



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

INDONESIA

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WWF GFTN and TRAFFIC: Common Framework for Assessing Legality of Forestry Operations, Timber Processing and Trade - Principles, Criteria and Indicators for Indonesia

<i>Indicator</i>	<i>Guidance note/verifier</i>
<b>PRINCIPLE 1: ACCESS, USE RIGHTS AND TENURE</b>	
<b>Criterion 1.1: The company is legally registered with the relevant administrative authorities</b>	
<p><b>Indicator 1.1.1:</b> Registration with the economic, social and forest authorities.</p>	<p>Company is registered as a legitimate enterprise with the relevant ministry/department.</p> <ol style="list-style-type: none"> <li>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)</li> <li>2. Tax Registered (NPWP/Nomor Peserta Wajib Pajak) (A, B)</li> <li>3. License Trading Business/SIUP (A, B, D, E)</li> <li>4. Company Registered/TDP (A, B, F, G)</li> <li>5. Investment Registration Document (A, B)</li> <li>6. Articles of Association (C)</li> <li>7. Industry license (IUI), Industrial Registration(TDI) (K)</li> <li>8. HO or Permit Hearing (L)</li> </ol> <p><b>Legal references:</b></p> <ol style="list-style-type: none"> <li>A. UU 40 Year 2007 Perseroan Terbatas (PT)</li> <li>B. UU 25 Year 2007 Invesment</li> <li>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</li> <li>D. Ministry of Trade Regulation 46/M-DAG/9/2009 Revision of Ministry of Trade Regulation RI No36/M-DAG/9/2007 concerning Publishing</li> </ol>

	<p>License Trading Business</p> <p>E. Ministry of Trade Regulation No36/M-DAG/9/2007 concerning Publishing License Trading Business</p> <p>F. UU 3 Year 1982 concerning Corporate Registry</p> <p>G. Ministry of Trade Regulation 37/M-DAG/PER/9/2007 concerning Company Registration</p> <p>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</p> <p>I. Head of Coordinator of Investment decree Modal 70/SK/2004 concerning Revision of Head of Coordinator of Investment decree 57/SK/2004</p> <p>J. ead of Coordinator of Investment decree 1/P/2008 concerning Second Revision head of Coordinator of Investment decree 57/SK/2004</p> <p>K. Ministry of Industry Regulation 41/M-Ind/Per/2008 concerning Provisions and Procedures for Issuing License Industrial Business and Industrial Registry</p> <p>L. HO Regulated by Local government at city/District level</p>
<p><b>Criterion 1.2: Use, access and tenure rights applications are subject to stated pre-conditions within the laws and regulations</b></p>	
<p><b>Indicator 1.2.1:</b> 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</p>	<ol style="list-style-type: none"> <li>1. 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)</li> <li>2. AMDAL has been prepared (B and C)</li> <li>3. Certificate Establishment (APP) (A)</li> <li>4. License for a Trading Business (SIUP) (A)</li> <li>5. Registered Tax Number (NPWP) (A)</li> <li>6. Area planning map (A, B, C)</li> </ol> <p><b>Legal references:</b></p> <p>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</p>

	<p>B. UU No. 32 Year 2009 concerning Protecting and Managing Environmental</p> <p>C. Ministry of Environment Regulation 11 Year 2006 concerning Type of Business Equipped with a mandatory Environmental Impact Assessment</p>
<p><b>Indicator 1.2.2:</b> The company has paid all the costs pertaining to each step of the licensing process</p>	<ul style="list-style-type: none"> <li>• Confirm proof of payment of all applicable fees (initial license fee or concession renewal fee based on area)</li> <li>• Slip of IIUPH (land tax payable on concession issuance and at time of concession license renewable; based on hectares)</li> </ul>
	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Ministry of Forestry Regulation P.12/Menhut-II/2010 concerning Procedure for Imposition, Billing, and Payment Dues Forest Utilization License in Production Forest</li> </ul>
<p><b>Indicator 1.2.3:</b> The Company has informed parties involved in the management of forest resources about the allocation of forestry titles in the concerned area</p>	<ol style="list-style-type: none"> <li>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.</li> <li>2. RTRWP Map(A, B)</li> <li>3. SK IUPHHK and map of area(A, B)</li> </ol>
	<p><b>Legal references:</b></p> <p>A. UU no. 26 Year 2007 Concerning Land use Planning</p> <p>B. Official notification of gazettment as per SK Menhut 57, KPTS-II, 1994</p> <p>C. For Perum Perhutani areas, no wood may be taken from land which is former ERFACHT and/or partikular land (UU 1, 1958) and/or conservation areas (SK Menhut 251, 1985).</p>
<p><b>Criterion 1.3: Clear evidence of forest and/or land use, access and tenure rights shall be demonstrated in accordance with laws and regulations</b></p>	
<p><b>Indicator 1.3.1:</b> 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</p>	<ol style="list-style-type: none"> <li>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.</li> <li>2. Also refer to indicator 1.3.5</li> </ol>

<p>that are nationally approved or authorized by district governments may only be located outside the permanent state forest zone</p>	<ol style="list-style-type: none"> <li>3. RTRW Map</li> <li>4. SK IUPHHK and Map of Area</li> <li>5. BA border demarcation</li> </ol> <p><b>Legal references:</b></p> <ol style="list-style-type: none"> <li>A. Authorizing delineation committee specified in SK Menhut 32, 2001.</li> <li>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</li> <li>C. Forest zones demarcated between 1974 and 1990 should follow the provisions of SK DirJen Kehutanan 85/Kpts/DJ/1/1974</li> <li>D. Forest zones demarcated between 1990 and 1996 should follow the provision os SK Menhut 399, 1990, and SK Menhut 400, 1990.</li> <li>E. Forest zones demarcated between 1997 and February, 2001 should follow the provisions of SK Menhut 399, 1990, SK Menhut 400, 1990, SK Menhut 634, 1996 and SK Menhut 635, 1996.</li> <li>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</li> </ol>
<p><b>Indicator 1.3.2:</b> The company holds an annual harvesting licence from the forestry administration</p>	<ul style="list-style-type: none"> <li>• Check for annual RKT permit, duly signed and stamped by competent authority and applicable for all HPH, HPHTI or IUPHHK tenures.</li> <li>• If RKT not yet available, confirm letters of recommendation issued by Dinas Kehutanan at the Kabupaten level.</li> <li>• Citra Landsat (within last 2 years)</li> </ul> <p><b>Legal references:</b></p> <p>Ministry of Forestry Regulation P.56/Menhut-II/2009 concerning Forest Management Plan for forest Concession and ecosystem restoration</p>
<p><b>Indicator 1.3.3:</b> The company holds a valid permit for land clearing.</p>	<p>For land clearing outside the permanent forest zone, check that the land clearing area has been approved by national, provincial and district forest authorities.</p>

	<p><b>Legal references:</b></p> <p>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.</p> <p>B. Ministry of Forestry Regulation P.14/Menhut-II/2011 concerning License for Wood Utilization (IPK).</p>
<p><b>Indicator 1.3.4:</b> The gazetted boundaries of a license area shall not conflict with any other land use classification.</p>	<p>Map check using appropriate available maps. See indicator 1.3.1.</p>
	<p><b>Legal references:</b></p> <p>Ministry of Forestry Regulation P.56/Menhut-II/2009 concerning Forest Management Plan for forest Concession and ecosystem restoration</p>
<p><b>PRINCIPLE 2: HARVESTING REGULATIONS</b></p>	
<p><b>Criterion 2.1: Forest Management Plan in accordance with the government policies, guidelines and regulatory requirements, approved by relevant authority</b></p>	
<p><b>Indicator 2.1.1:</b> Preliminary studies have been conducted according to the rules and standards prescribed by the forest administration</p>	<p>IHMB concession inventory has been carried out according to MoF regulations.</p>
	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Ministry of Forestry Regulation P.33/Menhut-II/2009 Concerning Guideline for IHMB Forest Concession on Production Forest</li> <li>• Ministry of Forestry Regulation P.55/Menhut-II/2011 Revision of Ministry of Forestry Regulation P.33/Menhut-II/2009</li> </ul>
<p><b>Indicator 2.1.2:</b> The ten year management plans comply with the rules and regulations of the forestry administration</p>	<p>Verify that the 10 year plan (RKU) is based on the IHMB.</p>
	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Ministry of Forestry Regulation P.56/Menhut-II/2009 concerning Forest Management Plan for forest Concession and ecosystem restoration</li> <li>• Ministry of Forestry Regulation P.62/Menhut-II/2008 concerning Forest management Plan for Plantation Forest and Community Forest Plantation</li> <li>• Notification letter No SE.8/Menhut-VI/2009 concerning RKUPHHK based on IHMB</li> </ul>

<b>Criterion 2.2: Harvesting licence (RKT) with stated conditions is in accordance with the government policies, guidelines and regulatory requirements, approved by the relevant authority</b>	
<b>Indicator 2.2.1:</b> Company has acquired license to deploy heavy equipment.	All equipment to be registered with the BPK. Heavy equipment license valid for license period. Chain saw license to be obtained annually. (Normally the existence of a duly signed/authorized RKT is sufficient verification that equipment license has been obtained).
	<b>Legal references:</b> Ministry of Forestry Regulation P.53/Menhut-II/2009 concerning Entered and Use of heavy equipment for Forest Utilization License or IPK
<b>Indicator 2.2.2:</b> Forest maps have been drawn up according to required standards	Ensure that mapping complies with the MoF requirements for content and scale. <ul style="list-style-type: none"> <li>• SK IUPHHK and Map of the Area, and RKT Map</li> <li>• Citra Landsat (within last 2 years)</li> </ul>
	<b>Legal references:</b> <ul style="list-style-type: none"> <li>• Ministry of Forestry Regulation P.56/Menhut-II/2009 concerning Forest Management Plan for forest Concession and ecosystem restoration</li> <li>• Ministry of Forestry Regulation P.62/Menhut-II/2008 concerning Forest management Plan for Plantation Forest and Community Forest Plantation</li> <li>• Dirjen Bina Produksi Kehutanan decree P.9/VI/BPHA/2009 concerning Implementation guidelines of Silviculture system for Forest Concession on Forest Production</li> </ul>
<b>Indicator 2.2.3:</b> Annual working area is delineated on the maps and in the field.	<ul style="list-style-type: none"> <li>• Annual working area and sub-compartment boundaries are marked in the field according to MoF regulation.</li> <li>• RKT book and map</li> </ul>
	<b>Legal references:</b> <ul style="list-style-type: none"> <li>• Ministry of Forestry Regulation P.56/Menhut-II/2009 concerning Forest Management Plan for forest Concession and ecosystem restoration</li> <li>• Ministry of Forestry Regulation P.62/Menhut-II/2008 concerning Forest</li> </ul>



	<p>management Plan for Plantation Forest and Community Forest Plantation</p> <ul style="list-style-type: none"> <li>• Dirjen Bina Produksi Kehutanan decree P.9/VI/BPHA/2009 concerning Implementation guidelines of Silviculture system for Forest Concession on Forest Production</li> </ul>
<p><b>Indicator 2.2.4:</b> 100% inventory has been carried out and all trees marked according to MoF regulation.</p>	<ul style="list-style-type: none"> <li>• Through field visits, verify that marking of harvestable trees, pohon inti, and protected trees is in accordance with MoF regulation.</li> <li>• LHC (Cruising Report)</li> <li>• Tree Map and contour</li> </ul>
	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Ministry of Forestry Regulation P.56/Menhut-II/2009 concerning Forest Management Plan for forest Concession and ecosystem restoration</li> <li>• Ministry of Forestry Regulation P.62/Menhut-II/2008 concerning Forest management Plan for Plantation Forest and Community Forest Plantation</li> <li>• Dirjen Bina Produksi Kehutanan decree P.9/VI/BPHA/2009 concerning Implementation guidelines of Silviculture system for Forest Concession on Forest Production</li> </ul>
<p><b>Indicator 2.2.5:</b> Cruising report has been prepared.</p>	<ul style="list-style-type: none"> <li>• Cruising report (LHC) is available and prepared in accordance with MoF regulations.</li> </ul>
	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Dirjen Bina Produksi Kehutanan decree P.9/VI/BPHA/2009 concerning Implementation guidelines of Silviculture system for Forest Concession on Forest Production</li> </ul>

<b>Criterion 2.3: The company implements harvest operations in accordance with the legally prescribed silvicultural system and relevant regulations</b>	
<b>Indicator 2.3.1:</b> 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.)	Verify compliance with Ministry of Forest technical standards of road construction through ground checks while travelling through the concession area
	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Dirjen Bina Produksi Kehutanan decree P.9/VI/BPHA/2009 concerning Implementation guidelines of Silviculture system for Forest Concession on Forest Production</li> </ul>
<b>Indicator 2.3.2:</b> Minimum harvestable diameters are respected during harvesting operations	<ul style="list-style-type: none"> <li>• Verify from documents and confirm by field inspection compliance with diameter limits.</li> <li>• Confirm compliance by checking LHP reports</li> <li>• LHC reports</li> <li>• Tree position and contour map</li> </ul>
	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Ministry of Forestry Regulation P.11/Menhut-II/2009 concerning Silviculture system for Forest Concession on Forest Production</li> <li>• Dirjen Bina Produksi Kehutanan decree P.9/VI/BPHA/2009 concerning Implementation guidelines of Silviculture system for Forest Concession on Forest Production</li> </ul>

<p><b>Indicator 2.3.3:</b> Timber species harvested are authorized by the forestry administration plans</p>	<p>Check LHP species list and cross-check through field inspection. Protected species may vary from one province to the next.</p> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• UU No 5 Year 1990 Biodiversity Conservation</li> <li>• Government Regulation No 7 Year 1999 concerning Preservation of plant and animal biodiversity</li> </ul>
<p><b>PRINCIPLE 3: TRANSPORTATION OF LOGS AND WOOD PRODUCTS</b></p>	
<p><b>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</b></p>	
<p><b>Indicator 3.1.1:</b> Lorries and other vehicles transporting forest products have a valid registration licence and number</p>	<ul style="list-style-type: none"> <li>• Verify with the Ministry of Transport the legality of registration numbers, transport licences and payment of annual taxes relating to transportation activities.</li> <li>• Heavy equipment permit</li> </ul> <p><b>Legal references:</b> Ministry of Forestry Regulation P.53/Menhut-II/2009 concerning Entered and Use of heavy equipment for Forest Utilization License or IPK</p>
<p><b>Indicator 3.1.2:</b> Companies transporting wood between islands must have valid license.</p>	<ul style="list-style-type: none"> <li>• Inter-island transport is regulated by a permit (PKAPT)</li> </ul> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Ministry of Industry and Trade decree 68/MPP/Kep/2/2003 concerning Inter Island transport</li> </ul>
<p><b>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</b></p>	
<p><b>Indicator 3.2.1:</b> Stumps and logs of harvested trees are hammer marked or painted according to regulations.</p>	<ul style="list-style-type: none"> <li>• Three part red tag: one part on stump; one part on log; one retained by logging team.</li> </ul>
<p><b>Indicator 3.2.2:</b> Logs and billets of timber in forest yards (TPN and TPK) are marked according to regulations to enable tracing</p>	<ul style="list-style-type: none"> <li>• Use of bar code mandatory if annual cutting target (JPT) more than 60,000 cu.m regarding SIPUHH online.</li> </ul>

<p><b>Indicator 3.2.3:</b> Production reports (LHP) completed according to regulations.</p>	<ul style="list-style-type: none"> <li>• LHP should match LHC. LHP is the bases for royalty assessment.</li> <li>• Log transport within the concession requires an SKSKB with a log list (DKB) attached.</li> <li>• 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.</li> </ul>
<p><b>Indicator 3.2.4:</b> Log transportation documents are completed prior to departure from harvesting sites and are retained throughout transportation</p>	
<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Ministry of Forestry Regulation P.55/Menhut-II/2006 concerning Administration of forest product from state forest Forest Penatausahaan Hasil Hutan dari Hutan Negara</li> <li>• Ministry of Forestry Regulation P.63/Menhut-II/2006 concerning Revision of Ministry of Forestry Regulation P.55/Menhut-II/2006</li> <li>• Ministry of Forestry Regulation P.08/Menhut-II/2009 concerning second revision of Ministry of Forestry Regulation P.55/Menhut-II/2006</li> <li>• Ministry of Forestry Regulation P.45/Menhut-II/2009 concerning of third revision of Ministry of Forestry Regulation P.55/Menhut-II/2006</li> </ul>	
<p><b>PRINCIPLE 4: PROCESSING REGULATIONS</b></p>	
<p><b>Criterion 4.1: Clear evidence of documents and licences for companies involved in timber processing shall be demonstrated in accordance with the laws and regulations</b></p>	
<p><b>Indicator 4.1.1:</b> Licences related to timber processing plants should be available for inspection from the company</p>	<ul style="list-style-type: none"> <li>• All processing plants must hold a valid license stating the category of the processing plant (primary/secondary)</li> <li>• The license states the production capacity.</li> </ul>
<p><b>Legal references:</b> Related to indicator 1.1.1</p>	

<b>Criterion 4.2: Timber processing companies are subject to stated conditions within the laws and regulations</b>	
<b>Indicator 4.2.1:</b> The company maintains records to demonstrate that processing quotas have been respected	<ul style="list-style-type: none"> <li>• Check input/output records ensure processing plant does not exceed its licensed capacity.</li> <li>• Cross check with RPBBI document requirements.</li> </ul>
	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Ministry of Forestry Regulation P.16/Menhut-II/2007 concerning (RPBBI) primary wood industry.</li> <li>• Ministry of Forestry Regulation P.43/Menhut-II/2009 concerning Revision of Ministry of Forestry Regulation P.16/Menhut-II/2007</li> </ul>
<b>PRINCIPLE 5: IMPORT AND EXPORT REGULATIONS</b> (applicable to wood working industries only since Indonesia does not permit the export of logs)	
<b>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</b>	
<b>Indicator 5.1.1:</b> The company holds an export/import licence	<ul style="list-style-type: none"> <li>• Verify that the exporting company holds a valid export license (ETPIK)</li> </ul>
	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Ministry of Trade 20/MDag/per/5/2008 concerning provisions of Forestry Industry Products</li> </ul>
<b>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</b>	
<b>Indicator 5.2.1:</b> 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.
	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• DirJen Bea dan Cukai Regulation P-41/BC/2008 concerning Notice of Customs Export</li> <li>• DirJen Bea dan Cukai Regulation P-07/BC/2009 concerning Revision of P-41/BC/2008</li> <li>• DirJen Bea dan Cukai Rregulation P-18/BC/2012 concerning Second</li> </ul>

	Revision of P-41/BC/2008
<b>Criterion 5.3: Timber products import and export companies are subject to stated conditions within the laws and regulations</b>	
<b>Indicator 5.3.1:</b> All species exported /imported are authorised by the appropriate agency under existing regulations	<ul style="list-style-type: none"> <li>• The export of logs out of Indonesia is not permitted.</li> <li>• Sawn lumber export is restricted to S4S or higher manufacturing standard. Rough cut lumber may not be exported.</li> </ul>
	<p><b>Legal references:</b> CITES Government Regulation No 7 Year 1999 concerning Prevision of Plant and Animal species</p>
<b>PRINCIPLE 6: ENVIRONMENTAL REGULATIONS</b>	
<b>Criterion 6.1: State/Company conducts environmental impact assessments or other required assessments within the laws and regulations</b>	
<b>Indicator 6.1.1:</b> Environmental impact assessments must be conducted according to regulations and approved by the relevant authorities	<p>Issuance of forest management licenses is conditional on the completion of an environmental impact assessment (AMDAL) as per government regulation.</p> <ul style="list-style-type: none"> <li>• AMDAL document required for IUPHHK-HA/HT, Pulp and Paper Industry and and other wood working industries.</li> <li>• For other business, need environment document such as UKL/UPL or SPPL based on the type of business and as regulated by local government.</li> </ul>
	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• UU No. 32 Year 2009 concerning Protection and Managing Environment</li> <li>• Ministry of Environment Regulation 11 Year 2006 concerning Types of Business Plan and / or activities that must be equipped with an Environmental Impact Assessment.</li> </ul>
<b>PRINCIPLE 7: CONSERVATION REGULATIONS</b>	
<b>Criterion 7.1: State/company conducts conservation assessment/evaluation within the laws and regulations</b>	
<b>Indicator 7.1.1:</b> Fragile sites are identified during the forestry inventory according to regulations and	<ul style="list-style-type: none"> <li>• Forest regulations define riparian buffer zones, buffer zones for protection forest areas, and buffer zones for external boundaries. These buffer zones</li> </ul>

<p>guidelines of the forest authorities and other relevant agencies</p>	<p>are excluded from harvesting.</p> <ul style="list-style-type: none"> <li>• Forest regulations prohibit logging on slopes &gt;40% (<i>Special Note: This regulation is widely ignored by the MoF since it would make many concessions economically unviable.</i>)</li> </ul>
<p><b>Indicator 7.1.2:</b> Nationally protected species of flora and fauna must be identified in the forest management plan</p>	<ul style="list-style-type: none"> <li>• Protected species are identified in regulations. Protected tree species can be cross-checked against the LHC and LHP reports.</li> </ul>
	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• UU No 5 Year 1990 concerning Biodiversity Conservation</li> <li>• Government Regulation No 7 Year 1999 concerning Provision of Plant and Animal species</li> <li>• President decree 32 Tahun 1990 concerning Management of Protection area</li> <li>• Ministry of Forestry Regulation P.11/Menhut-II/2009 concerning Silviculture system for Forest Concession on Forest Production</li> <li>• Dirjen Bina Produksi Kehutanan decree P.9/VI/BPHA/2009 concerning Implementation guidelines of Silviculture system for Forest Concession on Forest Production</li> </ul>
<p><b>PRINCIPLE 8: SOCIAL REGULATIONS</b></p>	
<p><b>Criterion 8.1: Company maintains or strengthens socio-economic welfare of local communities/indigenous people in accordance with the laws and regulations</b></p>	
<p><b>Indicator 8.1.1:</b> The forest company must respect the property of local communities.</p>	<p>Compensation is not defined by regulation but is left for the two parties to negotiate.</p>
	<p><b>Legal references:</b> 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)</p>
<p><b>Indicator 8.1.2:</b> When workers are hire from local communities/indigenous people they are paid in accordance with legal provisions</p>	<p>Review payslips and discuss with relevant parties to ensure payments are in compliance with the official salary scale.</p>
	<p><b>Legal references:</b></p>

	<ul style="list-style-type: none"> <li>• UU No 13 Year 2003 concerning Employment</li> <li>• Ministry of Transmigration and Employment Regulation No.PER-17/MEN/VIII/2005 concerning Basic Minimum Salary at District level (UMK)</li> <li>• Local regulation UMK</li> </ul>
<b>Indicator 8.1.3:</b> The company must make financial contributions in a timely manner to community development program.	<ul style="list-style-type: none"> <li>• PMDH program is no longer a formal requirement but companies are still required to demonstrate commitment to local community development.</li> </ul> <p><b>Legal references:</b> 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)</p>
<b>Criterion 8.2: Company recognizes legal or customary rights of indigenous/local people in accordance with the laws and regulations</b>	
<b>Indicator 8.2.1:</b> User rights of local communities in the forestry concessions are recognized and respected	<p>The concept of indigenous use rights is recognized in national law but lacks implementing regulation, consequently it is difficult to enforce.</p> <p><b>Legal references:</b> 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)</p>
<b>Criterion 8.3: Company complies with the laws and regulations on its employees' and workers' rights</b>	
<b>Indicator 8.3.1:</b> The company respects the freedom of its workers to participate in labour union activities	<p>Company must encourage formation of labour union to represent its workers.</p> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• UU No 13 Year 2003 concerning Employment</li> </ul>
<b>Indicator 8.3.2:</b> Relations between the company and its employees have been formalised with respect to legal provisions	<ul style="list-style-type: none"> <li>• Verify the existence of worker contracts.</li> <li>• Verify the existence of agreement between the company and labour union.</li> </ul> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• UU No 13 Year 2003 concerning Employment</li> </ul>
<b>Criterion 8.4: Company complies with the laws and regulations of its employees' and workers' welfare</b>	
<b>Indicator 8.4.1:</b> The company workers are paid in compliance	<ul style="list-style-type: none"> <li>• Company is in compliance with minimum wage regulation and the</li> </ul>



with the regulations applicable to their sector of activity	Kabupaten and Provincial levels
	<b>Legal references:</b> <ul style="list-style-type: none"> <li>• Current UMK/UMP</li> <li>• UU No 13 Year 2003 concerning employment</li> </ul>
<b>Indicator 8.4.2:</b> Sanitary and safety conditions for workers comply with the legislation in force	Conduct site inspections and hold meetings with relevant parties in order to ensure that required facilities exist.
	<b>Legal references:</b> <ul style="list-style-type: none"> <li>• UU no 1 Year1970 concerning safety on work</li> <li>• UU No 13 Year 2003 concerning employment</li> </ul>
<b>Indicator 8.4.3:</b> 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: <ul style="list-style-type: none"> <li>• Internal regulations on working hours</li> <li>• Statements of payment of extra hours.</li> </ul>
	<b>Legal references:</b> <ul style="list-style-type: none"> <li>• UU No 13 Year 2003 concerning employment</li> </ul>
<b>Indicator 8.4.4:</b> Recruitment of workers respects age criteria set by national legislation and the International Labour Organisation (ILO)	Hold meetings with employees and managers to verify whether recruitment conditions are fulfilled.
	<b>Legal references:</b> <ul style="list-style-type: none"> <li>• UU No 13 Year 2003 concerning Employment</li> </ul>

<b>PRINCIPLE 9: TAXES, FEES AND ROYALTIES</b>	
<b>Criterion 9.1: The company fills in its tax returns in accordance with its effective professional activity</b>	
<b>Indicator 9.1.1:</b> Royalty payments (PSDH and DR and local royalties where applicable) are paid according to regulation.	<ul style="list-style-type: none"> <li>• PSDH and DR is assessed based on measurements made at the log landings (TPN). Payment is required before transport permits (SKSKB) are approved.</li> <li>• In some provinces, Governor decree requires payment of additional royalty to local communities. Check for local regulations.</li> </ul>
	<p><b>Legal references:</b>  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)</p>
<b>Indicator 9.1.2:</b> Tax returns on timber processing comply with rules and regulations	<ul style="list-style-type: none"> <li>• Value added tax (PPN) paid.</li> <li>• Income tax (PPh) paid.</li> </ul>
	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• UU No 7 Year 1983 concerning Income Tax</li> <li>• UU No 7 Year 1991 concerning Revision of UU No 7 Tahun 1983</li> <li>• UU No 10 Year 1994 concerning second revision of UU No 7 year 1983</li> <li>• UU No 17 Year 2000 concerning Third Revision of UU No 7 yyear 1983</li> <li>• UU No 36 Year 2008 concerning Fourth Revision of UU No 7 year 1983</li> <li>• UU No 8 Year 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods</li> <li>• UU No 11 year 1994 concerning Revision of UU No 8 year 1983</li> <li>• UU No 18 year 2000 concerning Second Revision UU No 8 year 1983</li> <li>• UU No 42 year 2009 concerning Third Revision UU No 8 year 1983</li> <li>• Government Regulation No 1 year 2012 concerning implementation of UU 8 year 1983 and revisions</li> </ul>

<b>Indicator 9.1.3:</b> Tax returns on trade in timber are done in compliance with rules and regulations	<ul style="list-style-type: none"> <li>• Export tax paid.</li> </ul>
	<p><b>Legal references:</b> Ministry of Finance 534/KMK.013/1992 concerning Determination of Tariff and Procedures And payment or remittance of export tax and export tax Supplement</p>
<b>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</b>	
<b>Indicator 9.2.1:</b> All forestry related taxes and fees are paid on time	Verify evidence of payment of all applicable taxes.
<b>Indicator 9.2.2:</b> All taxes linked to timber processing operations are paid on time	<ul style="list-style-type: none"> <li>• PSDH and DR must be paid before transport documents (SKSKB) are issued.</li> <li>• Taxes related to timber processing are payable annually.</li> </ul>
<b>Indicator 9.2.3:</b> All taxes linked to export and import of forest products are paid on time	<ul style="list-style-type: none"> <li>• Taxes applicable to export are payable per shipment.</li> <li>• PBB (Land and Building Tax)</li> </ul>
	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• 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)</li> <li>• Government Regulation No74 Year 1998 concerning Determination of taxable value and calculation of land and building tax.</li> <li>• DirJen Pajak Regulation PER-36/PJ/2011 concerning establishment of Land and Building Tax on Forestry Sector</li> <li>• Dirjen Pajak Notification Letter SE-1413/PJ.06/2011 concerning Administration PBB on Forestry Sector</li> </ul>
<b>PRINCIPLE 10: SUBCONTRACTORS AND PARTNERS</b>	
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	<i>Analisis Mengenai Dampak Lingkungan</i> Environmental Impact Assessment
Adat	Customary or Traditional law
ANDAL	<i>Analisis Dampak Lingkungan</i> Environmental Impact Assessment
APD	Alat Pelindung Diri Safety Equipment
APP	<i>Akte pendirian perusahaan</i> Certificate of Establishment
APHI	Asosiasi Pengusaha Hutan Indonesia Concessionaires Association of Indonesia
BA	<i>Breta Acara</i> Report giving details of boundary demarcation
BAPPEDA	<i>Badan Perencanaan Pembangunan Daerah</i> Regional Planning Office
BK	<i>Bagan Kerja</i> Work Plan
PK	Planologi Kehutanan
BAPPENAS	<i>Badan Perencanaan Pembangunan Nasional</i> National Planning Office
BKPM	<i>Badan Koordinasi Penanaman Modal</i> Department of Coordination of Investment
BUK	Bina Usaha Kehutanan Directorate General of Forestry Production Management
Bupati	District Governor
BPTT	<i>Bahan Penetapan Tebangan Tahunan/</i> 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	<i>Buku Ukur</i>

	Measurement Book
CBD	Convention on Biodiversity
CIFOR	Center for International Forest Research
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
DBH	<i>Diameter Setinggi Dada</i> Diameter at Breast Height
DFID	Department for International Development
DKB	<i>Daftar Kayu Bulat</i> Log List
BT	<i>Bon Trip</i> Log transportation document from log landing to log pond (Internal Document)
DR	<i>Dana Reboisasi</i> Reforestation Fund
EIA	Environmental Impact Assessment
AMDAL	Analisis Mengenai Dampak Lingkungan
ETPIK	<i>Exportir terdaftar produk industri kehutanan</i> Register of forest product export maintained by the Ministry of Trade
FAKB	<i>Faktur Angkutan Kayu Bulat</i> Log transportation document
FMO	Forest Management Organization
FMU	Forest Management Unit
FSC	Forest Stewardship Council
HP	<i>Hutan Produksi/</i> Permanent Production Forest
IUPHHK-HA	<i>Izin Usaha Pemanfaatan Hasil Hutan Kayu-Hutan Alam</i> Forest Timber Concession Permit-Natural Forest
IUPHHK-HT	<i>Izin Usaha Pemanfaatan Hasil Hutan Kayu-Hutan Tanaman</i> Forest Timber Concession Permit-Plantation Forest
IIUPH	<i>Iuran Ijin Usaha Pemanfaatan Hutan</i> Area tax
KBNK	<i>Kawasan Budidaya Non Kehutanan</i> Non Forest Cultivation Area
APL	<i>Areal Penggunaan Lain</i> Other Land Use
HPT	<i>Hutan Produksi Terbatas/</i> Limited Production Forest
IHMB	<i>Inventorisasi Hutan Menyeluruh Berkala</i>

IIUPH	General Periodically Forest Inventory <i>Iuran Izin Usaha Pemanfaatan Hutan/</i> Forest Concession Fee
ILO	International Labour Organisation
ILS	<i>Izin Lainnya Yang Sah</i> Permits permitted under PP No 34 , 2000
IPHH	<i>Izin Pemungutan Hasil Hutan/</i> Forest Product Collection Permit
IPK	<i>Izin Pemanfaatan Kayu</i> Land Conversion Permit
IUPHHK	<i>Izin Usaha Pemanfaatan Hasil Hutan Kayu/</i> Forest Timber Product Exploitation Permit
Kab	<i>Kabupaten</i> District
Kec	<i>Kecamatan</i> Sub-district
KPH	<i>Kesatuan Pemangkuan Hutan</i> Forest Management Unit for Perhutani
KPPL	<i>Kawasan Peruntukan dan Penggunaan Lain-</i> Other land use areas (Provincial)
LEI	<i>Lembaga Ecolabeling Indonsia</i> Ecolabelling Institute of Indonesia
LHC	<i>Laporan Hasil Cruising/</i> Cruising Report
LHP	<i>Laporan Hasil Penebangan/</i> Felling Report
LMHHO	<i>Laporan Mutasi Hasil Hutan Olahan/</i> Processed Forest Production Transportation Report
LMKB	<i>Laporan Mutasi Kayu Bulat/</i> Logs Transportation Report
LMKO	<i>Laporan Mutasi Kayu Olahan/</i> Processed Timber Transportation Report
LOA	Logged Over Area
MoF	Ministry of Forestry
MOU	Memorandum of Understanding
NPWP	<i>Nomor Peserta Wajib Pajak</i> Registered tax number

OSH	Occupational Health and Safety
P2SKSKB	<i>Pejabat Penerbit SKSKB /</i> Forestry Official for Issuance of Legal Forest Product Transportation Permit
P3K	Emergency First Aid
PBB	<i>Pajak Bumi dan Bangunan</i> Land and Building Tax
Petak	Block (usually 100 ha) used for inventory, planning, and operational control
PGM	<i>Pemukiman dan Garapan Masyarakat</i> Community land use areas
PHPL	<i>Pengelolaan Hutan Produksi Lestari</i> Sustainable Forest Management
PKAPT	<i>Pedagang Kayu Antar Pulau Terdaftar</i> Registered Inter-Island Wood Trader
PMDH	<i>Pembinaan Masyarakat Desa Hutan</i> Forest Village Development Program
PPh	<i>Pajak Penghasilan</i> Income tax
PPN	<i>Pajak pertambahan nilai</i> Value added tax
PSDH	<i>Provisi Sumber Daya Hutan/</i> Forest Resource Royalties
PUHHK	<i>Penatausahaan Hasil Hutan Kayu</i> Forest product administration
PUP	<i>Petak Ukur Permanen</i> Permanent sample plots
RIL	Reduced Impact Logging
RKL	<i>Rencana Kerja Lima Tahunan/</i> Five-year Work Plan
RKAP	<i>Rencana Kerja dan Anggaran Perusahaan</i> Annual working plan and budget
RKL	<i>Rencana Kelola Lingkungan</i> Environmental Management Plan
RKPH	<i>Rencana Kerja Pengusahaan Hutan</i> 20 Year Working Plan
RKPHTI	<i>Rencana Karya Pengusahaan Hutan Tanaman Industri</i> Long term Forest and Industrial Plantation Management Plan
RKT	<i>Rencana Kerja Tahunan/</i>

	Annual Work Plan
RKU	<i>Rencana Kerja Usaha</i> 10 year work plan
RKUPHHK	<i>Rencana Kerja Usaha Pemanfaatan Hasil Hutan Kayu/</i> Overall Work Plan
RO	<i>Rencana Operasi</i> Operating Plan Document
RPBBI	<i>Rencanan Pemenuhan Bahan Baku Industri/</i> Industrial Raw Material Requirement Plan
RPHL	<i>Rencana Pengelolaan Hutan Lestari</i> Sustainable Forest Management Plans
RPL	<i>Rencana Pemantauan Lingkungan</i> Environmental Monitoring Plan
RTRWP	<i>Rencana Tata Ruang Wilayah Propinsi</i> Provincial spatial/land use plans
SFM	Sustainable Forest Management
SGS	Societe Generale de Surveillance
SIUP	<i>Surat Ijin Usaha Perdagangan</i> License for a Trading Business
SKAU	<i>Surat Keterangan Asal Usul</i> Certificate of Origin
SKSKB	<i>Surat Keterangan Sahnya Kayu Bulat/</i> Legal Log Transportation Permit
SMK-3	<i>System Managemen Keselamatan dan Kesehatan Kerja</i> Worker health and safety standard
SPP	<i>Surat Perintah Pembayaran/</i> Payment Order
SPPL	<i>Surat Pernyataan Pengelolaan Lingkung</i> Letter of Environmental Management Commitment (issued by District level for small industries)
SPSI	<i>Serikat Pekerja Seluruh Indonesia</i> Indonesian Laborers Union
TFF	Tropical Forest Foundation
TGHK	<i>Tata Guna Hutan Kesepakatan</i> Agreement on Forest Use Plan
TN	<i>Taman Nasional</i> National Park
TNC	The Nature Conservancy



TPK	<i>Tempat Penimbunan Kayu</i> Log Yard
TPN	<i>Tempat Pengumpulan Kayu</i> Log landing in the forest
TPTI	<i>Tebang Pilih Tanam Indonesia</i> Indonesian Silvicultural Tree Planting Scheme (selective cutting and planting system)
TPTJ	<i>Tebang Pilih Tanam Jalur</i> Silvicultural and Tree Planting Scheme (Selective cutting and line planting system)
TUK	<i>Tata Usaha Kayu</i> Wood Administration System
UMK/UMP	<i>Upah minimum Kabupaten/Provinsi</i> Minimum wage rates – district/provincial
UPL	<i>Upaya Pemantauan Lingkungan</i> Environmental monitoring
URS	URS Forestry
UU	<i>Undang Undang</i> law