WWF Global Forest & Trade Network and TRAFFIC’s Common Framework for Assessing Legality of Forestry Operations, Timber Processing and Trade Annex

INDONESIA

December 2012
Disclaimer

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ACKNOWLEDGMENTS

The successful handling of this report was possible with the support of some experts and TRAFFIC colleagues that we acknowledge with gratitude for their dedication. Art Klassen and his colleagues at the Tropical Forest Foundation (TFF) in Indonesia prepared this report and the following colleagues and experts should be thanked specially for their contribution: Aditya Bayunanda (WWF-Indonesia); William Schaedla (TRAFFIC) and Chen Hin Keong (TRAFFIC).

We are also indebted to IKEA for contributing the funding for this project.
PRINCIPLE 1: ACCESS, USE RIGHTS AND TENURE

Criterion 1.1: The company is legally registered with the relevant administrative authorities

**Indicator 1.1.1:** Registration with the economic, social and forest authorities.

<table>
<thead>
<tr>
<th>Guidance note/verifier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company is registered as a legitimate enterprise with the relevant ministry/department.</td>
</tr>
<tr>
<td>1. Certificate of Establishment (Akte Bendirian Perusahaan) and its ratification by Ministry of Law and Human Rights recorded in the documents the State (see A, B, C below)</td>
</tr>
<tr>
<td>2. Tax Registered (NPWP/Nomor Peserta Wajib Pajak) (A, B)</td>
</tr>
<tr>
<td>3. License Trading Business/SIUP (A, B, D, E)</td>
</tr>
<tr>
<td>4. Company Registered/TDP (A, B, F, G)</td>
</tr>
<tr>
<td>5. Investment Registration Document (A, B)</td>
</tr>
<tr>
<td>6. Articles of Association (C)</td>
</tr>
<tr>
<td>7. Industry license (IUI), Industrial Registration(TDI) (K)</td>
</tr>
<tr>
<td>8. HO or Permit Hearing (L)</td>
</tr>
</tbody>
</table>

**Legal references:**

- **A.** UU 40 Year 2007 Perseroan Terbatas (PT)
- **B.** UU 25 Year 2007 Investment
- **C.** Administration Law decree Administrasi Hukum C-01.HT.01 01. Year 2003 concerning Procedure for application and Approval Certificate of Establishment and Amendment of Articles Basic Agreement PT Liability Company LIABILITY COMPANY
- **D.** Ministry of Trade Regulation 46/M-DAG/9/2009 Revision of Ministry of Trade Regulation RI No36/M-DAG/9/2007 concerning Publishing
License Trading Business
E. Ministry of Trade Regulation No36/M-DAG/9/2007 concerning Publishing License Trading Business
F. UU 3 Year 1982 concerning Corporate Registry
G. Ministry of Trade Regulation 37/M-DAG/PER/9/2007 concerning Company Registration
H. Head of Coordinator of Investment decree 57/SK/2004 concerning Application Guidelines and Procedures for Investment was established in the framework of Domestic Investment and Foreign Investment
I. Head of Coordinator of Investment decree Modal 70/SK/2004 concerning Revision of Head of Coordinator of Investment decree 57/SK/2004
J. Head of Coordinator of Investment decree 1/P/2008 concerning Second Revision head of Coordinator of Investment decree 57/SK/2004
K. Ministry of Industry Regulation 41/M-Ind/Per/2008 concerning Provisions and Procedures for Issuing License Industrial Business and Industrial Registry
L. HO Regulated by Local government at city/District level

<table>
<thead>
<tr>
<th>Criterion 1.2:</th>
<th>Use, access and tenure rights applications are subject to stated pre-conditions within the laws and regulations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicator 1.2.1:</td>
<td>All steps required to obtain a licence to operate have been respected within the set time limits provided for in the laws and regulations of the country</td>
</tr>
<tr>
<td>1.</td>
<td>Recommendations from Technical Advisor to the head of local government (Bupati) and recommendation from Provincial Governor to the MoF are in place. (see A below)</td>
</tr>
<tr>
<td>2.</td>
<td>AMDAL has been prepared (B and C)</td>
</tr>
<tr>
<td>3.</td>
<td>Certificate Establishment (APP) (A)</td>
</tr>
<tr>
<td>4.</td>
<td>License for a Trading Business (SIUP) (A)</td>
</tr>
<tr>
<td>5.</td>
<td>Registered Tax Number (NPWP) (A)</td>
</tr>
<tr>
<td>6.</td>
<td>Area planning map (A, B, C)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Legal references:</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Ministry of Forestry Regulation P.50/Menhut-II/2010 concerning Procedures for the Provision and Expansion Natural Forest Concession (IUPHHK), IUPHHK Ecosystem Restoration, of IUPHHK Forest Plantation on Production Forest</td>
</tr>
</tbody>
</table>
| Indicator 1.2.2: | The company has paid all the costs pertaining to each step of the licensing process | B. UU No. 32 Year 2009 concerning Protecting and Managing Environmental  
C. Ministry of Environment Regulation 11 Year 2006 concerning Type of Business Equipped with a mandatory Environmental Impact Assessment |
|-----------------|---------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| Indicator 1.2.2: | The company has paid all the costs pertaining to each step of the licensing process | - Confirm proof of payment of all applicable fees (initial license fee or concession renewal fee based on area)  
- Slip of IIUPH (land tax payable on concession issuance and at time of concession license renewable; based on hectares) |
| Legal references: | - Ministry of Forestry Regulation P.12/Menhut-II/2010 concerning Procedure for Imposition, Billing, and Payment Dues Forest Utilization License in Production Forest |

| Indicator 1.2.3: | The Company has informed parties involved in the management of forest resources about the allocation of forestry titles in the concerned area | 1. Confirm existence of correspondence that company has informed adjacent license holders as well as the Planologi Kehutanan of its license area along with a request for joint demarcation of boundaries.  
2. RTRWP Map(A, B)  
3. SK IUPHHK and map of area(A, B) |
| Legal references: | A. UU no. 26 Year 2007 Concerning Land use Planning  
B. Official notification of gazettment as per SK Menhut 57, KPTS-II, 1994  
C. For Perum Perhutani areas, no wood may be taken from land which is former ERFACHT and/or partikulir land (UU 1, 1958) and/or conservation areas (SK Menhut 251, 1985). |

| Criterion 1.3: | Clear evidence of forest and/or land use, access and tenure rights shall be demonstrated in accordance with laws and regulations |
| Indicator 1.3.1: | Areas managed under HPH, IUPHHK, HPHTI, or land managed by Perum Perhutani must be located in the permanent state forest zone. Land clearing associated with non-forestry activities | 1. Confirm land status by checking spatial plans or national land use maps and crosscheck the land status in the village land book and district land book in the district office of the Badan Pertanahan.  
2. Also refer to indicator 1.3.5 |
that are nationally approved or authorized by district governments may only be located outside the permanent state forest zone

3. RTRW Map
4. SK IUPHHK and Map of Area
5. BA border demarcation

**Legal references:**
B. Community area physically located within the boundaries of the HPH area HTI or Perum Perhutani area is defined as an enclave and excluded from any production forestry activities (Juklak and Juknis Dirjen Intag No. 724/A/VII-2, 1945)
C. Forest zones demarcated between 1974 and 1990 should follow the provisions of SK DirJen Kehutanan 85/Kpts/DJ/1/1974
F. Ministry of Forestry and Plantation decree 900/Kpts-II/1999 concerning Implementation Procedures for Potential Activity Survey, Measurement and Structuring Limits Concession rights work in Forestry Sector

**Indicator 1.3.2:** The company holds an annual harvesting licence from the forestry administration

- Check for annual RKT permit, duly signed and stamped by competent authority and applicable for all HPH, HPHTI or IUPHHK tenures.
- If RKT not yet available, confirm letters of recommendation issued by Dinas Kehutanan at the Kabupaten level.
- Citra Landsat (within last 2 years)

**Legal references:**
Ministry of Forestry Regulation P.56/Menhut-II/2009 concerning Forest Management Plan for forest Concession and ecosystem restoration

**Indicator 1.3.3:** The company holds a valid permit for land clearing.
For land clearing outside the permanent forest zone, check that the land clearing area has been approved by national, provincial and district forest authorities.
**Legal references:**
A. Ministry of Forestry Regulation P.58/Menhut-II/2009 concerning Replacement value of the Standing Timber Permit and or preparation of land in Forest Plantation Development.
B. Ministry of Forestry Regulation P.14/Menhut-II/2011 concerning License for Wood Utilization (IPK).

<table>
<thead>
<tr>
<th>Indicator 1.3.4:</th>
<th>The gazetted boundaries of a license area shall not conflict with any other land use classification.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Legal references:</strong></td>
<td>Map check using appropriate available maps. See indicator 1.3.1.</td>
</tr>
</tbody>
</table>

### PRINCIPLE 2: HARVESTING REGULATIONS

**Criterion 2.1:** Forest Management Plan in accordance with the government policies, guidelines and regulatory requirements, approved by relevant authority

<table>
<thead>
<tr>
<th>Indicator 2.1.1:</th>
<th>Preliminary studies have been conducted according to the rules and standards prescribed by the forest administration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Legal references:</strong></td>
<td>IHMB concession inventory has been carried out according to MoF regulations.</td>
</tr>
</tbody>
</table>

- Ministry of Forestry Regulation P.33/Menhut-II/2009 Concerning Guideline for IHMB Forest Concession on Production Forest

<table>
<thead>
<tr>
<th>Indicator 2.1.2:</th>
<th>The ten year management plans comply with the rules and regulations of the forestry administration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Legal references:</strong></td>
<td>Verify that the 10 year plan (RKU) is based on the IHMB.</td>
</tr>
</tbody>
</table>

- Ministry of Forestry Regulation P.56/Menhut-II/2009 concerning Forest Management Plan for forest Concession and ecosystem restoration
- Ministry of Forestry Regulation P.62/Menhut-II/2008 concerning Forest management Plan for Plantation Forest and Community Forest Plantation
- Notification letter No SE.8/Menhut-VI/2009 concerning RKUPHHK based on IHMB
<table>
<thead>
<tr>
<th>Criterion 2.2:</th>
<th>Harvesting licence (RKT) with stated conditions is in accordance with the government policies, guidelines and regulatory requirements, approved by the relevant authority</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indicator 2.2.1:</strong></td>
<td>Company has acquired license to deploy heavy equipment.</td>
</tr>
<tr>
<td><strong>Legal references:</strong></td>
<td>Ministry of Forestry Regulation P.53/Menhut-II/2009 concerning Entered and Use of heavy equipment for Forest Utilization License or IPK</td>
</tr>
</tbody>
</table>

| **Indicator 2.2.2:** | Forest maps have been drawn up according to required standards | Ensure that mapping complies with the MoF requirements for content and scale.  
- SK IUPHHK and Map of the Area, and RKT Map  
- Citra Landsat (within last 2 years) |
| **Legal references:** | Ministry of Forestry Regulation P.56/Menhut-II/2009 concerning Forest Management Plan for forest Concession and ecosystem restoration  
- Ministry of Forestry Regulation P.62/Menhut-II/2008 concerning Forest management Plan for Plantation Forest and Community Forest Plantation  
- Dirjen Bina Produksi Kehutanan decree P.9/VI/BPHA/2009 concerning Implementation guidelines of Silviculture system for Forest Concession on Forest Production |

| **Indicator 2.2.3:** | Annual working area is delineated on the maps and in the field. | Annual working area and sub-compartment boundaries are marked in the field according to MoF regulation.  
- RKT book and map |
| **Legal references:** | Ministry of Forestry Regulation P.56/Menhut-II/2009 concerning Forest Management Plan for forest Concession and ecosystem restoration  
- Ministry of Forestry Regulation P.62/Menhut-II/2008 concerning Forest Management Plan for Plantation Forest and Community Forest Plantation |
| Indicator 2.2.4: | 100% inventory has been carried out and all trees marked according to MoF regulation. | • Through field visits, verify that marking of harvestable trees, pohon inti, and protected trees is in accordance with MoF regulation.  
• LHC (Cruising Report)  
• Tree Map and contour |
|---|---|---|
| Legal references: | Ministry of Forestry Regulation P.56/Menhut-II/2009 concerning Forest Management Plan for forest Concession and ecosystem restoration  
Ministry of Forestry Regulation P.62/Menhut-II/2008 concerning Forest management Plan for Plantation Forest and Community Forest Plantation  
Dirjen Bina Produksi Kehutanan decree P.9/VI/BPHA/2009 concerning Implementation guidelines of Silviculture system for Forest Concession on Forest Production |
| Indicator 2.2.5: | Cruising report has been prepared. | • Cruising report (LHC) is available and prepared in accordance with MoF regulations.  
Legal references:  
Dirjen Bina Produksi Kehutanan decree P.9/VI/BPHA/2009 concerning Implementation guidelines of Silviculture system for Forest Concession on Forest Production |
<table>
<thead>
<tr>
<th>Criterion 2.3:</th>
<th>The company implements harvest operations in accordance with the legally prescribed silvicultural system and relevant regulations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indicator 2.3.1:</strong></td>
<td>Access roads and tracks in forest areas are built in compliance with operating standards (planning of road network and observation of standards relating to road and right-of-way width, drainage, slopes etc.)</td>
</tr>
<tr>
<td></td>
<td>Verify compliance with Ministry of Forest technical standards of road construction through ground checks while travelling through the concession area</td>
</tr>
<tr>
<td><strong>Legal references:</strong></td>
<td>• Dirjen Bina Produksi Kehutanan decree P.9/VI/BPHA/2009 concerning Implementation guidelines of Silviculture system for Forest Concession on Forest Production</td>
</tr>
<tr>
<td><strong>Indicator 2.3.2:</strong></td>
<td>Minimum harvestable diameters are respected during harvesting operations</td>
</tr>
</tbody>
</table>
| | • Verify from documents and confirm by field inspection compliance with diameter limits.  
| | • Confirm compliance by checking LHP reports  
| | • LHC reports  
| | • Tree position and contour map |
| **Legal references:** | • Ministry of Forestry Regulation P.11/Menhut-II/2009 concerning Silviculture system for Forest Concession on Forest Production  
| | • Dirjen Bina Produksi Kehutanan decree P.9/VI/BPHA/2009 concerning Implementation guidelines of Silviculture system for Forest Concession on Forest Production |
**Indicator 2.3.3:** Timber species harvested are authorized by the forestry administration plans

Check LHP species list and cross-check through field inspection. Protected species may vary from one province to the next.

**Legal references:**
- UU No 5 Year 1990 Biodiversity Conservation
- Government Regulation No 7 Year 1999 concerning Preservation of plant and animal biodiversity

**PRINCIPLE 3: TRANSPORTATION OF LOGS AND WOOD PRODUCTS**

**Criterion 3.1:** Clear evidence of documents and licences for companies and carriers involved in timber products transportation shall be demonstrated in accordance with the laws and regulations

**Indicator 3.1.1:** Lorries and other vehicles transporting forest products have a valid registration licence and number

- Verify with the Ministry of Transport the legality of registration numbers, transport licences and payment of annual taxes relating to transportation activities.
- Heavy equipment permit

**Legal references:**
Ministry of Forestry Regulation P.53/Menhut-II/2009 concerning Entered and Use of heavy equipment for Forest Utilization License or IPK

**Indicator 3.1.2:** Companies transporting wood between islands must have valid license.

- Inter-island transport is regulated by a permit (PKAPT)

**Legal references:**
- Ministry of Industry and Trade decree 68/MPP/Kep/2/2003 concerning Inter Island transport

**Criterion 3.2:** Clear evidence of documents and corresponding markings of timber products for transport shall be demonstrated by companies and carriers in accordance with the laws and regulations

**Indicator 3.2.1:** Stumps and logs of harvested trees are hammer marked or painted according to regulations.

- Three part red tag: one part on stump; one part on log; one retained by logging team.

**Indicator 3.2.2:** Logs and billets of timber in forest yards (TPN and TPK) are marked according to regulations to enable tracing

- Use of bar code mandatory if annual cutting target (JPT) more than 60,000 cu.m regarding SIPUHH online.
<table>
<thead>
<tr>
<th>Indicator 3.2.3:</th>
<th>Production reports (LHP) completed according to regulations.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicator 3.2.4:</td>
<td>Log transportation documents are completed prior to departure from harvesting sites and are retained throughout transportation</td>
</tr>
</tbody>
</table>

- LHP should match LHC. LHP is the bases for royalty assessment.
- Log transport within the concession requires an SKSKB with a log list (DKB) attached.
- Log transport from a point outside the concession to any other destination requires a FAKB with a log list attached and cross referenced to the original SKSKB.

**Legal references:**
- Ministry of Forestry Regulation P.55/Menhut-II/2006 concerning Administration of forest product from state forest Forest Penatausahaan Hasil Hutan dari Hutan Negara

**PRINCIPLE 4: PROCESSING REGULATIONS**

<table>
<thead>
<tr>
<th>Criterion 4.1:</th>
<th>Clear evidence of documents and licences for companies involved in timber processing shall be demonstrated in accordance with the laws and regulations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicator 4.1.1:</td>
<td>Licences related to timber processing plants should be available for inspection from the company</td>
</tr>
</tbody>
</table>

- All processing plants must hold a valid license stating the category of the processing plant (primary/secondary)
- The license states the production capacity.

**Legal references:**
Related to indicator 1.1.1
**Criterion 4.2:** Timber processing companies are subject to stated conditions within the laws and regulations

**Indicator 4.2.1:** The company maintains records to demonstrate that processing quotas have been respected

- Check input/output records ensure processing plant does not exceed its licensed capacity.
- Cross check with RPBBI document requirements.

**Legal references:**
- Ministry of Forestry Regulation P.16/Menhut-II/2007 concerning (RPBBI) primary wood industry.

**PRINCIPLE 5:** IMPORT AND EXPORT REGULATIONS (applicable to wood working industries only since Indonesia does not permit the export of logs)

**Criterion 5.1:** Clear evidence of licence/permit of company involved in import and export shall be demonstrated in accordance with the laws and regulations

**Indicator 5.1.1:** The company holds an export/import licence

- Verify that the exporting company holds a valid export license (ETPIK)

**Legal references:**
- Ministry of Trade 20/MDag/per/5/2008 concerning provisions of Forestry Industry Products

**Criterion 5.2:** Clear evidence of official documents of timber products for import and export shall be demonstrated by companies and carriers in accordance with the laws and regulations

**Indicator 5.2.1:** The company possess all required documents for the export or import of timber products according to official regulations

Verify customs export declaration form, invoices, bills of lading, and records of export/import.

**Legal references:**
- DirJen Bea dan Cukai Regulation P-41/BC/2008 concerning Notice of Customs Export
- DirJen Bea dan Cukai Regulation P-18/BC/2012 concerning Second
<table>
<thead>
<tr>
<th>Criterion 5.3:</th>
<th>Timber products import and export companies are subject to stated conditions within the laws and regulations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicator 5.3.1:</td>
<td>All species exported/imported are authorised by the appropriate agency under existing regulations</td>
</tr>
<tr>
<td></td>
<td>• The export of logs out of Indonesia is not permitted.</td>
</tr>
<tr>
<td></td>
<td>• Sawn lumber export is restricted to S4S or higher manufacturing standard. Rough cut lumber may not be exported.</td>
</tr>
<tr>
<td><strong>Legal references:</strong></td>
<td>CITES</td>
</tr>
<tr>
<td></td>
<td>Government Regulation No 7 Year 1999 concerning Prevision of Plant and Animal species</td>
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<tr>
<th>PRINCIPLE 6: ENVIRONMENTAL REGULATIONS</th>
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<tbody>
<tr>
<td>Criterion 6.1: State/Company conducts environmental impact assessments or other required assessments within the laws and regulations</td>
</tr>
<tr>
<td>Indicator 6.1.1: Environmental impact assessments must be conducted according to regulations and approved by the relevant authorities</td>
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<td><strong>Legal references:</strong></td>
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<tr>
<th>PRINCIPLE 7: CONSERVATION REGULATIONS</th>
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<tbody>
<tr>
<td>Criterion 7.1: State/company conducts conservation assessment/evaluation within the laws and regulations</td>
</tr>
<tr>
<td>Indicator 7.1.1: Fragile sites are identified during the forestry inventory according to regulations and</td>
</tr>
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<tr>
<td>Indicator 7.1.2:</td>
</tr>
<tr>
<td>-----------------</td>
</tr>
</tbody>
</table>
| **Legal references:** | - UU No 5 Year 1990 concerning Biodiversity Conservation 
- Government Regulation No 7 Year 1999 concerning Prevision of Plant and Animal species 
- President decree 32 Tahun 1990 concerning Management of Protection area 
- Ministry of Forestry Regulation P.11/Menhut-II/2009 concerning Silvicuture system for Forest Concession on Forest Production 
- Dirjen Bina Produksi Kehutanan decree P.9/VI/BPHA/2009 concerning Implementation guidelines of Silvicuture system for Forest Concession on Forest Production |

**PRINCIPLE 8: SOCIAL REGULATIONS**

**Criterion 8.1:** Company maintains or strengthens socio-economic welfare of local communities/indigenous people in accordance with the laws and regulations

<table>
<thead>
<tr>
<th>Indicator 8.1.1:</th>
<th>The forest company must respect the property of local communities.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Legal references:</strong></td>
<td>- Ministry of Forestry Decree 4795/Kpts-II/2002 and Ministry of Forestry Decree 177/Kpts-II/2003; (See P11/Menhut-II/2004 Revocation of PMDH)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indicator 8.1.2:</th>
<th>When workers are hire from local communities/indigenous people they are paid in accordance with legal provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Legal references:</strong></td>
<td>- Review payslips and discuss with relevant parties to ensure payments are in compliance with the official salary scale.</td>
</tr>
<tr>
<td>Criterion 8.1:</td>
<td>Company recognizes legal or customary rights of indigenous/local people in accordance with the laws and regulations</td>
</tr>
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<td>----------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Indicator 8.1.3:</td>
<td>The company must make financial contributions in a timely manner to community development program.</td>
</tr>
</tbody>
</table>
| Indicator 8.1.3: | The PMDH program is no longer a formal requirement but companies are still required to demonstrate commitment to local community development.  
**Legal references:**  
Ministry of Forestry Decree 4795/Kpts-II/2002 and Ministry of Forestry Decree 177/Kpts-II/2003; (See P11/Menhut-II/2004 Revocation of PMDH) |

| Indicator 8.1.3: | The concept of indigenous use rights is recognized in national law but lacks implementing regulation, consequently it is difficult to enforce. |
| Indicator 8.1.3: | **Legal references:**  
Ministry of Forestry Decree 4795/Kpts-II/2002 and Ministry of Forestry Decree 177/Kpts-II/2003; (See P11/Menhut-II/2004 Revocation of PMDH) |

<table>
<thead>
<tr>
<th>Criterion 8.2:</th>
<th>Company complies with the laws and regulations on its employees’ and workers’ rights</th>
</tr>
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<tbody>
<tr>
<td>Indicator 8.2.1:</td>
<td>User rights of local communities in the forestry concessions are recognized and respected</td>
</tr>
<tr>
<td>Indicator 8.2.1:</td>
<td>Company must encourage formation of labour union to represent its workers.</td>
</tr>
</tbody>
</table>
| Indicator 8.2.1: | **Legal references:**  
UU No 13 Year 2003 concerning Employment |

| Indicator 8.2.1: | Company workers are paid in compliance |
| Indicator 8.2.1: | **Legal references:**  
UU No 13 Year 2003 concerning Employment |

<table>
<thead>
<tr>
<th>Criterion 8.3:</th>
<th>Company complies with the laws and regulations of its employees’ and workers’ welfare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicator 8.3.1:</td>
<td>The company respects the freedom of its workers to participate in labour union activities</td>
</tr>
</tbody>
</table>
| Indicator 8.3.1: | **Legal references:**  
UU No 13 Year 2003 concerning Employment |

| Indicator 8.3.2: | Relations between the company and its employees have been formalised with respect to legal provisions |
| Indicator 8.3.2: | **Legal references:**  
Verify the existence of worker contracts.  
Verify the existence of agreement between the company and labour union. |

<table>
<thead>
<tr>
<th>Criterion 8.4:</th>
<th>Company complies with the laws and regulations of its employees’ and workers’ welfare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicator 8.4.1:</td>
<td>The company workers are paid in compliance</td>
</tr>
</tbody>
</table>
| Indicator 8.4.1: | **Legal references:**  
Company is in compliance with minimum wage regulation and the |

16
with the regulations applicable to their sector of activity

<table>
<thead>
<tr>
<th>Indicator 8.4.2:</th>
<th>Sanitary and safety conditions for workers comply with the legislation in force</th>
<th>Conduct site inspections and hold meetings with relevant parties in order to ensure that required facilities exist.</th>
</tr>
</thead>
</table>
| **Legal references:** | | - Current UMK/UMP  
- UU No 13 Year 2003 concerning employment |

| Indicator 8.4.3: | Working hours applied by the company comply with legal provisions | Hold meetings with relevant parties to verify whether working hours are respected and, where appropriate, extra hours are reasonably paid and review documents including:  
- Internal regulations on working hours  
- Statements of payment of extra hours. |
|-----------------|---------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| **Legal references:** | | - UU no 1 Year 1970 concerning safety on work  
- UU No 13 Year 2003 concerning employment |

<table>
<thead>
<tr>
<th>Indicator 8.4.4:</th>
<th>Recruitment of workers respects age criteria set by national legislation and the International Labour Organisation (ILO)</th>
<th>Hold meetings with employees and managers to verify whether recruitment conditions are fulfilled.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Legal references:</strong></td>
<td></td>
<td>- UU No 13 Year 2003 concerning Employment</td>
</tr>
</tbody>
</table>
**PRINCIPLE 9: TAXES, FEES AND ROYALTIES**

**Criterion 9.1:** The company fills in its tax returns in accordance with its effective professional activity

**Indicator 9.1.1:** Royalty payments (PSDH and DR and local royalties where applicable) are paid according to regulation.

- PSDH and DR is assessed based on measurements made at the log landings (TPN). Payment is required before transport permits (SKSKB) are approved.
- In some provinces, Governor decree requires payment of additional royalty to local communities. Check for local regulations.

**Legal references:**
Ministry of Forestry Regulation P.18/Menhut-II/2007 concerning Technical guideline for collection an Payment of Forest Resources Provision (PSDH) and Rehabilitation Fund (DR)

**Indicator 9.1.2:** Tax returns on timber processing comply with rules and regulations

- Value added tax (PPN) paid.
- Income tax (PPh) paid.

**Legal references:**
- UU No 7 Year 1983 concerning Income Tax
- UU No 7 Year 1991 concerning Revision of UU No 7 Tahun 1983
- UU No 10 Year 1994 concerning second revision of UU No 7 year 1983
- UU No 17 Year 2000 concerning Third Revision of UU No 7 yeear 1983
- UU No 36 Year 2008 concerning Fourth Revision of UU No 7 year 1983
- UU No 8 Year 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods
- UU No 11 year 1994 concerning Revision of UU No 8 year 1983
- UU No 18 year 2000 concerning Second Revision UU No 8 year 1983
- UU No 42 year 2009 concerning Third Revision UU No 8 year 1983
- Government Regulation No 1 year 2012 concerning implementation of UU 8 year 1983 and revisions
### Indicator 9.1.3:
Tax returns on trade in timber are done in compliance with rules and regulations

- Export tax paid.

**Legal references:**
Ministry of Finance 534/KMK.013/1992 concerning Determination of Tariff and Procedures And payment or remittance of export tax and export tax Supplement

### Criterion 9.2:
Clear evidence of current paid taxes, fees and royalties in a timely manner shall be demonstrated by the company in accordance with the laws and regulations

<table>
<thead>
<tr>
<th>Indicator 9.2.1:</th>
<th>All forestry related taxes and fees are paid on time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Verify evidence of payment of all applicable taxes.</td>
<td></td>
</tr>
<tr>
<td>- PSDH and DR must be paid before transport documents (SKSKB) are issued.</td>
<td></td>
</tr>
<tr>
<td>- Taxes related to timber processing are payable annually.</td>
<td></td>
</tr>
<tr>
<td>- Taxes applicable to export are payable per shipment.</td>
<td></td>
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<tr>
<td>- PBB (Land and Building Tax)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indicator 9.2.2:</th>
<th>All taxes linked to timber processing operations are paid on time</th>
</tr>
</thead>
</table>

<table>
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<tr>
<th>Indicator 9.2.3:</th>
<th>All taxes linked to export and import of forest products are paid on time</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Legal references:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Ministry of Forestry Regulation P.18/Menhut-II/2007 concerning Technical guideline for collection an Payment of Forest Resources Provision (PSDH) and Rehabilitation Fund (DR)</td>
</tr>
<tr>
<td>- Government Regulation No74 Year 1998 concerning Determination of taxable value and calculation of land and building tax.</td>
</tr>
<tr>
<td>- DirJen Pajak Regulation PER-36/PJ/2011 concerning establishment of Land and Building Tax on Forestry Sector</td>
</tr>
<tr>
<td>- Dirjen Pajak Notification Letter SE-1413/PJ.06/2011 concerning Administration PBB on Forestry Sector</td>
</tr>
</tbody>
</table>

### Principle 10: Subcontractors and Partners
Forest regulations do not permit subcontracting of any forestry activity, consequently no relevant regulations exist. However, subcontracting in concessions is common and consistently overlooked by the MoF.
Additional Comments
The practical application of a legality definition as presented above, is usually conducted by using a more pragmatic set of verifiers since access to some of the legal references may be difficult and, in some cases, are broadly ignored by MoF in the issuance of permits and licenses.

Acronyms and Abbreviations:

- **AAC**  
  Annual Allowable Cut

- **AMDAL**  
  *Analisis Mengenai Dampak Lingkungan*  
  Environmental Impact Assessment

- **Adat**  
  Customary or Traditional law

- **ANDAL**  
  *Analisis Dampak Lingkungan*  
  Environmental Impact Assessment

- **APD**  
  Alat Pelindung Diri  
  Safety Equipment

- **APP**  
  *Akte pendirian perusahaan*  
  Certificate of Establishment

- **APHI**  
  Asosiasi Pengusaha Hutan Indonesia  
  Concessionaires Association of Indonesia

- **BA**  
  *Breta Acara*  
  Report giving details of boundary demarcation

- **BAPPEDA**  
  *Badan Perencanaan Pembangunan Daerah*  
  Regional Planning Office

- **BK**  
  *Bagan Kerja*  
  Work Plan

- **PK**  
  Planologi Kehutanan

- **BAPPENAS**  
  *Badan Perencanaan Pembangunan Nasional*  
  National Planning Office

- **BKPM**  
  *Badan Koordinasi Penanaman Modal*  
  Department of Coordination of Investment

- **BUK**  
  Bina Usaha Kehutanan  
  Directorate General of Forestry Production Management

- **Bupati**  
  District Governor

- **BPTT**  
  *Bahan Penetapan Tebangan Tahunan*  
  Annual Technical Material for Annual Allowable Cut

- **BPPHP**  
  Balai Pemantauan Pemanfaatan Hutan Produksi  
  The Utilization and Monitoring Agency for Production Forest Product Certification Agency

- **BU**  
  *Buku Ukur*
CBD
Convention on Biodiversity

CIFOR
Center for International Forest Research

CITES
Convention on International Trade in Endangered Species of Wild Fauna and Flora

DBH
Diameter Setinggi Dada
Diameter at Breast Height

DFID
Department for International Development

DKB
Daftar Kayu Bulat
Log List

BT
Bon Trip
Log transportation document from log landing to log pond (Internal Document)

DR
Dana Reboisasi
Reforestation Fund

EIA
Environmental Impact Assessment

AMDA
Analisis Mengenai Dampak Lingkungan

ETPIK
Exportir terdaftar produk industri kehutanan
Register of forest product export maintained by the Ministry of Trade

FAKB
Faktur Angkutan Kayu Bulat
Log transportation document

FMO
Forest Management Organization

FMU
Forest Management Unit

FSC
Forest Stewardship Council

HP
Hutan Produksi
Permanent Production Forest

IUPHHK-HA
Izin Usaha Pemanfaatan Hasil Hutan Kayu-Hutan Alam
Forest Timber Concession Permit-Natural Forest

IUPHHK-HT
Izin Usaha Pemanfaatan Hasil Hutan Kayu-Hutan Tanaman
Forest Timber Concession Permit-Plantation Forest

IIUPH
Iuran Ijin Usaha Pemanfaatan Hutan
Area tax

KBNK
Kawasan Budidaya Non Kehutanan
Non Forest Cultivation Area

APL
Areal Penggunaan Lain
Other Land Use

HPT
Hutan Produksi Terbatas
Limited Production Forest

IHMB
Inventorisasi Hutan Menyeluruh Berkala
General Periodically Forest Inventory
*Iuran Izin Usaha Pemanfaatan Hutan/Hutan*
Forest Concession Fee

ILO
International Labour Organisation

ILS
*Izín Lainnya Yang Sah*
Permits permitted under PP No 34, 2000

IPHH
*Izín Pemangkuan Hasil Hutan/Hutan*
Forest Product Collection Permit

IPK
*Izín Pemanfaatan Kayu*
Land Conversion Permit

IUPHHK
*Izín Usaha Pemanfaatan Hasil Hutan Kayu/Kayu*
Forest Timber Product Exploitation Permit

Kab
*Kabupaten*
District

Kec
*Kecamatan*
Sub-district

KPH
*Kesatuan Pemangkuan Hutan*
Forest Management Unit for Perhutani

KPPL
*Kawasan Peruntukan dan Penggunaan Lain–Lain*
Other land use areas (Provincial)

LEI
*Lembaga Ecolabeling Indonesia*
Ecolabelling Institute of Indonesia

LHC
*Laporan Hasil Cruising/Cruising*
Cruising Report

LHP
*Laporan Hasil Penebangan/Felling*
Felling Report

LMHHO
*Laporan Mutasi Hasil Hutan Olahan/Processed Forest Production Transportation Report*
Processed Forest Production Transportation Report

LMKB
*Laporan Mutasi Kayu Bulat/Logs*
Logs Transportation Report

LMKO
*Laporan Mutasi Kayu Olahan/Processed Timber Transportation Report*
Processed Timber Transportation Report

LOA
Logged Over Area

MoF
Ministry of Forestry

MOU
Memorandum of Understanding

NPWP
*Nomor Peserta Wajib Pajak*
Registered tax number
OSH  Occupational Health and Safety
P2SKSKB  Pejabat Penerbit SKSKB
          Forestry Official for Issuance of Legal Forest Product Transportation Permit
P3K    Emergency First Aid
PBB    Pajak Bumi dan Bangunan
          Land and Building Tax
Petak   Block (usually 100 ha) used for inventory, planning, and operational control
PGM    Pemukiman dan Garapan Masyarakat
          Community land use areas
PHPL   Pengelolaan Hutan Produksi Lestari
          Sustainable Forest Management
PKAPT  Pedagang Kayu Antar Pulau Terdaftar
          Registered Inter-Island Wood Trader
PMDH   Pembinaan Masyarakat Desa Hutan
          Forest Village Development Program
PPh    Pajak Penghasilan
          Income tax
PPN    Pajak pertambahan nilai
          Value added tax
PSDH   Provisi Sumber Daya Hutan
          Forest Resource Royalties
PUHHK  Penatausahaan Hasil Hutan Kayu
          Forest product administration
PUP    Petak Ukur Permanen
          Permanent sample plots
RIL    Reduced Impact Logging
RKL    Rencana Kerja Lima Tahunan
          Five-year Work Plan
RKAP   Rencana Kerja dan Anggaran Perusahaan
          Annual working plan and budget
RKL    Rencana Kelola Lingkungan
          Environmental Management Plan
RKPH   Rencana Kerja Pengusahaan Hutan
          20 Year Working Plan
RKPHTI Rencana Karya Pengusahaan Hutan Tanaman Industri
          Long term Forest and Industrial Plantation Management Plan
RKT    Rencana Kerja Tahunan
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
</table>
| RKU     | Annual Work Plan  
Rencana Kerja Usaha  
10 year work plan |
| RKUPHHK | Rencana Kerja Usaha Pemanfaatan Hasil Hutan Kayu  
Overall Work Plan |
| RO      | Rencana Operasi  
Operating Plan Document |
| RPBBI   | Rencana Pemenuhan Bahan Baku Industri  
Industrial Raw Material Requirement Plan |
| RPHL    | Rencana Pengololaan Hutan Lestari  
Sustainable Forest Management Plans |
| RPL     | Rencana Pemantauan Lingkungan  
Environmental Monitoring Plan |
| RTRWP   | Rencana Tata Ruang Wilayah Propinsi  
Provincial spatial/land use plans |
| SFM     | Sustainable Forest Management |
| SGS     | Societe Generale de Surveilliance |
| SIUP    | Surat Ijin Usaha Perdagangan  
License for a Trading Business |
| SKAU    | Surat Keterangan Asal Usul  
Certificate of Origin |
| SKSKB   | Surat Keterangan Sahnya Kayu Bulat/  
Legal Log Transportation Permit |
| SMK-3   | System Managemen Keselamatan dan Kesehatan Kerja  
Worker health and safety standard |
| SPP     | Surat Perintah Pembayaran  
Payment Order |
| SPPL    | Surat Pernyataan Pengelolaan Lingkung  
Letter of Environmental Management Commitment (issued by District level for small industries) |
| SPSI    | Serikat Pekerja Seluruh Indonesia  
Indonesian Laborers Union |
| TFF     | Tropical Forest Foundation |
| TGHK    | Tata Guna Hutan Kesepakatan  
Agreement on Forest Use Plan |
| TN      | Taman Nasional  
National Park |
| TNC     | The Nature Conservancy |
TPK  *Tempat Penimbunan Kayu*  
Log Yard

TPN  *Tempat Pengumpulan Kayu*  
Log landing in the forest

TPTI  *Tebang Pilih Tanam Indonesia*  
Indonesian Silvicultural Tree Planting Scheme (selective cutting and planting system)

TPTJ  *Tebang Pilih Tanam Jalur*  
Silvicultural and Tree Planting Scheme (Selective cutting and line planting system)

TUK  *Tata Usaha Kayu*  
Wood Administration System

UMK/UMP  *Upah minimum Kabupaten/Provinsi*  
Minimum wage rates – district/provincial

UPL  *Upaya Pemantauan Lingkungan*  
Environmental monitoring

URS  URS Forestry

UU  *Undang Undang*  
Law