste.

Fatto a Bruxelles, addì trenta settembre duemilatredecì.

Briselē, divi tūkstoši trīspadsmitā gada trīsdesmitajā septembrī.

Priimta du tūkstančiai trylikų metų rugsėjo trisdešimtą dieną Briuselyje.

Kelt Brüsszelben, a kétézer-tizenharmadik év szeptember havának harmincadik napján.

Magħmul fi Brussell, fit-tletin jum ta' Settembru tas-sena elfejn u tlettax.

Gedaan te Brussel, de dertigste september tweeduizend dertien.

Sporządzono w Brukseli dnia trzydziestego września roku dwa tysiące trzynastego.

Feito em Bruxelas, em trinta de setembro de dois mil e treze.

Întocmit la Bruxelles la treizeci septembrie două mii treisprezece.

V Bruseli tridsiateho septembra dvetisíctrinásť.

V Bruslju, dne tridesetega septembra leta dva tisoč trinajst.

Tehty Brysselissä kolmantenakymmenentenä päivänä syyskuuta vuonna kaksituhattakolmetoista.

Som skedde i Bryssel den trettionde september tjugohundratretton.

Dibuat di Brussel, pada tanggal tiga puluh bulan September tahun dua ribu tiga belas.

За Европейския съюз  
 Por la Unión Europea  
 Za Evropskou unii  
 For Den Europæiske Union  
 Für die Europäische Union  
 Euroopa Liidu nimel  
 Για την Ευρωπαϊκή Ένωση  
 For the European Union  
 Pour l'Union européenne  
 Za Europsku uniju  
 Per l'Unione europea  
 Eiropas Savienības vārdā –  
 Europos Sąjungos vardu  
 Az Európai Unió részéről  
 Ghall-Unjoni Ewropea  
 Voor de Europese Unie  
 W imieniu Unii Europejskiej  
 Pela União Europeia  
 Pentru Uniunea Europeană  
 Za Európsku úniu  
 Za Evropsko unijo  
 Euroopan unionin puolesta  
 För Europeiska unionen  
 Untuk Uni Eropa



За Република Индонезия  
 Por la República de Indonesia  
 Za Indonéskou republiku  
 For Republikken Indonesien  
 Für die Republik Indonesien  
 Indoneesia Vabariigi nimel  
 Για τη Δημοκρατία της Ινδονησίας  
 For the Republic of Indonesia  
 Pour la République d'Indonésie  
 Za Republiku Indoneziju  
 Per la Repubblica di Indonesia  
 Indonēzijas Republikas vārdā –  
 Indonezijos Respublikos vardu  
 Az Indonéz Köztársaság részéről  
 Għar-Repubblika tal-Indonezja  
 Voor de Republiek Indonesië  
 W imieniu Republiki Indonezji  
 Pela República da Indonésia  
 Pentru Republica Indonezia  
 Za Indonézsku republiku  
 Za Republiko Indonezijo  
 Indonesian tasavallan puolesta  
 För Republiken Indonesien  
 Untuk Republik Indonesia



## 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
4401.22	- Wood in chips or particles - non coniferous
Ex.4404	- Chipwood and the like
Ex.4407	Wood sawn or chipped lengthwise, sliced or peeled, planed, sanded or end-jointed, of a thickness exceeding 6 mm.
4408	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.
	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.
4409.10	- Coniferous
4409.29	- Non-coniferous – other
4410	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.
4411	Fibreboard of wood or other ligneous materials, whether or not bonded with resins or other organic substances.
4412	Plywood, veneered panels and similar laminated wood
4413	Densified wood, in blocks, plates, strips or profile shapes.
4414	Wooden frames for paintings, photographs, mirrors or similar objects.
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.
4416	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves.

HS Codes	Description
4417	Tools, tool bodies, tool handles, broom or brush bodies and handles, of wood; boot or shoe lasts and trees, of wood.
4418	Builders' joinery and carpentry of wood, including cellular wood panels, assembled flooring panels, shingles and shakes.
Ex.4421.90	- Wooden paving blocks

## 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
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:
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.
4804	Uncoated kraft paper and paperboard, in rolls or sheets, other than that of heading 4802 or 4803.
4805	Other Uncoated paper and paperboard, in rolls or sheets, not further worked or processed than as specify in Note 3 to this chapter.
4806	Vegetable parchment, greaseproof papers, tracing papers and glassine and other glazed transparent or translucent papers, in rolls or sheets.
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.
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.
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.

HS Codes	Description
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.
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.
4812	Filter blocks, slabs and plates, of paper pulp.
4813	Cigarette paper, whether or not cut to size or in the form booklets or tubes.
4814	Wallpaper and similar wall covering; window transparencies of paper.
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.
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.
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.
4821	Paper or paperboard labels of all kinds, whether or not printed.
4822	Bobbins, spools, cops and similar support of paper pulp, paper or paper board whether or not perforated or hardened.
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.

## Chapter 94:

HS Codes	Description
	Other seats, with wooden frames:
9401.61.	- Upholstered
9401.69.	- 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. 9406.00.	- Pre-fabricated constructions made of wood

## 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, not planed, not sanded or not end-jointed, of a thickness exceeding 6 mm.



## 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 five standards are:

- Legality Standard 1: the standard for concessions within production forest zones on state-owned lands;
- 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 on state-owned lands;
- Legality Standard 5: the standard for primary and downstream forest based industries.

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

Permit type	Description	Land ownership / resource management or utilisation	Applicable legality standard
IUPHHK-HA/HPH	Permit to utilise forest products from natural forests	State owned/ company managed	1
IUPHHK-HTI/HPHTI	Permit to establish and manage industrial forest plantation	State owned/ company managed	1
IUPHHK-RE	Permit for forest ecosystem restoration	State owned/ company managed	1
IUPHHK- HTR	Permit for community forest plantations	State owned/ community managed	2
IUPHHK-HKM	Permit for community forest management	State owned/ community managed	2
Private Land	No permit required	Privately owned/ privately utilised	3
IPK/ILS	Permit to utilise timber from non-forest zones	State owned/ privately utilised	4
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

These five legality standards and the associated verifiers are outlined below.

## ANNEX II - LEGALITY STANDARD 1: THE STANDARDS FOR CONCESSIONS WITHIN PRODUCTION FOREST ZONES

No	Principles	Criteria	Indicators	Verifiers	Related Regulations (!)
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>Government Regulation PP72/2010</p> <p>Regulation of the Minister for Forestry P50/2010</p> <p>Regulation of the Minister for Forestry P12/2010</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 Regulation of the Minister for Forestry P60/2011</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 (ongoing applications are acceptable).	Regulation of the Minister for Forestry P62/2008  Regulation of the Minister for Forestry P56/2009
				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 P60/2011
			2.2.2 Permits for all harvesting equipment are valid and can be verified in the field. (not applicable to a state forest company)	Permit for equipment and equipment transfer	Regulation of the Minister for Forestry P53/2009
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 P55/2006
			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 P55/2006
			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.	Regulation of the Minister for Forestry P55/2006
Payment of the Reforestation Funds and/or Forest Resources Fee is consistent with log production and the applicable tariff.					

No	Principles	Criteria	Indicators	Verifiers	Related Regulations (1)
		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.  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.	Government Regulation PP22/1997  Government Regulation PP 51/1998  Regulation of the Minister for Forestry P18/2007  Regulation of the Minister for Trade 22/M-DAG/PER/4/2012  Government Regulation PP59/1998
		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.	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
4.	P4. Compliance with environmental and social aspects related to timber harvesting	K4.1 Permit holder has an approved Environmental Impact Assessment (EIA) document and has implemented measures identified in it.	4.1.1 Permit holder has EIA documents approved by the competent authorities which cover the entire work area.	EIA documents	Government Regulation PP27/1999  Regulation of the Minister for Forestry and Plantation 602/1998

No	Principles	Criteria	Indicators	Verifiers	Related Regulations <sup>(1)</sup>	
			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 PP27/1999	
5.	P5. Compliance with labour laws and regulations	K.5.1 Fulfilment of occupational safety and health (OSH) requirements	5.1.1 Availability of OSH procedures and their implementation	Implementation of OSH procedures	Regulation of the Minister for Manpower & Transmigration 01/1978	
				OSH equipment	Regulation of the Minister for Forestry P12/2009	
				Employment injury records		
		K.5.2 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 21/2000  Regulation of the Minister for Manpower & Transmigration 16/2001	
				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	Act 13/2003  Act 23/2003  Act 20/2009

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

LEGALITY STANDARD 2: THE STANDARD FOR COMMUNITY PLANTATION FORESTS AND COMMUNITY FORESTS WITHIN PRODUCTION FOREST ZONES

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	Regulation of the Minister for Forestry P55/2011
				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
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.	
				Harvesting block location are clearly marked and can be verified 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)	Regulation of the Minister for Forestry P62/2008
			The location and extractable volumes of logs within the area to be established to timber estate are to correspond to the work plan.		

No	Principles	Criteria	Indicators	Verifiers	Related Regulations	
			2.2.2 Permits for all harvesting equipment are valid and can be physically verified in the field.	Permits for equipment and equipment transfer.	Regulation of the Minister for Forestry P53/2009.	
		K2.3 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 are physically identified and accompanied by valid documents.	2.3.1 All large diameter 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 P55/2006	
			2.3.2 All the 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 P55/2006	
			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 P55/2006
				2.3.4 Permit holder can show the existence of log transport documents accompanying logs transported from log yard.		

No	Principles	Criteria	Indicators	Verifiers	Related Regulations
		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 Proof of Payment of Forest Resources Fee Payment of the Forest Resources Fee is consistent with log production and the applicable tariff.	Regulation of the Minister for Forestry P18/2007 Regulation of the Minister for Trade 22/M-DAG/PER/4/2012
3.	P3. Compliance with environmental and social aspects pertaining to timber harvesting	K3.1 Permit holder has an approved Environmental Impact Assessment (EIA) document and has implemented measures identified in it.	3.1.1 Permit holder has environmental impact assessment documents approved by the competent authorities which cover the entire work area. 3.1.2 Permit holder has environmental management and monitoring implementation reports taken to mitigate environmental impacts and provide social benefits.	EIA documents Relevant environmental management and monitoring documents Proof of implementation of environmental management and monitoring of significant environmental and social impacts	Regulation of the Minister for Forestry and Plantation 622/1999 Government Regulation PP27/1999



LEGALITY STANDARD 3: THE STANDARD FOR PRIVATELY-OWNED FORESTS

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 recognized by competent authorities)	Act 5/1960 Regulation of the Minister for Forestry P33/2010
				Land Cultivation Right.	Government Regulation PP12/1998
				Deed of Establishment of the Company	Regulation of the Minister for Trade 36/2007
				Business licence for companies engaging in trading business (SIUP)	Regulation of the Minister for Trade 37/2007
				Company registration (TDP)	Act 6/1983
				Tax payer registration (NPWP)	Act 13/2003
1.1.2 Management units (either owned individually or by a group) demonstrate valid timber transportation documents.	Map of the area of private forest and boundaries delineated on the ground.	Act 23/2003 Act 20/2009			
	Certificate of Timber Origin or 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.	Invoice/ sales receipt/ freight clearance.				
	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	
2.	P2. Compliance with environmental and social aspects related to timber harvesting in the case of areas subject to Land Cultivation Rights	K2.1 Permit holder has an approved Environmental Impact Assessment (EIA) document and has implemented measures identified in it.	2.1.1 Permit holder has EIA documents approved by the competent authorities which cover the entire work area.	EIA documents	Government Regulation PP27/1999  Regulation of the Minister for Forestry and Plantation 602/1998	
3.	P3. Compliance with labour laws and regulations in the case of areas subject to Land Cultivation Rights	K3.1 Fulfilment of occupational safety and health (OSH) requirements	3.1.1 Availability of OSH procedures and their implementation	Implementation of OSH procedures	Regulation of the Minister for Manpower & Transmigration 01/1978	
				OSH equipment		
				Employment injury records	Regulation of the Minister for Forestry P12/2009	
		K3.2 Fulfilment of workers' rights	3.2.1 Freedom of association for workers	Workers belong to workers unions or company policies allow workers to establish or get involved in union activities	Act 21/2000  Regulation of the Minister for Manpower & Transmigration 16/2001	
				3.2.2 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
					3.2.3 Company does not employ minors underage workers	There are no underage workers

LEGALITY STANDARD 4: THE STANDARD FOR TIMBER UTILISATION RIGHTS WITHIN NON-FOREST ZONES

No	Principles	Criteria	Indicators	Verifiers	Related Regulations
1.	P1. Legal status of area and right to utilise	K.1.1. 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.	ILS/IPK permits for harvesting operations in the lease area	Regulation of the Minister for Forestry P18/2011
				Maps attached to the ILS/IPK permits of the lease area and evidence of compliance on the ground.	
		K.1.2. 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).	Business permit and maps attached to the permit (this requirement applies to both IPK holders and business permit holders)	Regulation of the Minister for Forestry P14/2011  Regulation of the Minister for Forestry P33/2010
				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)	
K.1.3 Permit to extract timber forest products from a state forest area for Reforestation-based Plantation Forest (HTHR) activities	1.3.1. Timber harvesting is authorised under a permit to extract timber forest products from reforestation-based plantation forests in areas designated for reforestation-based plantation forests (HTHR)	HTHR permit	Regulation of the Minister for Forestry P59/2011		
		Maps attached to HTHR and evidence of compliance on the ground			

No	Principles	Criteria	Indicators	Verifiers	Related Regulations
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
				Valid equipment permit	Regulation of the Minister for Forestry P53/2009
			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 P55/2006
		K2.2 Payment of government fees and levies and compliance with timber transportation requirements	2.2.1 Evidence of payment of charges.	Proof of payment of Reforestation Funds, Forest Resources Fee and compensation to the state for the value of stumpage cut.	Regulation of the Minister for Forestry P18/2007
			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 P55/2006
Log Legality Document (SKSKB) and log list for large diameter logs					
3.	P3. Compliance with labour laws and regulations	K.3.1 Fulfilment of occupational safety and health (OSH) requirements	3.1.1 Availability of OSH procedures and their implementation	Implementation of OSH procedures	Regulation of the Minister for Manpower & Transmigration 01/1978
				OSH equipment	Regulation of the Minister for Forestry P12/2009
				Employment injury records	

No	Principles	Criteria	Indicators	Verifiers	Related Regulations
		K.3.2 Fulfilment of workers' rights	3.2.1 Freedom of association for workers	Workers belong to workers unions or company policies allow workers to establish or get involved in union activities	Act 21/2000 Regulation of the Minister for Manpower & Transmigration 16/2001
			3.2.2 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
			3.2.3 Company does not employ minors/ underage workers	There are no underage workers	Act 13/2003 Act 23/2003 Act 20/2009

LEGALITY STANDARD 5: THE STANDARD FOR PRIMARY AND DOWNSTREAM FOREST-BASED INDUSTRY

Principles	Criteria	Indicators	Verifiers	Related Regulations
P1. Timber forest product processing industry supports the realization of legal trade in timber.	K1.1. Business units in the form of:	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)	Regulation of the Minister for Law & Human Rights M.01-HT.10/2006  Regulation of the Minister for Trade 36/2007
	(a) Processing industry, and		Permit to engage in trading business (Business Licence /SIUP) or trading permit, which may be Industrial Business Permit (IUI) or Permanent Business Permit (IUT) or Industrial Registration Certificate (TDI)	Regulation of the Minister for Trade 37/2007  Act 6/1983  Government Regulation PP80/2007
	(b) Exporters of processed products		Nuisance/ disturbance permit (permit issued to the company for affecting the environment around which it operates its business)	Regulation of the Minister for Forestry P35/2008  Regulation of the Minister for Forestry P16/2007
	are in possession of valid permits		Company Registration Certificate (TDP)	Regulation of the Minister for Trade 39/2011
			Tax Payer Identification Number (NPWP)	Regulation of the Minister for Industry 41/2008  Reg. of the Minister for Environment 13/2010
			Availability of Environmental Impact Assessment documents	
			Availability of Industrial Business Permit (IUI) or Permanent Business Permit (IUT) or Industrial Registration Certificate (TDI)	

Principles	Criteria	Indicators	Verifiers	Related Regulations
			Availability of Raw Materials Stock Planning (RPBBI) for Forest Products Primary Industry (IPHH).	
		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 P64/2012
	K1.2 Business units in the form of groups of artisans / household industries are legally registered	1.2.1 The business groups (cooperatives / limited partnership (CV) / other business groups) are legally established.	Deed of establishment	Act 6/1983
Tax Payer Registration (NPWP)				
1.2.2 Traders of processed timber products have valid registration as exporters and are supplied by small and medium certified processing industry not registered as exporters		Registration of the traders as Non-Producer Exporters of Forestry Industry Products (ETPIK Non Produsen).	Regulation of the Minister for Trade P64/2012	
	Agreement or contract of collaboration with a processing industry unit which has timber legality certificate (S-LK)			
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 in the forest products	2.1.1 Business units can demonstrate that the timber received comes from legal sources.	Sales and purchase documents and or contract of supply of materials and or proof of purchase and equipped with forest products legality documents / letter of attestation of the legality of forest products	Regulation of the Minister for Forestry P55/2006 Regulation of the Minister for Forestry P30/2012 Regulation of the Minister for Forestry P62/2008 Regulation of the Minister for Forestry P56/2009

Principles	Criteria	Indicators	Verifiers	Related Regulations
			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	
			Imported timber is accompanied by Import Notification documents and information concerning the origin of the timber as well as documents certifying the legality of the timber and country of harvest	
			Log transport documents	
			Transport documents (SKAU/ 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.	
			Transport documents in the form of FAKO/ Nota for industrial waste wood	
			Documents/ reports on changes in the stock of round logs (LMKB) /reports on changes in the stock of small-diameter round logs (LMKBK)/reports on changes in the stock of processed timber forest products (LMHHOK)	
			Supporting documents, that is, Raw Materials Stock Planning (RPBBI), letter of decision officially certifying the annual work plan (SK RKT)	



Principles	Criteria	Indicators	Verifiers	Related Regulations
		2.1.2 Business units apply a timber tracking system and operate within permitted production levels	<p>Tally sheets on the use of raw materials and on production outputs.</p> <p>Output reports on the production of processed products.</p> <p>The production of the unit does not exceed the permitted production capacity.</p>	<p>Regulation of the Minister for Forestry P55/2006</p> <p>Regulation of the Minister for Industry 41/2008</p> <p>Regulation of the Minister for Forestry P35//2008</p>
		2.1.3 Production process in collaboration with another party (another industry or with artisans/ household industries) provides for tracking of timber	<p>Contract of collaboration or service contract for product processing with another party</p> <p>The collaborating party has valid permits as set out under Principle 1</p> <p>Segregation/ separation of produced products.</p> <p>Documentation of raw materials, processes, production and where applicable of exports if export is conducted through the business unit / another company with which collaboration agreement is entered into.</p>	<p>Regulation of the Minister for Trade 37/M-DAG/PER/9/2007</p> <p>Act 6/1983</p> <p>Regulation of the Minister for Forestry P35/2008</p> <p>Regulation of the Minister for Forestry P16/2007</p> <p>Regulation of the Minister for Trade 39/M-DAG/PER/12/2011</p> <p>Regulation of the Minister for Industry 41/M- IND/PER/6/2008</p> <p>Regulation of the Minister for Forestry P55/2006</p>

Principles	Criteria	Indicators	Verifiers	Related Regulations
P3. Legality of the trade or the change of ownership of processed timber.	K3.1 Inter-island transportation and trade complies with applicable legislation.	3.1.1 The business unit shipping processed timber products inter-island are Registered Interisland Timber Traders (PKAPT).	PKAPT documents	Regulation of the Minister for Industry and Trade 68/MPP/Kep/2/2003
			PKAPT report documents	Joint Regulation of the Minister for Forestry, Minister for Transportation, and Minister for Industry and Trade 22/2003
		3.1.2 The vessel used to transport processed timber is Indonesian-flagged and possesses valid permits to operate.	Documents showing identity of vessel. Registration documents which show the identity of the vessel and valid permit.	Regulation of the Minister for Forestry P55/2006
			The identity of vessel agrees with that stated in the log or timber transport documents	Regulation of the Minister for Forestry P30/2012
		Regulation of the Minister for Transportation KM71/2005	Joint Regulation of the Minister for Forestry, Minister for Transportation, and Minister for Industry and Trade 22/2003	
		3.1.3 Registered Inter- island Timber Traders (PKAPT) can demonstrate that the transported timber originates from legitimate sources	Log or timber transport documents	Regulation of the Minister for Forestry P55/2006
Timber administration marks/barcode (PUHH) on logs.	Regulation of the Minister for Forestry P30/2012			
Joint Regulation of the Minister for Forestry, Minister for Transportation, and Minister for Industry and Trade 22/2003				

Principles	Criteria	Indicators	Verifiers	Related Regulations
	K3.2 Shipping of processed timber for export complies with applicable legislation.	3.2.1 Shipping of processed timber for export with Export Notification (PEB) documents	PEB	Act 17/2006 (Customs)
			Packing list	Regulation of the Minister for Finance 223/PMK.011/2008.
			Invoice	Regulation of the Directorate General for Customs P-40/BC/2008
			B/L (bill of lading)	Regulation of the Directorate General for Customs P-06/BC/2009
			Export licence documents (V-Legal)	Regulation of the Minister for Trade P64/2012
			Results of technical verification (Surveyor's Report) for products for which technical verification is mandatory	Presidential Decree 43/1978
			Proof of payment of export duty, where applicable.	Regulation of the Minister for Forestry 447/2003
			Other relevant documents (including CITES permits) for types of wood whose trade is restricted	
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	Implementation of OSH procedures.	Regulation of the Minister for Manpower & Transmigration 01/1978
			OSH equipment such as lightweight fire extinguishers, personal protective equipment and evacuation routes	Regulation of the Minister for Forestry P12/2009
			Employment injury records	

Principles	Criteria	Indicators	Verifiers	Related Regulations
	K.4.2 Fulfilment of the rights of workers	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 13/2013  Regulation of the Minister for Manpower & Transmigration 16/2011
		4.2.3 Company does not employ minor/ underage workers	There are no underage workers	Act 13/2003  Act 23/2003  Act 20/2009

## ANNEX III

**CONDITIONS FOR THE RELEASE FOR FREE CIRCULATION IN THE UNION OF INDONESIAN FLEGT-LICENSED TIMBER PRODUCTS**

## 1. LODGING OF THE LICENCE

- 1.1. The licence shall be lodged with the competent authority of the Union Member State in which the shipment covered by that licence is presented for release for free circulation. This can be done electronically or by other expeditious means.
- 1.2. A licence shall be accepted if it meets all the requirements set out in Annex IV and no further verification in accordance with sections 3, 4 and 5 of this Annex is deemed necessary.
- 1.3. A licence may be lodged before the arrival of the shipment it covers.

## 2. ACCEPTANCE OF THE LICENCE

- 2.1. Any licence which does not meet the requirements and specifications set out in Annex IV is invalid.
- 2.2. Erasures in or alterations to a licence shall only be accepted if such erasures or alterations have been validated by the Licensing Authority.
- 2.3. A licence shall be considered as void if it is lodged with the competent authority after the expiry date indicated in the licence. The extension of the validity of a licence shall not be accepted unless that extension has been validated by the Licensing Authority.
- 2.4. A duplicate or replacement licence shall not be accepted unless it has been issued and validated by the Licensing Authority.
- 2.5. Where further information is required on the licence or on the shipment, in accordance with this Annex, the licence shall be accepted only after the required information has been received.
- 2.6. Where the volume or weight of the timber products contained in the shipment presented for release for free circulation does not deviate by more than ten per cent from the volume or weight indicated in the corresponding licence, it shall be considered that the shipment conforms to the information provided in the licence in so far as volume or weight is concerned.
- 2.7. The competent authority shall, in accordance with the applicable legislation and procedures, inform the customs authorities as soon as a licence has been accepted.

## 3. VERIFICATION OF THE VALIDITY AND AUTHENTICITY OF THE LICENCE

- 3.1. In case of doubt concerning the validity or authenticity of a licence, a duplicate or a replacement licence, the competent authority may request additional information from the Licence Information Unit.
- 3.2. The Licence Information Unit may request the competent authority to send a copy of the licence in question.
- 3.3. If necessary the Licensing Authority shall withdraw the licence and issue a corrected copy which will be authenticated by the stamped endorsement "Duplicate" and forward it to the competent authority.
- 3.4. If no answer is received by the competent authority within twenty-one calendar days of the request for additional information from the Licence Information Unit, as specified in section 3.1 of this Annex, the competent authority shall not accept the licence and shall act in accordance with applicable legislation and procedures.

3.5. If the validity of the licence is confirmed, the Licence Information Unit shall inform the competent authority forthwith, preferably by electronic means. The copies returned shall be authenticated by the stamped endorsement "Validated on".

3.6. If following the provision of additional information and further investigation, it is determined that the licence is not valid or authentic the competent authority shall not accept the licence and shall act in accordance with applicable legislation and procedures.

#### 4. VERIFICATION OF THE CONFORMITY OF THE LICENCE WITH THE SHIPMENT

4.1. If further verification of the shipment is considered necessary before the competent authorities can decide whether a licence can be accepted, checks may be carried out to establish whether the shipment in question conforms to the information provided in the licence and/or to the records relating to the relevant licence held by the Licensing Authority.

4.2. In case of doubt as to the conformity of the shipment with the licence the competent authority concerned may seek further clarification from the Licence Information Unit.

4.3. The Licence Information Unit may request the competent authority to send a copy of the licence or the replacement in question.

4.4. If necessary, the Licensing Authority shall withdraw the licence and issue a corrected copy which must be authenticated by the stamped endorsement "Duplicate" and forwarded to the competent authority.

4.5. If no answer is received by the competent authority within twenty one calendar days upon request of the further clarification as specified in section 4.2 above, the competent authority shall not accept the licence and shall act in accordance with applicable legislation and procedures.

4.6. If following the provision of additional information and further investigation, it has been determined that the shipment in question does not conform with the licence and/or to the records relating to the relevant licence held by the Licensing Authority, the competent authority shall not accept the licence and shall act in accordance with applicable legislation and procedures.

#### 5. OTHER MATTERS

5.1. Costs incurred while the verification is being completed shall be at the expense of the importer, except where the applicable legislation and procedures of the Union Member State concerned determine otherwise.

5.2. Where persistent disagreements or difficulties arise from the verification of licences the matter may be referred to the JIC.

#### 6. EU CUSTOMS DECLARATION

6.1. The number of the licence that covers the timber products that are being declared for release for free circulation shall be entered in Box 44 of the Single Administrative Document on which the customs declaration is made.

6.2. Where the customs declaration is made by means of a data-processing technique the reference shall be provided in the appropriate box.

#### 7. RELEASE FOR FREE CIRCULATION

7.1. Shipments of timber products shall be released for free circulation only when the procedure described in section 2.7 above has been duly completed.

## ANNEX IV

**REQUIREMENTS AND TECHNICAL SPECIFICATIONS OF FLEGT LICENCES**

## 1. GENERAL REQUIREMENTS OF FLEGT LICENCES

- 1.1. A FLEGT licence may be in paper or electronic form.
- 1.2. Both paper-based and electronic licences shall provide the information specified in Appendix 1, in accordance with the notes for guidance set out in Appendix 2.
- 1.3. A FLEGT licence shall be numbered in a manner that allows the Parties to distinguish between a FLEGT licence covering shipments destined for Union markets and a V-Legal Document for shipments destined for non-Union markets.
- 1.4. A FLEGT licence shall be valid from the date on which it is issued.
- 1.5. The period of validity of a FLEGT licence shall not exceed four months. The date of expiry shall be indicated on the licence.
- 1.6. A FLEGT licence shall be considered void after it has expired. In the event of force majeure or other valid causes beyond the control of the licensee, the Licensing Authority may extend the period of validity for an additional two months. The Licensing Authority shall insert and validate the new expiry date when granting such an extension.
- 1.7. A FLEGT licence shall be considered void and returned to the Licensing Authority if the timber products covered by that licence have been lost or destroyed prior to its arrival in the Union.

## 2. TECHNICAL SPECIFICATIONS WITH REGARD TO PAPER-BASED FLEGT LICENCES

- 2.1. Paper-based licences shall conform to the format set out in Appendix 1.
- 2.2. The paper size will be standard A4. The paper will have watermarks showing a logo that will be embossed on the paper in addition to the seal.
- 2.3. A FLEGT licence shall be completed in typescript or by computerised means. It may be completed in manuscript, if necessary.
- 2.4. The stamps of the Licensing Authority shall be applied by means of a stamp. However, an embossment or perforation may be substituted for the Licensing Authority stamp.
- 2.5. The Licensing Authority shall use a tamper-proof method to record the quantity allocated in such a way as to make it impossible to insert figures or references.
- 2.6. The form shall not contain any erasures or alterations, unless those erasures or alterations have been authenticated by the stamp and signature of the Licensing Authority.
- 2.7. A FLEGT licence shall be printed and completed in English.

## 3. COPIES OF FLEGT LICENCES

- 3.1. A FLEGT licence shall be drawn up in seven copies, as follows:
  - i. an "Original" for the competent authority on white paper;

- ii. a "Copy for Customs at destination" on yellow paper;
  - iii. a "Copy for the Importer" on white paper;
  - iv. a "Copy for the Licensing Authority" on white paper;
  - v. a "Copy for the Licensee" on white paper;
  - vi. a "Copy for the Licence Information Unit" on white paper;
  - vii. a "Copy for Indonesian Customs" on white paper
- 3.2. The copies marked "Original", "Copy for Customs at destination" and "Copy for the Importer" shall be given to the licensee, who shall send them to the importer. The importer shall lodge the original with the competent authority and the relevant copy with the customs authority of the Member State of the Union in which the shipment covered by that licence is declared for release for free circulation. The third copy marked "Copy for the Importer" shall be retained by the importer for the importer's records.
- 3.3. The fourth copy marked "Copy for the Licensing Authority" shall be retained by the Licensing Authority for its records and for possible future verification of licences issued.
- 3.4. The fifth copy marked "Copy for the Licensee" shall be given to the licensee for the licensee's records.
- 3.5. The sixth copy marked "Copy for the Licence Information Unit" shall be given to the Licence Information Unit for its records.
- 3.6. The seventh copy marked "Copy for Indonesian Customs" shall be given to the customs authority of Indonesia for exportation purposes.
4. FLEGT LICENCE LOST, STOLEN OR DESTROYED
- 4.1. In the event of loss, theft or destruction of the copy marked "Original" or the copy marked "Copy for Customs at destination" or both, the licensee or the licensee's authorised representative may apply to the Licensing Authority for a replacement. Together with the application, the licensee or the licensee's authorised representative shall provide an explanation for the loss of the original and/or the copy.
- 4.2. If it is satisfied with the explanation, the Licensing Authority shall issue a replacement licence within five working days of receipt of the request from the licensee.
- 4.3. The replacement shall contain the information and entries that appeared on the licence it replaces, including the licence number, and shall bear the endorsement "Replacement Licence".
- 4.4. In the event that the lost or stolen licence is retrieved, it shall not be used and must be returned to the Licensing Authority.
5. TECHNICAL SPECIFICATIONS WITH REGARD TO ELECTRONIC FLEGT LICENCES
- 5.1. The FLEGT licence may be issued and processed using electronic systems.
- 5.2. In Member States of the Union which are not linked to an electronic system a paper-based licence shall be made available.
-



*Appendices*

1. Licence Format
  2. Notes for Guidance.
-

Appendix 1

LICENCE FORMAT

A.		<b>Indonesian V-legal logo</b>		B.				
<b>ORIGINAL</b>	<b>1</b>	<b>1 Issuing authority</b>		<b>2 Importer</b>				
		Name		Name				
	Address		Address					
	Authority registration number:							
	<b>3 V-Legal/FLEGT licence number</b>		<b>4 Date of Expiry</b>					
			<table border="1" style="width: 100px; height: 20px;"> <tr> <td style="width: 25px;"></td> <td style="width: 25px;"></td> <td style="width: 25px;"></td> <td style="width: 25px;"></td> </tr> </table>					
	<b>5 Country of export</b>		<b>7 Means of transport</b>					
	<b>6 ISO Code</b>							
	<b>8 Licensee</b>							
Name:		ETPIK Number:						
Address:		Tax payer number:						
<b>1</b>	<b>9 Commercial description of the timber products</b>			<b>10 HS-Heading</b>				
<b>11 Common and Scientific Names</b>		<b>12 Countries of harvest</b>		<b>13 ISO Codes</b>				
<b>14 Volume (m<sup>3</sup>)</b>		<b>15 Net Weight (kg)</b>		<b>16 Number of units</b>				
<b>17 Distinguishing marks</b>								
<b>18 Signature and stamp of issuing authority</b>								
Name								
Place and date								

## Appendix 2

## NOTES FOR GUIDANCE

## General:

- Complete in capitals.
- ISO codes, where indicated, refer to the international standard two letter code for any country.
- Box 2 is for use by the Indonesian authorities only
- Headings A and B for use of FLEGT licensing to the EU only

Heading A	Destination	Insert "European Union" if the licence covers a shipment destined for the European Union.
Heading B	FLEGT licence	Insert "FLEGT" if the licence covers a shipment destined for the European Union.
Box 1	Issuing authority	Indicate the name, address, and registration number of the Licensing Authority.
Box 2	Information for use by Indonesia	Indicate the name and address of the importer, the total value (in USD) of the shipment, as well as the name and the two-letter ISO code of the country of destination and where applicable of the country of transit.
Box 3	V-Legal/licence number	Indicate the issuing number.
Box 4	Date of expiry	Period of validity of the licence.
Box 5	Country of export	This refers to the partner country from where the timber products were exported to the EU.
Box 6	ISO code	Indicate the two-letter ISO code for the partner country referred to in Box 5.
Box 7	Means of transport	Indicate the means of transport at the point of export.
Box 8	Licensee	Indicate the name and address of the exporter, including the registered exporter ETPIK and tax payer numbers.
Box 9	Commercial Description	Indicate the commercial description of the timber product(s). The description should be sufficiently detailed to allow for classification into the HS.
Box 10	HS code	For the "Original", "Copy for Customs at Destination" and "Copy for Importer" indicate the four-digit or six-digit commodity code established pursuant to the Harmonised Commodity Description and Coding System. For copies for use within Indonesia (copies (iv) to (vii) as set out in Article 3.1 of Annex IV) indicate the ten-digit commodity code in accordance with the Indonesia Customs Tariff Book.
Box 11	Common and scientific names	Indicate the common and scientific names of the species of timber used in the product. Where more than one species is included in a composite product, use a separate line. May be omitted for a composite product or component that contains multiple species whose identity has been lost (e.g. particle board).

Box 12	Countries of harvest	Indicate the countries where the species of timber referred to in Box 10 was harvested. Where a composite product include for all sources of wood used. May be omitted for a composite product or component that contains multiple species whose identity has been lost (e.g. particle board).
Box 13	ISO codes	Indicate the ISO code of the countries referred to in box 12. May be omitted for a composite product or component that contains multiple species whose identity has been lost (e.g. particle board).
Box 14	Volume (m <sup>3</sup> )	Indicate the overall volume in m <sup>3</sup> . May be omitted unless the information referred to in box 15 has been omitted.
Box 15	Net weight (kg)	Indicate the overall weight of the shipment at the time of measurement in kg. This is defined as the net mass of the timber products without immediate containers or any packaging, other than bearers, spacers, stickers etc.
Box 16	Number of units	Indicate the number of units, where a manufactured product is best quantified in this way. May be omitted.
Box 17	Distinguishing marks	Insert barcode and any distinguishing marks where appropriate e.g. lot number, bill of lading number. May be omitted.
Box 18	Signature and stamp of issuing authority	The box shall be signed by the authorised official and stamped with the official stamp of the Licensing Authority. The signatories' name, as well as place and date shall also be indicated.

## 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 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 as well as the sustainability scheme (SFM), to improve forest governance; to suppress illegal logging and the associated timber trade and to ensure the credibility and 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.

## 2. SCOPE OF THE TLAS

Indonesian 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 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 and exporters.

The TLAS requires that imported timber and timber products are cleared at customs and comply with Indonesia's import regulations. Imported timber and timber products must be accompanied by documents providing assurance of the legality of the timber in its country of harvest. Imported timber and timber products will have to enter into a controlled supply chain that complies with the Indonesian rules and regulations. Indonesia will provide guidance on how to implement the above.

Certain timber products may contain recycled materials. Indonesia provides guidance on how the use of recycled materials will be dealt with under the TLAS.

Impounded timber is not included in the TLAS and therefore cannot be covered by a FLEGT licence.

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

### 2.1. TLAS legality standards

The TLAS has five timber legality standards. 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. SFM-certified organisations operating within production forest zones on state-owned lands (permanent forest domain) adhere to both relevant legality and SFM standards.

## 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.55/Menhut-II/2006 and P.30/Menhut-II/2012 (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 operational controls at each point in the supply chain are summarised in Diagram 1; the guidance for imports is being developed.

All consignments in the supply chain must be accompanied by relevant transport documents. Companies must apply appropriate systems to segregate between timber and timber products from verified sources with timber and timber products from other sources, and maintain records that distinguish between these two sources. Companies at each point in the supply chain are required to record whether the involved logs, products or timber consignment are TLAS-verified.

Operators in the supply chain are required to keep records on received, stored, processed and delivered timber and timber products so as 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 tests. Main activities and procedures, including reconciliation, for each stage of the supply chain are further explained in the Appendix of this Annex.

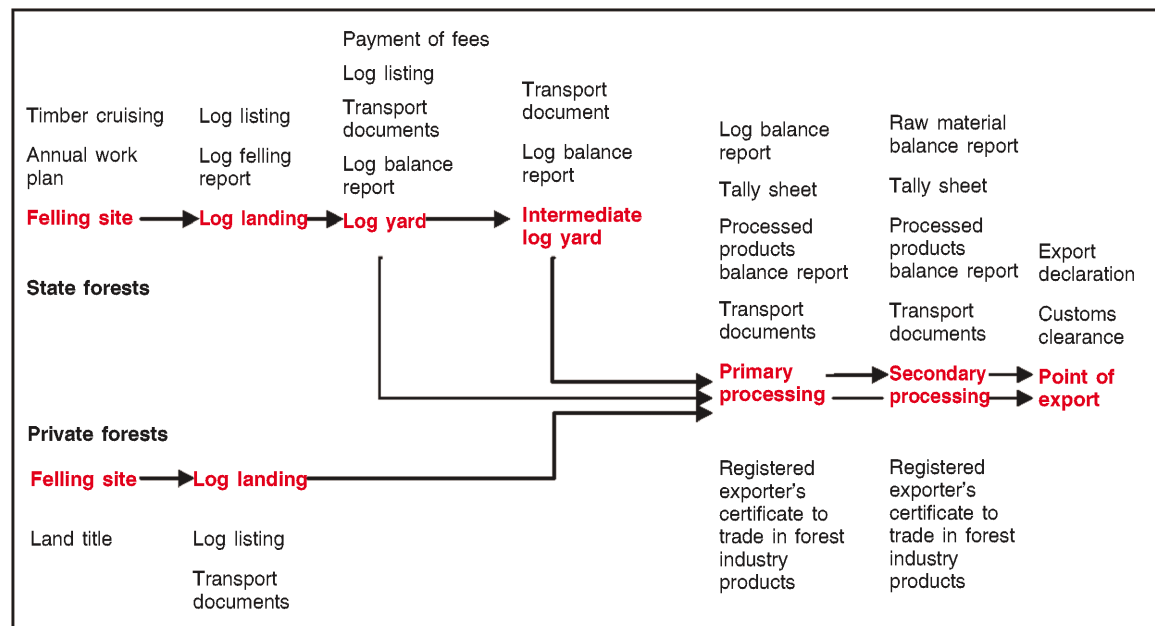


Diagram 1: Control of the supply chain which shows the required key documents at each point in the supply chain.

#### 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 (LP and LV) which it authorizes to audit the legality of operations of timber producers, traders, processors and exporters ("operators").

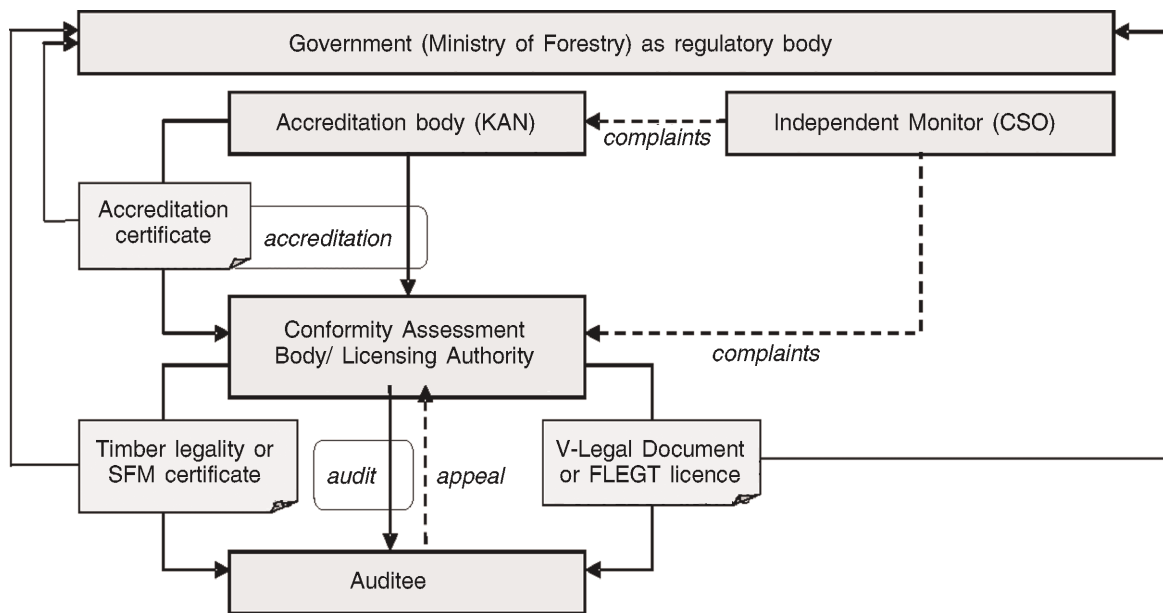
The conformity assessment bodies (CAB) are accredited by the Indonesian National Accreditation Body (KAN). CAB are contracted by operators who want their operations to be certified as legal and are required to operate according to relevant ISO guidelines. They report the outcome of the audits to the auditee and to the Ministry of Forestry.

The CAB ensure that the auditees operate in compliance with the Indonesian legality definition as contained in Annex II, including controls to prevent material from unknown sources entering their supply chains. When an auditee is found to be compliant, a legality certificate with a validity of 3 (three) years is issued.

LVs also act as export licensing authorities and check verified exporters' supply chain control systems. If compliant, they issue export licences in the form of V-Legal Documents. Thus exports without an export permit are prohibited.

Indonesia has enacted a regulation which allows civil society groups to raise objections on the legality verification of an operator by CAB or in the event of illegal activities detected during operations. In case of complaints about the operations of a conformity assessment body, civil society groups can file complaints with KAN.

The relationship between different entities involved in implementing the TLAS is illustrated in Diagram 2:



#### 4.2. Conformity assessment bodies

The conformity assessment bodies play a key role in the Indonesian system. They are contracted to verify the legality of the production, processing and trade activities of individual companies in the supply chain, including the integrity of the supply chain. LV also issue V-Legal Documents for individual shipments of exported timber.

There are two types of CAB: (i) assessment bodies (Lembaga Penilai/LP) which audits the performance of Forest Management Units (FMUs) against the sustainability standard; and (ii) verification bodies (Lembaga Verifikasi/LV), which audit FMUs and forest-based industries against the legality standards.

In order to ensure 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 17021 (SFM Standard for LPs) and/or ISO/IEC Guide 65 (Legality Standards for LVs). These requirements are specified in the TLAS Guidelines.

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 as for the Union market, FLEGT licenses will be issued in accordance with the requirements as outlined in Annex IV. Indonesia is developing detailed procedures for the V-Legal Document or FLEGT licensing of export consignments.

The LVs are contracted by the auditees to carry out legality audits and will issue TLAS legality certificates and V-Legal document or FLEGT licences for exports to international markets. LPs will audit timber producing concessions against the SFM standard. LPs do not issue export licences.

#### 4.3. Accreditation body

The Indonesian National Accreditation Body (Komite Akreditasi Nasional - KAN) is responsible for the accreditation of CAB. In case of problem with a LP or LV, complaints can be submitted to the KAN.

On 14 July 2009, the KAN signed a Memorandum of Understanding with the Ministry of Forestry to provide accreditation services for the TLAS. 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.



The KAN 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 (DPLS 13) and LVs (DPLS 14). In addition, the KAN will develop requirements and guidance for the accreditation of LVs for export licensing.

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).

#### 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 forest permit holders, private forest/land owners) and forestry-based industries. The forest management units and forest-based industries must comply with the applicable TLAS standard. For export purposes, the forest-based industries must comply with export licensing requirements. The system 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. Findings from the Independent Monitor can also be used as part of the Periodic Evaluation (PE) which is required under this Agreement.

In the event of an assessment-related irregularity, complaints by civil society shall be submitted directly to the concerned LP or LV. If no appropriate response is given to the complaints, civil society entities may file a report to the KAN. For accreditation-related irregularities, complaints shall be submitted directly to the KAN. Whenever civil society entities discover wrongdoings by operators, they can lodge complaints with the relevant LP or LV.

#### 4.6. The Government

The Ministry of Forestry regulates the TLAS and authorises the accredited LPs to undertake SFM assessment and LVs to undertake legality verification and to issue V-Legal Documents.

Furthermore, the Ministry of Forestry also regulates the Licence Information Unit (LIU) as a unit responsible for information exchange which receives and stores relevant data and information on the issuance of V-Legal Documents and which responds to queries from competent authorities or stakeholders.

### 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. LVs carry out conformity assessments to verify compliance.

#### 5.2. Legality verification process

In accordance with ISO/IEC Guide 65 and the TLAS Guidelines, the legality verification process consists of the following:

**Application and contracting:** The permit holder submits to the LV an application that defines the scope of verification, permit holder's profile and other necessary information. A contract between the permit holder and the LV, 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 LV prepares a verification plan, which includes nomination of the audit team, verification programme and schedule of activities. The plan is communicated to the auditee and the dates of verification activities agreed upon. This information shall be made available in advance for the independent monitors through the websites of LVs and the Ministry of Forestry or mass media.

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

- Opening audit meeting: the audit's objective, scope, schedule and methodology are discussed with the auditee, 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, LV checks the auditee's systems and procedures, relevant documents and records. LV carries out field checks to verify compliance, including cross-checking the findings of official inspection reports. LV also checks the auditee's timber traceability system to ensure that, with adequate evidence, all timber 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 LV.

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

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

In cases of non-compliance, the LV 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 LV during the verification and reported to the Ministry of Forestry, shall be 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 LV will issue a legality certificate if an auditee is found to comply with all the indicators in the legality standard, including the rules on control of the timber supply chain.

The LV 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.

A legality certificate is valid for a period of three 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: Operators with a legality certificate are subject to annual surveillance that follow the principles of the verification activities summarised above. The LV may also carry out surveillance earlier than scheduled before the annual audit 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.

Infringements discovered by the LV during the surveillance and reported to the Ministry of Forestry shall be handled by the relevant authorities, in accordance with administrative or judicial procedures.

Special audits: Operators with a legality certificate are obliged to report to the LV any significant changes in ownership, structures, management, and operations that affect the quality of its legality controls during the period of validity of the certificate. The LV 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

### 5.3. 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 LV, which upon verification may lead the LV 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 LVs. Infringements discovered by the LVs, by forestry officials or by independent monitors are 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.

## 6. FLEGT LICENSING

The Indonesian FLEGT licence is known as the "V-Legal Document". This is an export licence that provides evidence that the timber products exported meet 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 unknown sources. The V-Legal Document is issued by the LVs who act as Licensing Authorities and will be used as a FLEGT licence for shipments to the Union once the parties have agreed to start the FLEGT licensing scheme.

Indonesia will clearly define the procedures for issuing V-Legal Documents and communicate these procedures to the exporters and any other parties concerned through its licensing authorities (the LVs) and the website of the Ministry of Forestry.

The Ministry of Forestry has established a Licence Information Unit to maintain a database with copies of all V-Legal Documents and LV non-compliance reports. In the event of an inquiry concerning the authenticity, completeness, and validity of the V-Legal Document or FLEGT licence, the competent authorities in the Union will contact the Licence Information Unit in the Ministry of Forestry for further clarification. This unit will communicate with the relevant LV. The Licence Information Unit will respond to the competent authorities upon receipt of the information from the LV.

The V-Legal Document is issued at the point at which the export consignment is established prior to the transportation to the point of export. The procedure is as follows:

- 6.1. The V-Legal Document is issued by the LV, 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. This system shall at minimum cover all the supply chain related controls from the stage where the raw materials (such as logs or semi-processed products) were dispatched to the processing mill, within the mill site itself and from the mill to the point of export.
- 6.2.1. With regard to the primary industry, the exporter's traceability system shall at minimum cover transportation from the log landing or log yard and all the subsequent stages until the point of export.
- 6.2.2. With regard to the secondary industry, the traceability system shall at minimum cover transportation from the primary industry and all subsequent stages until the point of export.
- 6.2.3. If managed by the exporter, any previous stage of the supply chain as referred to in 6.2.1 and 6.2.2 shall also be included in the exporter's internal traceability system.
- 6.2.4. If managed by a legal entity than the exporter, the LV shall verify that the previous stages of the supply chain as referred to in 6.2.1 and 6.2.2 are controlled by the exporter's supplier(s) or sub-supplier(s), and that the transport documents state whether the timber originates or does not originate from a felling site that has not been certified for legality.
- 6.2.5. For a V-Legal Document 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 and must demonstrate that at all stages in the supply chain the supply of legally verified timber has been kept segregated from supplies not covered by a valid legality or SFM certificate.
- 6.3. To obtain a V-Legal Document, a company must be a registered exporter (an ETPIK holder) who possesses a valid legality certificate. The ETPIK holder submits a letter of application to the LV and attaches the following documents to demonstrate that the timber raw materials in the product originate only from verified legal sources:
- 6.3.1. A summary of the transport documents for all timber/raw materials received by the factory since the last audit (up to max twelve months); and
- 6.3.2. Summaries of Timber/Raw Material Balance-Sheet Reports and Processed Timber Balance-Sheet Reports since the last audit (up to max twelve months);
- 6.4. The LV then carries out the following verification steps:
- 6.4.1. Data reconciliation based on the summaries of the transport documents, Timber/Raw Material Balance-Sheet Report, and Processed Timber Balance-Sheet Report;
- 6.4.2. Control of the recovery rate(s) for each type of product, based on analysis of the Timber/Raw Material Balance-Sheet Report and Processed Timber Balance-Sheet Report;
- 6.4.3. Where necessary, a field visit may be conducted after data reconciliation so as to ensure consistency with the information to be specified in the V-Legal Document. This may be done through export consignments sample checking and inspecting the factory operation and record-keeping.
- 6.5. Result of verification:
- 6.5.1. If an ETPIK holder complies with legality and supply chain requirements, then the LV issues a V-Legal Document in the format presented in Annex IV;

6.5.2. An ETPIK holder meeting the above mentioned requirements is allowed to use conformity marking on the products and/or packaging. Guidelines on the use of conformity marking have been developed.

6.5.3. If an ETPIK holder does not comply with the legality and supply chain requirements, LV will issue a non-compliance report instead of V-Legal Document.

6.6. The LV shall:

6.6.1. Forward a copy of a V-Legal Document or non-compliance report to the Ministry of Forestry within twenty four hours from the time the decision was taken;

6.6.2. Submit a comprehensive report and a public summary report outlining the number of V-Legal Documents issued as well as the number and type of non-compliances detected to the Ministry of Forestry once every three months with copies to KAN, Ministry of Trade, and Ministry of Industry;

## 7. MONITORING

The Indonesian TLAS includes civil society monitoring (Independent Monitoring) and Comprehensive Evaluation (CE). 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, and LVs with the Indonesian TLAS requirements including accreditation standards and guidelines. Civil society is defined in this context as Indonesian legal entities including forestry NGOs, communities living in and around the forest, and individual Indonesian citizens.

CE is carried out by multi-stakeholder team which review the Indonesian TLAS and identify gaps and possible system improvements as mandated by the Ministry of Forestry.

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 and CE. Terms of Reference for PE are set out in Annex VI.

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*Appendix*

## CONTROL OF THE SUPPLY CHAIN

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

## 1.1. Felling Site

## (a) Main activities:

- Timber cruising (enumeration of trees) by the permit holder;
- Preparation of a Timber Cruising Report by the permit holder;
- Verification and approval of the Timber Cruising Report by the district forestry official;
- Submission of a Proposed Annual Work Plan by the permit holder;
- Approval of the Annual Work Plan by the provincial forestry official;
- Harvesting operations by the permit holder, including skidding of logs to the log-landing site.

## (b) Procedures:

- Timber cruising (enumeration of trees) 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;
- The permit holder prepares a Timber Cruising Report, which contains information on the number, estimated volume, preliminary species identification and location of trees to be harvested, and a summary, using official Ministry of Forestry Forms;
- The permit holder submits the Timber Cruising Report to the district forestry official. The official conducts both a document-based and field verification of the Timber Cruising Report on a sample basis. The official approves the Report if all is in order;
- The Timber Cruising Report provides the basis for the Proposed Annual Work Plan, which is prepared by the permit holder and submitted to the provincial forestry officer for review and approval. The official reviews and cross-checks the Proposed Annual Work Plan against the approved Timber Cruising Report and approves the work plan if all is in order;
- Once the Annual Work Plan 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.

## 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;
- Scaling (measurement) and grading of logs by the permit holder;
- 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 district forestry official.

(b) Procedures:

- The permit holder marks all cross-cut logs;
- 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;
- 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;
- Based on the log-list, the permit holder prepares a periodic Log Production Report and a summary report using official Ministry of Forestry Forms;
- The permit holder periodically submits the Log Production Report and summary to the district forestry official for approval;
- The district forestry official 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 physical verification the official approves the Log Production Report;
- Once logs have been verified by the official 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).

(c) Data reconciliation:

For natural forest concessions:

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.

For timber plantation concession:

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.

### 1.3. Log-Yard

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

(a) Main activities:

- Preparation of a log-list by the permit holder;
- 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 log-list, the district forestry official conducts a field inspection;

- Subject to a positive result of the field inspection, issuance by the official of a Log Transport Document, to which is annexed a log-list;
- Preparation of a Log Balance-Sheet Report by the permit holder.

(b) Procedures:

- 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;
- The permit holder pays the amount set out in the Forest Resources Fee and/or Reforestation Fund Invoice(s) and the district forestry official issues a receipt or receipts for this payment;
- 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 district forestry official carries out administrative and physical verification of the logs to be transported and prepares a verification report;
- Subject to a positive outcome of the verification, the district forestry official issues the Log Transport Documents;
- The permit holder prepares/updates the Log Balance-Sheet Report to record the quantity of incoming, stored and outgoing logs at the logyard.

(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.

#### 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 is granted by the forestry official based on a proposal submitted by the permit holder. An intermediate log-yard permit is valid for five years, but can be extended following review and approval by the forestry official.

(a) Main activities:

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

(b) Procedures

- The district forestry official 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;



- Subject to a positive outcome of the verification, the official terminates the validity of the Log Transport Document for the incoming logs;
- 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 permit holder 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 permit holder.

(c) Data reconciliation:

The district forestry official checks the consistency between the logs transported from the log-yard and the logs entering the intermediate log-yard.

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.

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

Timber harvesting operations on privately-owned forest/land 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 forest/lands to affix ID marks on trees inventoried for harvesting or on logs. Log yards and intermediate log yards are generally not used for timber harvested from privately-owned forest/lands.

Control procedures for timber from privately-owned forest/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 planted since the title was acquired. They also depend on the tree species harvested. The payment of the Forest Resources Fee and to the Reforestation Fund applies 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, the owner prepares an invoice, which serves as the transport document.
- for other species, the 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.

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.

(b) Procedures:

- The private forest/land owner requests recognition of his or her property right;
- Once the forest/land property right is recognised, 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 and Reforestation Fund 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 head of village, together with a request for issuance of a Log Transport Document;
- The head of village conducts document checks and physical verification of the logs (dimensions, species identification, and number of logs);
- Based on the above, the head of village 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, 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.

(c) Data reconciliation:

The head of village or appointed official or the district forestry official compares the volume of harvested logs with the log-list.

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

3.1. Primary/Integrated Industry

(a) Main activities:

- Preparation of Log Balance-Sheet Report by the processing mill;
- Physical verification of logs by the district forestry official;
- Termination of the validity of Log Transport Document by an official;
- Preparation of Raw Material and Products Tally Sheet by the mill;
- Preparation of Processed Timber Balance-Sheet Report by the mill;
- The mill completes in the Timber Products Transport Document following the format provided by the Ministry of Forestry;
- Preparation of sales report of the mill.

(b) Procedures:

- The mill prepares a Log Balance-Sheet Report as a means to record the flow of logs in to and within the mill;
- The mill submits copies of the Log Transport Documents corresponding to each batch of logs received by the mill to the district forestry official;
- The official verifies the information in the reports by comparing with the physical products. This may be done on the basis of a sample if there are over 100 items;
- Subject to a positive outcome of the verification, the official terminates the validity of the Log Transport Documents;
- The official files 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 whose validity that have 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 prepares raw material and product tally sheets 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 prepares a Processed Timber Balance-Sheet Report as a means to report on flows of timber product within and from the mill, as well as stocks;
- The company or mill sends sales reports of the mill to the district forestry office on a regular basis.

(c) Data reconciliation:

The company checks the Log Balance-Sheet Report 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.

The company checks the Processed Products Balance-Sheet Report comparing inflows, outflows and storage of products based on Timber Product Transport Documents.

The district forestry official checks the reconciliation carried out by the company.

3.2. Secondary Industry

(a) Main activities:

- Preparation of Processed Timber (semi-processed products) and Processed Products Balance-Sheet Reports by the factory;
- Preparation of invoices by the factory, which also serve as transport documents for processed timber products;
- Preparation of Processed Timber Balance-Sheet Report by the factory;
- Preparation of Sales Report by the company or factory.

(b) Procedures:

- The factory files the Processed Timber Transport Documents (for incoming material) and prepares a summary of these documents, which is submitted to the district forestry official;
- The factory uses the Processed Timber and Processed Products Tally Sheet by production lines as a means to report on flows of materials into the factory, output of products and to calculate the raw material recovery rate;
- The factory 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 company or factory prepares invoices for processed products, which else serves as the transport document, and files copies of the invoices. A timber products list is annexed to each invoice;
- The company or factory sends Sales Reports to the district forestry office.

(c) Data reconciliation:

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

The above is subject to checks under the Forest Utilization Director-General Regulation P.8/VI-BPPHH/2011.

#### 4. EXPORT

The procedures and reconciliation processes for export of timber originating from state-owned forests and privately-owned forest/land 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;
- The LV verifies the relevant conditions have been met and issues the V-Legal Document/FLEGT licence;
- The exporter prepares an Export Declaration Document, which is submitted to Customs;
- The Customs issues an Export Approval Document for Customs clearance.

(b) Procedures:

- The exporter requests the LV to issue a V-Legal Document/FLEGT licence;
  - The LV issues a V-Legal Document/FLEGT licence after a document-based and physical verification, so as to ensure that the timber or timber products come from legally verified sources and are thus produced in compliance with the legality definition described in Annex II;
  - The exporter submits an Export Declaration Document to which are attached the invoice, Packing List, Export Duty Receipt/Bukti Setor Bea Keluar (if regulated), ETPIK Certificate, V-Legal Document/FLEGT licence, Export Permit/Surat Persetujuan Ekspor (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 issues an Export Approval Document/Nota Pelayanan Ekspor.
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## ANNEX VI

**TERMS OF REFERENCE FOR PERIODIC EVALUATION**

## 1. OBJECTIVE

Periodic Evaluation (PE) is an independent evaluation done by an independent third party, referred to as Evaluator. The objective of PE is to provide assurance that the TLAS is functioning as described, thereby enhancing the credibility of the FLEGT licences issued under this Agreement.

## 2. SCOPE

PE shall cover:

1. The functioning of control measures from the point of production in the forest to the point of export of timber products.
2. The data management and timber traceability systems supporting the TLAS, the issuance of FLEGT licences as well as the production, licensing and trade statistics relevant to this Agreement.

## 3. OUTPUT

The output of PE comprises regular reports presenting evaluation findings and recommendations on measures to be undertaken to address gaps and system weaknesses identified by the evaluation.

## 4. MAIN ACTIVITIES

PE activities include *inter alia*:

- (a) Audits of compliance by all bodies undertaking control functions within the provisions of the TLAS;
- (b) Evaluation of the effectiveness of supply chain controls from the point of production in the forest to the point of export from Indonesia;
- (c) Assessment of the adequacy of data management and timber traceability systems supporting the TLAS as well as the issuance of FLEGT licences;
- (d) Identification and recording of cases of non-compliance and system failures, and prescribing necessary corrective actions;
- (e) Assessment of the effective implementation of corrective actions previously identified and recommended; and
- (f) Reporting findings to the Joint Implementation Committee (JIC).

## 5. EVALUATION METHODOLOGY

5.1. The Evaluator shall use a documented and evidence-based methodology which meets the requirements of ISO/IEC 19011, or equivalent. This shall include adequate checks of relevant documentation, operating procedures and records of the operations of the organisations responsible for implementing the TLAS, identification of any cases of non-compliance and system failures, and issuance of requests for corresponding corrective action.

5.2. The Evaluator shall, *inter alia*:

- (a) Review the process for accreditation of Independent Assessment and Verification Bodies (LP and LV);
- (b) Review documented procedures of each body involved in TLAS implementation controls for completeness and coherence;

- (c) Examine implementation of documented procedures and records, including work practices, during visits to offices, forest harvesting areas, log yards/log ponds, forest checking stations, mill sites and export and import points;
- (d) Examine information collected by the regulatory and enforcement authorities, LPs and LVs and other bodies identified in the TLAS to verify compliance;
- (e) Examine data collection by private sector organisations involved in TLAS implementation;
- (f) Assess the availability of public information set out in Annex IX including the effectiveness of information disclosure mechanisms;
- (g) Make use of the findings and recommendations of Independent Monitoring and Comprehensive Evaluation reports, as well as reports of the Independent Market Monitor;
- (h) Seek the views of stakeholders and use information received from stakeholders who are either directly or indirectly involved in the implementation of the TLAS; and
- (i) Use appropriate sampling and spot check methods to evaluate the work of the forest regulatory agencies, LPs and LVs, industries, and other relevant actors at all levels of forest activities, supply chain control, timber processing and export licensing, including cross checks with information on timber imports from Indonesia provided by the Union.

## 6. QUALIFICATIONS OF THE EVALUATOR

The Evaluator shall be a competent, independent and impartial third party that complies with the following requirements:

- (a) The Evaluator shall demonstrate the qualifications and capability to meet the requirements of ISO/IEC Guide 65 and ISO/IEC 17021, or equivalent, including the qualification to offer assessment services covering the forest sector and forest products supply chains;
- (b) The Evaluator shall not be directly involved in forest management, timber processing, trade in timber or control of the forest sector in Indonesia or in the Union;
- (c) The Evaluator shall be independent from all other components of the TLAS and Indonesia's forest regulatory authorities and shall have systems to avoid any conflict of interest. The Evaluator shall declare any potential conflict of interest that may arise and take effective action to mitigate it;
- (d) The Evaluator and its employees undertaking the evaluation tasks shall have proven experience of auditing tropical forest management, timber processing industries and related supply chain controls;
- (e) The Evaluator shall have a mechanism in place for receiving and dealing with complaints that arise from its activities and findings.

## 7. REPORTING

- 7.1. The PE report shall comprise: (i) a full report containing all relevant information on the evaluation, its findings (including cases of non-compliance and system failures) and recommendations; and (ii) a public summary report based on the full report, covering key findings and recommendations;
- 7.2. The full report and the public summary report shall be submitted to the JIC for review and approval before releasing the reports to the public;

7.3. Upon the request of the JIC the Evaluator shall provide additional information to support or clarify its findings;

7.4. The Evaluator shall notify the JIC of all received complaints and the actions taken to resolve them.

8. CONFIDENTIALITY

The Evaluator shall maintain the confidentiality of data it receives while carrying out its activities.

9. APPOINTMENT, PERIODICITY AND FINANCING

9.1. The Evaluator shall be appointed by Indonesia after consultation with the Union in the JIC;

9.2. PE shall be carried out at intervals of no more than twelve months starting from the date as agreed by the JIC in accordance with Article 14 (5) (e) of the Agreement.

9.3. The financing of the PE shall be decided by the JIC.

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## ANNEX VII

**TERMS OF REFERENCE FOR INDEPENDENT MARKET MONITORING**

## 1. OBJECTIVE OF INDEPENDENT MARKET MONITORING

Independent Market Monitoring (IMM) is market monitoring done by an independent third party referred to as Monitor. The objective of Independent Market Monitoring (IMM) is to collect and analyse information on the acceptance of Indonesian FLEGT-licensed timber in the Union market, and review impacts of Regulation (EU) No 995/2010 of the European Parliament and of the Council of 20 October 2010 laying down the obligation of operators who place timber and timber products on the market and of related initiatives such as public and private procurement policies.

## 2. SCOPE

IMM shall cover:

- 2.1. The release for free circulation of Indonesian FLEGT-licensed timber at points of entry in the Union;
- 2.2. The performance of Indonesian FLEGT-licensed timber in the Union market and the impact of market-related measures taken in the Union on the demand for Indonesian FLEGT-licensed timber;
- 2.3. The performance of non-FLEGT-licensed timber in the Union market and the impact of market-related measures taken in the Union on the demand for non-FLEGT-licensed timber;
- 2.4. Examination of the impact of other market-related measures taken in the Union such as public procurement policies, green building codes and private sector action such as trade codes of practice and corporate social responsibility.

## 3. OUTPUT

The output of IMM will comprise regular reports to the Joint Implementation Committee (JIC) containing its findings and recommendations on measures to strengthen the position of Indonesian FLEGT-licensed timber in the Union market and to improve the implementation of market-related measures to prevent illegally harvested timber from being placed on the Union market.

## 4. MAIN ACTIVITIES

IMM includes *inter alia*:

## 4.1. Evaluation of:

- (a) progress with and impact of the implementation of policy measures to tackle trade in illegally harvested timber in the Union.
- (b) trends in imports of timber and timber products by the Union from Indonesia as well as other VPA and non-VPA timber exporting countries;
- (c) actions by pressure groups that could affect demand for timber and timber products or markets for Indonesia's forest products trade.

## 4.2. Reporting findings and recommendations to the JIC.

## 5. MONITORING METHODOLOGY

- 5.1. The Monitor shall have a documented and evidence-based methodology. This shall include adequate analysis of relevant documentation, identification of any inconsistencies in the available trade data and information, and in-depth interviews with relevant actors on key indicators of the impacts and effectiveness of market-related measures.

5.2. The Monitor shall conduct observations and analysis on, *inter alia*:

- (a) The current market situation and trends in the Union for timber and timber products;
- (b) Public procurement policies and their treatment of FLEGT- and non-FLEGT- licensed timber and timber products in the Union;
- (c) Legislation affecting the timber industry, the trade in timber and timber products within the Union and imports of timber and timber products into the Union;
- (d) Price differentials between FLEGT- and non-FLEGT- licensed timber and timber products in the Union;
- (e) Market acceptance, perception and market share of FLEGT-licensed and certified timber and timber products in the Union;
- (f) Statistics and trends on volumes and values of imports at different Union ports of FLEGT- and non-FLEGT- licensed timber and timber products from Indonesia as well as other VPA and non-VPA timber exporting countries;
- (g) Descriptions of, including any changes to, the legal instruments and processes by which competent authorities and border control authorities in the Union validate FLEGT licences and release shipments for free circulation, as well as penalties imposed for non-compliance;
- (h) Possible difficulties and constraints faced by exporters and importers in bringing FLEGT-licensed timber into the Union;
- (i) The effectiveness of campaigns to promote FLEGT-licensed timber in the Union;

5.3. The Monitor shall recommend market promotion activities to further enhance the market acceptance of Indonesian FLEGT-licensed timber

## 6. QUALIFICATIONS OF THE INDEPENDENT MARKET MONITOR

The Monitor shall:

- (a) be an independent third party with a proven track record of professionalism and integrity in monitoring the Union timber and timber products market and related trade issues;
- (b) be familiar with the trade in and markets for Indonesian timber and timber products, in particular, hardwood and for those countries in the Union producing similar products;
- (c) have systems to avoid any conflict of interest. The Monitor shall declare any potential conflict of interest that may arise and take effective action to mitigate it.

## 7. REPORTING

7.1. Reports shall be submitted biennially and comprise: (i) a full report containing all relevant findings and recommendations; and (ii) a summary report based on the full report.

7.2. The full report and the summary report shall be submitted to the JIC for review and approval before releasing the reports to the public;

7.3. Upon the request of the JIC the Monitor shall provide additional information to support or clarify its findings.

8. CONFIDENTIALITY

The Monitor shall maintain the confidentiality of data it receives while carrying out its activities.

9. APPOINTMENT, PERIODICITY AND FINANCING

9.1. The Monitor shall be appointed by the Union after consultation with Indonesia in the JIC;

9.2. IMM shall be carried out at intervals of no more than twenty four months starting from the date as agreed by the JIC in accordance with Article 14(5) (e) of the Agreement

9.3. The financing of IMM shall be decided by the JIC

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## ANNEX VIII

**CRITERIA FOR ASSESSING THE OPERATIONALITY OF THE INDONESIAN TIMBER LEGALITY ASSURANCE SYSTEM**

## BACKGROUND

An independent technical evaluation of the Indonesian TLAS will be carried out before FLEGT licensing of timber exports to the Union starts. This technical evaluation will aim at: (i) examining the function of the TLAS in practice to determine whether it delivers the intended results and (ii) examining any revisions made to the TLAS after this Agreement was signed;

The criteria for this evaluation are set out below:

1. Definition of legality
2. Control of the supply chain
3. Verification procedures
4. Licensing of exports
5. Independent monitoring

## 1. DEFINITION OF LEGALITY

Legally produced timber should be defined on the basis of the laws applicable in Indonesia. The definition used must be unambiguous, objectively verifiable and operationally workable and, as a minimum, include those law and regulations which cover:

- Harvesting rights: Granting of legal rights to harvest the timber within legally designated and/or gazetted boundaries;
- Forest operations: Compliance with legal requirements regarding forest management including compliance with relevant environmental and labour law and regulations;
- Fees and taxes: Compliance with legal requirements concerning taxes, royalties and fees directly related to timber harvesting rights and to timber harvesting;
- Other users: Respect for other parties' legal tenure or rights of use of land and resources that may be affected by timber harvesting rights, where such other rights exist;
- Trade and customs: Compliance with legal requirements for trade and customs procedures.

## Key Questions:

- Have the definition of legality and the legality verification standards been amended since this Agreement was concluded?
- Have the relevant labour laws and regulations been included in the legality definitions as per Annex II?

In the event of amendments to the legality definition, key questions will include:

- Were all relevant stakeholders consulted about these amendments and any subsequent changes to the legality verification system through a process that took adequate account of their viewpoints?

- Is it clear what legal instrument underpins each new element of the definition? Are criteria and indicators that can be used to test compliance with each element of the definition specified? Are the criteria and indicators clear, objective and operationally workable?
- Do the criteria and indicators clearly identify the roles and responsibilities of all relevant parties and does verification assess their performance?
- Does the definition of legality include the main areas of existing law and regulations outlined above? If not, why were certain areas of law and regulations left out from the definition?

## 2. CONTROL OF THE SUPPLY CHAIN

Systems to control the supply chain must provide credible assurance that timber products can be traced throughout the supply chain from harvesting or point of import to the point of export. It will not always be necessary to maintain physical traceability for a log, log load or timber product from the point of export back to the forest of origin, but it is always needed between the forest and the first point of mixing (e.g. a timber terminal or a processing facility).

### 2.1. Rights of use

There is clear delineation of areas where forest resource use rights have been allocated and the holders of those rights have been identified.

Key Questions:

- Does the control system ensure that only timber originating from a forest area with valid use rights enters the supply chain?
- Does the control system ensure that enterprises carrying out harvesting operations have been granted appropriate rights of use for the concerned forest areas?
- Are the procedures for issuing rights of harvesting and the information on such rights, including their holders, available in the public domain?

### 2.2. Methods for controlling the supply chain

There are effective mechanisms for tracing timber throughout the supply chain from harvesting to the point of export. The approach for identifying timber may vary, ranging from the use of labels for individual items to reliance on documentation accompanying a load or a batch. The selected method should reflect the type and value of timber and the risk of contamination with unknown or illegal timber.

Key Questions:

- Are all supply chain alternatives, including different sources of timber, identified and described in the control system?
- Are all stages in the supply chain identified and described in the control system?
- Have methods to identify the product origin and to prevent mixing with timber from unknown sources in the following stages of the supply chain been defined and documented?
  - standing timber
  - logs in the forest
  - transport and interim storage (log yards/ponds, interim log yards/ponds)

- arrival at processing facility and storage of materials
- entry into and exit from production lines at processing facility
- storing of processed products at the processing facility
- exit from processing facility and transport
- arrival at point of export
- Which organisations are in charge of controlling the timber flows? Do they have adequate human and other resources for carrying out the control activities?
- In the event of concrete findings that unverified timber enters into the supply chain, have any weaknesses in the control system being identified e.g. the absence of an inventory of standing timber before harvesting from private forest/lands?
- Does Indonesia have a policy on the inclusion of recycled materials in the Indonesian TLAS and if so, has guidance on how to include recycled materials been developed?

### 2.3. Quantitative data management:

There are robust and effective mechanisms for measuring and recording the quantities of timber or timber products at each stage of the supply chain, including reliable and accurate pre-harvest estimations of the standing timber volume in each harvesting site.

Key questions:

- Does the control system produce quantitative data of inputs and outputs, including conversion ratios where applicable, at the following stages of the supply chain:
  - standing timber
  - logs in the forest (at log landings)
  - transported and stored timber (log yards/ponds, interim log yards/ponds)
  - arrival at the processing facility and storing of materials
  - entry into and exit from production lines
  - storing of processed products at the processing facility
  - exit from processing facility and transport
  - arrival at point of export
- Which organisations are responsible for keeping records on the quantitative data? Are they adequately resourced in terms of personnel and equipment?
- What is the quality of the controlled data?
- Are all quantitative data recorded in a way that makes it possible to verify quantities with the prior and subsequent stages in the supply chain in a timely manner?
- What information on the supply chain control is made publicly available? How can interested parties access this information?

#### 2.4. Segregation of legally verified timber from timber of unknown sources

Key Questions:

- Are there sufficient controls in place to exclude timber from unknown sources or timber which was harvested without legal harvesting rights?
- What control measures are applied to ensure that verified and unverified materials are segregated throughout the supply chain?

#### 2.5. Imported timber products

There are adequate controls to ensure that imported timber and derived products have been legally imported.

Key Questions:

- How is the legal import of timber and derived products demonstrated?
- What documents are required to identify the country of harvest and to provide assurance that imported products originate from legally harvested timber, as referred to in Annex V?
- Does the TLAS identify imported timber and timber products throughout the supply chain until they are mixed for manufacturing of processed products?
- Where imported timber is used, can the country of harvest origin be identified on the FLEGT licence (may be omitted for reconstituted products)?

### 3. VERIFICATION PROCEDURES

Verification provides adequate checks to ensure the legality of timber. It must be sufficiently robust and effective to ensure that any non-compliance with requirements, either in the forest or within the supply chain, is identified and prompt action is taken.

#### 3.1. Organisation

Verification is carried out by a third-party organisation which has adequate resources, management systems, skilled and trained personnel, as well as robust and effective mechanisms to control conflicts of interest.

Key Questions:

- Do the verification bodies have a valid accreditation certificate issued by the National Accreditation Body (KAN)?
- Does the government appoint bodies to undertake the verification tasks? Is the mandate (and associated responsibilities) clear and in the public domain?
- Are institutional roles and responsibilities clearly defined and applied?
- Do the verification bodies have adequate resources for carrying out verification against the legality definition and the systems for controlling the timber supply chain?
- Do the verification bodies have a fully documented management system that:
  - ensures its personnel have the necessary competence and experience to carry out effective verification?
  - applies internal control / supervision?
  - includes mechanisms to control conflicts of interest?

- ensures transparency of the system?
- defines and applies verification methodology?

### 3.2. Verification with respect to the definition of legality

There is a clear definition that sets out what has to be verified. The verification methodology is documented and ensures that the process is systematic, transparent, evidence-based, carried out at regular intervals and covers everything included within the definition.

#### Key Questions:

- Does the verification methodology used by the verification bodies cover all elements of the legality definition and include tests of compliance with all indicators?
- Do the verification bodies:
  - check documentation, operating records and on-site operations (including through spot checks)?
  - collect information from external interested parties?
  - record their verification activities?
- Are the verification results made publicly available? How can interested parties access this information?

### 3.3. Verification of systems for controlling the integrity of the supply chain

There is a clear scope of criteria and indicators to be verified which covers the entire supply chain. The verification methodology is documented, ensures that the process is systematic, transparent, evidence-based, carried out at regular intervals, covers all criteria and indicators within the scope and includes regular and timely reconciliation of data between each stage in the chain.

#### Key Questions:

- Does the verification methodology fully cover checks on supply chain controls? Is this clearly spelt out in the verification methodology?
- What evidence is there to demonstrate application of verification of supply chain controls?
- Which organisations are responsible for data verification? Do they have adequate human and other resources for carrying out the data management activities?
- Are there methods for assessing correspondence between standing timber, harvested logs and timber entering the processing facility or point of export?
- Are there methods to assess the coherence between inputs of raw materials and the outputs of processed products at sawmills and other plants? Do these methods include specification and periodic updating of conversion ratios?
- What information systems and technologies are applied for storing, verifying, and recording data? Are there robust systems in place for securing the data?
- Are the verification results on supply chain control made publicly available? How can the interested parties access this information?



### 3.4. Mechanisms for handling complaints

There are adequate mechanisms for handling complaints and disputes that arise from the verification process.

Key Questions:

- Do verification bodies have a complaints mechanism that is available to all interested parties?
- Do the verification bodies have mechanisms in place to receive and respond to objections from the independent monitors?
- Do the verification bodies have mechanisms in place to receive and respond to infringements / breaches detected by government officials?
- Is it clear how complaints are received, documented, escalated (where necessary) and responded to?

### 3.5. Mechanisms for dealing with non-compliance

There are adequate mechanisms for dealing with cases of non-compliance identified during the verification process or brought forward through complaints and independent monitoring.

Key Questions:

- Is there an effective and functioning mechanism for requiring and enforcing appropriate corrective decision on verification results and action where breaches are identified?
- Does the verification system define the above requirement?
- Have mechanisms been developed for handling cases of non-compliance? Are these applied in practice?
- Are there adequate records available on cases of non-compliance and of correction of the verification results, or on other actions taken? Is there an evaluation of the effectiveness of such actions?
- Is there a mechanism for reporting to the government on verification findings of the verification bodies?
- What kind of information on cases of non-compliance goes into the public domain?

## 4. LICENSING OF EXPORTS

Indonesia has assigned overall responsibility for issuing V-Legal Document/FLEGT licences to licensing authorities. FLEGT licences are issued for individual shipments destined to the Union.

### 4.1. Organisational set-up

Key Questions:

- Which bodies are assigned responsibility for issuing FLEGT licences?
- Does the Licensing Authority have a valid accreditation certificate issued by KAN?
- Are the roles of the Licensing Authority and its personnel with regard to the issuance of FLEGT licences clearly defined and publicly available?
- Are the competence requirements defined and internal controls established for the personnel of the Licensing Authority?
- Does the Licensing Authority have adequate resources for carrying out its task?

#### 4.2. Issuing of V-Legal Documents and their use for FLEGT licensing

Adequate arrangements have been made to use V-Legal Documents for FLEGT licensing.

Key Questions:

- Does the Licensing Authority have publicly available documented procedures for issuing a V-Legal Document?
- What evidence is there that these procedures are properly applied in practice?
- Are there adequate records on issued V-Legal Documents and on cases where V-Legal Documents were not issued? Do the records clearly show the evidence on which the issuing of V-Legal Documents is based?
- Does the Licensing Authority have adequate procedures to ensure that each shipment of timber meets the requirements of the legality definition and supply chain controls?
- Have the requirements for issuing licences been clearly defined and communicated to exporters and to other concerned parties?
- What kind of information on issued licences goes into the public domain?
- Do the FLEGT licences comply with the technical specifications contained in Annex IV?
- Has Indonesia developed a numbering system for FLEGT licences that enables differentiation between FLEGT licences destined to the Union market and V-Legal Documents destined to non-Union markets?

#### 4.3. Queries on issued FLEGT licences

There is an adequate mechanism in place for handling queries from competent authorities with regard to FLEGT licences, as set out in Annex III.

Key Questions:

- Has a Licence Information Unit been assigned and established, *inter alia*, to receive and respond to inquiries from the competent authorities?
- Have clear communication procedures been established between the Licence Information Unit and the competent authorities?
- Have clear communication procedures been established between the Licence Information Unit and the Licensing Authority?
- Are there channels for Indonesian or international stakeholders to inquire about issued FLEGT licences?

#### 4.4. Mechanism for handling complaints

There is an adequate mechanism for handling complaints and disputes that arise from licensing. This mechanism makes it possible to deal with any complaint relating to the operation of the licensing scheme.

Key Questions:

- Is there a documented procedure for handling complaints that is available to all interested parties?
- Is it clear how complaints are received, documented, escalated (where necessary) and responded to?

## 5. INDEPENDENT MONITORING

Independent Monitoring (IM) is conducted by Indonesia's civil society and is independent from other elements of the TLAS (those involved in the management or regulation of forest resources and those involved in the independent audit). One of the key objectives is to maintain the credibility of the TLAS by monitoring the implementation of verification.

Indonesia has formally recognized the IM function and allows civil society to submit complaints when irregularities in the accreditation, assessment and licensing processes are found.

### Key Questions:

- Has the government made the guidelines for IM publicly available?
  - Do the guidelines provide clear requirements on the eligibility of organisations to perform IM functions to ensure impartiality and avoid conflicts of interest?
  - Do the guidelines provide procedures to access the information contained in Annex IX?
  - Can civil society access the information contained in Annex IX in practice?
  - Do the guidelines provide procedures for the submission of complaints? Are these procedures publicly available?
  - Have reporting and public disclosure provisions that apply to verification bodies been clarified and established?
-

## ANNEX IX

**PUBLIC DISCLOSURE OF INFORMATION**

## 1. INTRODUCTION

The Parties are committed to ensuring that key forestry-related information is made available to the public.

This Annex provides for this objective to be met by outlining (i) the forestry-related information to be made available to the public, (ii) the bodies responsible for making that information available, and (iii) the mechanisms by which it can be accessed.

The aim is to ensure that (1) JIC operations during implementation of this Agreement are transparent and understood; (2) a mechanism exists for the Parties as well as relevant stakeholders to access key forestry-related information; (3) TLAS functioning is strengthened through the availability of information for independent monitoring; and (4) larger objectives of this Agreement are achieved. The public availability of information represents an important contribution to reinforcing Indonesia's forest governance.

## 2. MECHANISMS TO ACCESS INFORMATION

This Annex is in line with the Indonesian Law on Freedom of Information No. 14/2008. According to this Law, it is mandatory for every public institution to develop regulations on access to information by the public. The Law distinguishes four categories of information: (1) information available and actively disseminated on a regular basis; (2) information that should be made public without delay; (3) information that is available at all times and provided upon request; and (4) information that is restricted or confidential.

The Ministry of Forestry (Ministry of Forestry), provincial and district offices, the National Accreditation Body (KAN), the conformity assessment body (CAB), the licensing authorities are all significant institutions in the functioning of the TLAS and therefore obliged as part of their duties to disclose forestry-related information to the public.

To implement the said Law, the Ministry of Forestry, provincial and district offices and all other public agencies including KAN have developed or are developing procedures for making information available to the public.

The KAN is also required to make information available to the public under ISO/IEC 17011:2004, clause 8.2-Obligation of the accreditation body. Verification bodies and licensing authorities are required to make information available to the public under Minister for Forestry Regulations and ISO/IEC 17021:2006 clause 8.1-Publicly accessible information and ISO/IEC Guide 65:1996 clause 4.8-Documentation.

Civil society organisations function as one of the sources of forestry-related information under Minister for Forestry Regulations.

The Minister for Forestry has issued Regulation No. P.7/Menhut-II/2011 dated 2 February 2011, which provides that requests for information held by the Ministry of Forestry are to be addressed to the Director of the Centre for Public Relations of the Ministry of Forestry in a "one-door" information policy. Further implementing guidance is being developed by Ministry of Forestry. Information available at regional, provincial, and district forestry offices can be accessed directly.

To make this Annex operable, the procedures/guidelines/instructions for the mentioned institutions to respond to requests for information need to be developed and approved. In addition, the reporting and public disclosure provisions that apply to verification bodies and Licensing Authorities will be clarified.

## 3. CATEGORIES OF INFORMATION USED TO REINFORCE MONITORING AND EVALUATION OF THE FUNCTIONING OF THE TLAS

Laws and regulations: All laws, regulations, standards, and guidelines listed in the legality standards.

Land and forest allocation: land allocation maps and provincial spatial plans, procedures for land allocation, forest concession or utilisation rights and other rights of exploitation and processing, and related document such as concession maps, forest area release permit, land title documents and land title maps.

Forest management practices: forest use plans, annual work plans including maps and equipment permit, minutes of consultation meetings with communities living in and around permit area required for the development of the annual work plans, forest timber exploitation work plan and annexes, Environmental Impact Assessment documents and minutes of public consultation meetings required for the development of the Environmental Impact Assessment reports, log production reports, and stand inventory data in state-owned forest land.

Transport and supply chain information, e.g. log or forest product transport documents and annexes and timber reconciliation reports, inter-island timber transportation registration documents, and documents showing ship identity.

Processing and industry information: e.g. company establishment deed, business licence and company registration number, report of the Environmental Impact Assessment, industrial business licence or industrial registration numbers, industrial raw material supply plans for primary forest product industries, registration of the exporter of forest industry products, raw material and processed product reports, list of holders of rights to processing, and information on companies in secondary processing.

Forest-related fees: e.g. area-based payment fees and payment slip invoices, payment orders and invoices for reforestation and forestry resource fees.

Verification and licensing information: quality guidance and standard of procedures for accreditation; name and address of each accredited CAB dates of granting accreditation and expiry dates; scopes of accreditation; list of CAB personnel (auditors, decision makers) associated with each certificate; clarification on what is considered commercially confidential information; audit plan to know when public consultations take place; announcement of audit by CAB; minutes from public consultations with CAB including list of participants; public summary of audit result; recap reports by auditing body of certificate issuance; status report on all audits: certificates passed, failed, those currently in process, granted, suspended and withdrawn certificates and any changes to the above; cases of non-compliance relevant to audits and licensing and the action taken to deal with them; issued export licences; regular recap reports from licensing authorities.

Monitoring and complaint procedures: standard operating procedures for complaints to KAN, verification bodies and licensing authorities, including procedures to monitor the progress of complaint reports and close out of complaint report.

A list of key documents of relevance to forest monitoring, the agencies that hold these documents as well as the procedure by which this information can be acquired is contained in the appendix to this Annex.

#### 4. CATEGORIES OF INFORMATION USED TO REINFORCE LARGER VPA OBJECTIVES

##### 1. Record of Discussions in the JIC

##### 2. The annual report of the JIC outlining:

- (a) quantities of timber products exported from Indonesia to the Union under the FLEGT licensing scheme, according to the relevant HS Heading, and the Union Member State in which importation into the Union took place;
- (b) the number of FLEGT licences issued by Indonesia;
- (c) progress in achieving the objectives of this Agreement and matters relating to its implementation;

- (d) actions to prevent illegally-produced timber products being exported, imported, and placed or traded on the domestic market;
  - (e) quantities of timber and timber products imported into Indonesia and actions taken to prevent imports of illegally-produced timber products and maintain the integrity of the FLEGT Licensing Scheme;
  - (f) cases of non-compliance with the FLEGT Licensing Scheme and the action taken to deal with them;
  - (g) quantities of timber products imported into the Union under the FLEGT licensing scheme, according to the relevant HS Heading and Union Member State in which importation into the Union took place;
  - (h) the number of FLEGT licences from Indonesia received by the Union;
  - (i) the number of cases and quantities of timber products involved where consultations between the competent authorities and the Indonesian Licence Information Unit were undertaken.
3. Full report and summary report of the PE.
  4. Full report and summary report of the IMM.
  5. Complaints about the PE and the IMM and how they have been handled.
  6. Time schedule for implementation of this Agreement and overview of activities undertaken.
  7. Any other data and information of relevance to the implementation and functioning of this Agreement. This includes:

Legal information

- The text of this Agreement, its Annexes and any amendments
- The text of all laws and regulations referred to in Annex II
- Implementing regulations and procedures

Information on production:

- Total annual timber production in Indonesia;
- Annual volumes of timber products exported (total and to the Union);

Information on allocation of concessions:

- Total area of forestry concessions allocated;
- List of concessions, the names of the companies to whom they have been allocated and the names of the companies by whom they are managed;
- Location map of all logging concessions;
- List of registered forestry companies (production, processing, trade and exports);
- List of SVLK-certified forestry companies (production, processing, trade and exports);

Information on management

- List of concessions under management by type;
- List of certified forestry concessions and the type of certificate under which they are managed;

Information on authorities:

- List of Licensing Authorities in Indonesia including address and contact details;
- Address and contact details of the Licence Information Unit;
- List of competent authorities in the Union including address and contact details;

This information will be made available through the websites of the Parties.

5. IMPLEMENTATION OF PUBLIC DISCLOSURE PROVISIONS

As part of the implementation of this Annex the Parties will assess:

- the need for capacity-building on the use of public information for independent monitoring;
  - the need to raise public sector and stakeholder awareness of the public disclosure provisions contained in this Agreement.
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**INFORMATION TO REINFORCE VERIFICATION, MONITORING AND THE FUNCTIONING OF THE TLAS**

No	Document to be made publicly available	Agencies that hold the document	Information Category
TIMBER FROM FORESTS ON STATE-OWNED LANDS (IUPHHK-HA/HPH, IUPHHK-HTI/HPHTI, IUPHHK RE) and TIMBER FROM FORESTS ON STATE-OWNED LANDS MANAGED BY LOCAL COMMUNITIES (IUPHHK-HTR, IUPHHK-HKM)			
1	Forest Concession Rights Permits (SK IUPHHK-HA/HPH, IUPHHK-HTI/HPHTI, IUPHHK RE)	Ministry of Forestry (BUK); copies in district and provincial forestry offices	3
2	Concession Maps	Ministry of Forestry (BAPLAN); copies in district and provincial forestry offices	3
3	Production Forest Timber Utilisation Permits (SK IUPHHK-HTR, IUPHHK-HKm)	Ministry of Forestry (BUK); copies in district and provincial forestry offices	3
4	Production Forest Timber Utilisation maps	Ministry of Forestry (BAPLAN); copies in district and provincial forestry offices	3
5	Forest Use Plan (TGHK)	Ministry of Forestry (BAPLAN); copies in district and provincial forestry offices	3
6	Forest Timber Exploitation Work Plan (RKUPHHK) and annexes including equipment permit	Ministry of Forestry (BUK)	3
7	IUPHHK Permit Fee Payment Order (SPP) and payment slip	Ministry of Forestry (BUK)	3
8	Annual Work Plan (RKT/Blue Print) including map	Provincial forestry offices; copies in district forestry offices	3
9	Cruising and production reports (LHP and LHC) documents	District forestry offices; copies in provincial offices	3
10	Transport Documents (skshh)	District forestry office; copies in provincial forestry offices	3
11	Log reconciliation report (LMKB)	District forestry offices and local Ministry of Forestry unit (BP2HP)	3
12	Payment Order and slip for production fee (SPP) (by logs/volume)	District forestry offices	3



No	Document to be made publicly available	Agencies that hold the document	Information Category
13	Payment receipt of Forestry Resource Fee and Reforestation Fund fee (PSDH or DR for licence holders of natural forests or PSDH for licence holders of plantation forests)	District forestry offices	3
14	Environmental Impact Assessment (EIA) documents (AMDAL, ANDAL, RKL and RPL)	Provincial or district environmental office (BAPEDALDA or BLH); copies in Ministry of Forestry (BUK)	3
TIMBER FROM PRIVATE LAND			
15	Valid land title document	National or provincial/district land agency office (BPN)	3
16	Land title/location maps	National or provincial/district land agency office (BPN)	3
17	Log transport SKAU or SKSKB document stamped with KR (Community Timber)	Village head (SKAU); copies in district forestry offices (SKSKB-KR and SKAU)	3
TIMBER FROM FOREST CONVERSION LAND (IPK)			
18	Timber utilisation licences: ILS/IPK including equipment permit	Provincial and district forestry offices	3
19	Maps annexed to ILS/IPK	Provincial and district forestry offices	3
20	Forest area release permit	Ministry of Forestry (BAPLAN) and Ministry of Forestry Provincial Unit (BPKH)	3
21	Work plan IPK/ILS	District forestry offices	3
22	Stand inventory data in state-owned forest land to be converted (section in IPK/ILS work plan)	District forestry offices	3
23	Timber production document (LHP)	District forestry offices	3
24	DR and PSDH payment receipt (see no. 13)	District forestry offices; copies in Ministry of Forestry (BUK)	3
25	Transport documents FAKB and the annexes for KBK and SKSKB and the annexes for KB	District forestry offices	3

No	Document to be made publicly available	Agencies that hold the document	Information Category
FOREST-BASED INDUSTRY			
26	Company Establishment Deed	Ministry of Law and Human Rights; for primary and integrated industry with capacity above 6 000 m <sup>3</sup> copies in Ministry of Forestry (BUK), with capacity under 6 000 m <sup>3</sup> copies in provincial and district forestry offices; for secondary industry copies in Ministry of Industry.	3
27	Business Licence (SIUP)	Local investment office or investment coordinating agency (BKPM), Ministry of Trade. For secondary industry copies in Ministry of Industry.	3
28	Company Registration Number (TDP)	Local investment office or investment coordinating agency (BKPM) and Ministry of Trade	3
29	Environmental Impact Assessment (EIA) (UKL/UPL and SPPL)	Provincial and district environmental offices (BAPEDALDA or BLH); copies in local trade office or investment coordinating agency (BKPM)	3
30	Industrial Business Licence (IUI) or Industrial Registration Number (TDI)	Primary and integrated industry with capacity above 6 000 m <sup>3</sup> copies in Ministry of Forestry (BUK), with capacity under 6 000 m <sup>3</sup> copies in provincial forestry offices, with capacity under 2 000 m <sup>3</sup> copies in district forestry offices; for secondary industry copies in Ministry of Industry.	3
31	Industrial Raw Material Supply Plan (RPBBI) for Primary Forest Product Industries (IPHH)	Primary and integrated industry with capacity above 6 000 m <sup>3</sup> copies in Ministry of Forestry (BUK), with capacity under 6 000 m <sup>3</sup> copies in provincial forestry offices, with capacity under 2 000 m <sup>3</sup> copies in district forestry offices; copies in provincial and district forestry offices.	3
32	Forest Industry Product Registered Exporter (ETPIK)	Ministry of Trade	3
33	Transport documents (SKSKB, FAKB, SKAU and/or FAKO)	Village head (SKAU); copies in district forestry offices (SKSKB-KR, SKAU), copies of FAKO at provincial forestry offices	3
34	Documents reporting changes in round log stocks (LMKB/LMKBK)	District forestry offices	3
35	Processed Product Report (LMOHHK)	District forestry offices, copies to provincial forestry offices	3
36	Inter-island timber trade document (PKAPT)	Ministry of Trade (DG Domestic Trade)	3
37	Document showing ship identity	Local Port Administration Office (under Ministry of Transportation); copy in Indonesian Classification Bureau (BKI)	3

No	Document to be made publicly available	Agencies that hold the document	Information Category
OTHER RELEVANT INFORMATION			
38	Laws and regulations: all laws, regulations, standards, and guidelines listed in the legality standards	Ministry of Forestry, provincial or district forestry offices	3
39	Verification and Licensing information:		
	(a) quality guidance and standard of procedures for accreditation	National Accreditation Body (KAN)	1
	(b) name and address of each accredited conformity assessment body (LP and LV)	National Accreditation Body (KAN)	1
	(c) list of personnel (auditors, decision makers) associated with each certificate	Conformity assessment bodies (LP and LV), Ministry of Forestry	1
	(d) clarification on what is considered commercially confidential information	Conformity assessment bodies (LP and LV)	1
	(e) audit plan to know when public consultations take place, announcement of audit by auditing body, public summary of audit result, recap reports by auditing body of certificate issuance	Conformity assessment bodies (LP and LV)	1
40	Status reports on audits:		
	(a) certificates passed, failed, those currently in process, granted, suspended and withdrawn certificates and any changes to the above	Conformity assessment bodies (LP and LV)	1
	(b) cases of non-compliance relevant to audits and licensing and the action taken to deal with them;	Conformity assessment bodies (LP and LV)	3
	(c) Issued export licences (V-Legal Document); periodic reports from licensing body	Conformity assessment bodies (LP and LV)	1

No	Document to be made publicly available	Agencies that hold the document	Information Category
41	Monitoring and complaint procedures:		
	(a) standard operating procedures for complaints for accreditation body and each auditing body	National Accreditation Body (KAN), conformity assessment bodies (LP and LV)	1
	(b) civil society procedures for monitoring, complaints, reports from civil society monitor	Ministry of Forestry, Independent Monitor	1
	(c) documents to monitor the progress of complaint reports and resolution of complaint report	National Accreditation Body (KAN), conformity assessment bodies (LP and LV)	3

Procedures to acquire information:

- The Freedom of Information Act (UU 14/2008) distinguishes four categories of information: (1) information available and actively disseminated on a regular basis; (2) information that should be made public immediately; (3) information that is available at all times and provided upon request and (4) restricted or confidential information.
- Information under category 3 of the Freedom of Information Act is provided to the public upon request to the designated body (PPID) within the respective institution, e.g. the Public Relations Centre of the Ministry of Forestry. Each institution has its own implementing regulation on public information, based on the Freedom of Information Act.
- Some information, although falling under Category 3 under the Freedom of Information Act is published on the websites of the relevant institutions, inter alia: decrees and regulations, land allocation maps, forest use plans.