

INDONESIA'S TIMBER LEGALITY ASSURANCE SYSTEM (SVLK)



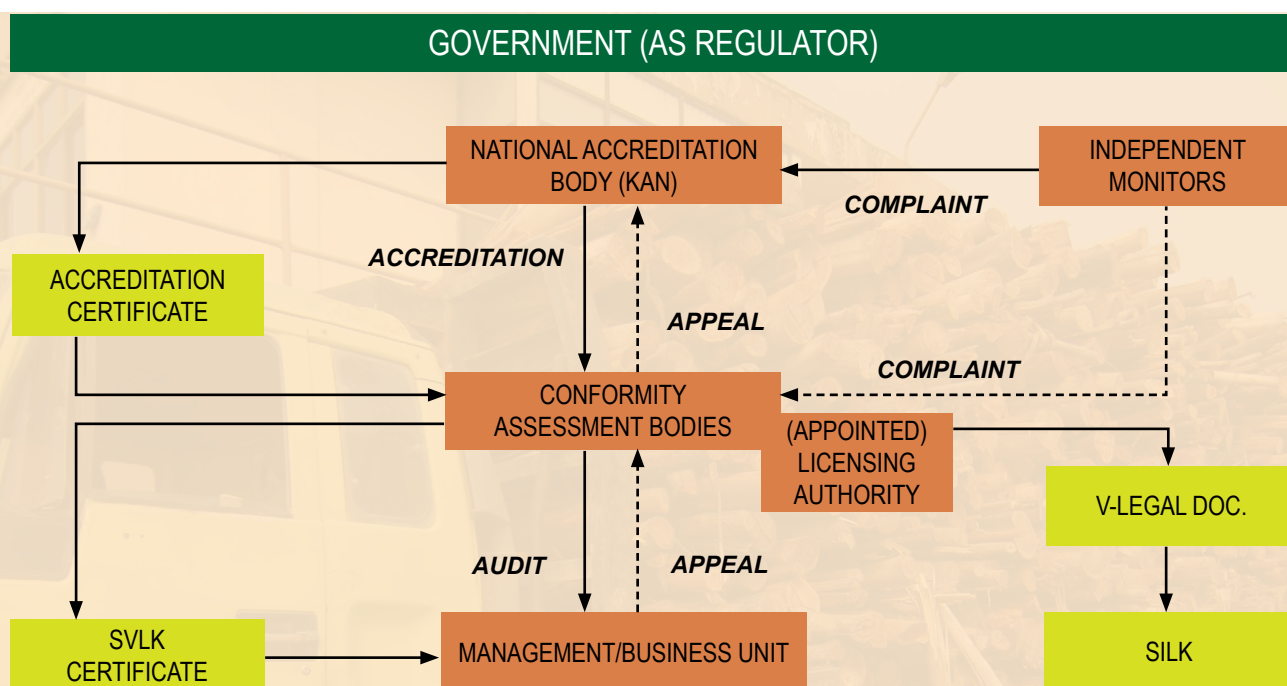
INDONESIA'S TIMBER LEGALITY ASSURANCE SYSTEM

Indonesia's timber legality assurance system or the SVLK (*Sistem Verifikasi Legalitas Kayu*) was developed to ensure sustainability of Indonesia's forests by promoting legal trade of timber. This system was developed since 2001 through multi-stakeholders consultations involving civil society, the government and the private sector.

The SVLK provides incentives for legality and sustainability by promoting market access for verified legal products and blocking market access for illegal products. The SVLK also promotes broader governance reforms, such as improved information, transparency, capacity, and community rights.

Under the SVLK, Indonesian timber is deemed legal when its origin, production, processing, transport and trade are verified as meeting all applicable Indonesian laws and regulations.

SVLK SCHEME



LEGALITY DEFINITION

To ensure legality and sustainability of Indonesia's timber and timber products, Indonesia has developed five legality standards articulated in a set of principles, criteria, indicators and verifiers, all based on Indonesian laws, regulations and procedures:

LEGALITY STANDARD 1. For concessions within production forest zones on state owned/company managed lands: natural production forests, (industrial) plantation forests, forest ecosystem restoration, forest management rights

LEGALITY STANDARD 2. For community plantation forests and community forests within production forest zones on state-owned lands

LEGALITY STANDARD 3. For privately-owned/used forests/land

LEGALITY STANDARD 4. For timber use rights within non-forest zones on state owned lands or from converted production forest

LEGALITY STANDARD 5. For primary and downstream forest-based industries and traders

The standards for all management units include permits and licenses confirming concession-holders or for private forests' owners' rights to the forest areas. For forest concessions the standards also include ecological and social aspects of production, including transportation of timber, and adherence to the FPIC principle (Free Prior Informed Consent)

For downstream industries, the standards include permits and licenses required by Indonesian law for corporations or cooperatives. Big companies with capacity of above 6000m³ are also required to submit reports to the Ministry of Environment and Forestry on their harvest plans. The production aspect include evidence on legality of the supply chain including transport of products. Finally all downstream enterprises must adhere to labour laws and regulations.

For privately owned forest these principles cover the ownership of the timber as it relates to land area, the logs, and the trading of logs, and this should be verified for its traceability.

SUPPLY CHAIN CONTROL

SVLK requires strong supply chain control through well-documented transport of raw material and products at every node of the supply chain as set out in the Ministry of Environment and Forestry Regulations. These regulations require provincial and district forestry officials to undertake field verifications and validate the data and documents routinely submitted by permit holders, landowners or processors at each node of the supply chain. Relevant transport documents must accompany all consignments in a supply chain.

VERIFICATION

The National Accreditation Committee accredits independent private companies, called conformity assessment bodies (CABs), to audit forest businesses and wood-based industries. CABs verify compliance with the legality definition and/or assess the performance of permit holders operating in production forests on state-owned land against sustainable forest management standards. CABs also check the consistency of data declared by auditees during initial and surveillance audits and may carry out field inspections when needed.

As accredited licensing authorities, the CABs also issue 'V-legal' documents to accompany exports of verified legal wood.





FLEGT VPA

To promote better market access for certified timber, Indonesia has entered bilateral negotiations to promote trade in legal timber products with several trading partners.

Indonesia signed the FLEGT VPA in 2013 making it the first country in Asia to negotiate and ratify a FLEGT VPA with the EU. This agreement was ratified through a Presidential Decree in 2014, which sealed Indonesia's commitment in exporting only legal timber worldwide. Since then Indonesia and EU have been negotiating on strengthening SVLK standards and meet VPA requirements.

On 21 April 2016, Indonesian President Joko Widodo and European Commission President Jean-Claude Juncker, and European Council President Donald Tusk agreed to move swiftly towards reducing illegal logging and promoting trade in legally produced timber between the EU and Indonesia through the start of the first-ever Forest Law Enforcement, Governance and Trade (FLEGT) licensing scheme. The EU confirmed that Indonesia has met the final major requirements of its VPA with the EU and is on course to become the world's first country to issue FLEGT Licenses for its timber product exports to the EU.

INDEPENDENT MONITORING AND PERIODIC EVALUATION

Independent monitors are an integral part of the SVLK. They consist of NGOs with legal status and communities living in proximity of the forests. They monitor compliance of operations with the requirements of the legality definition, conformity of the accreditation, verification, periodic evaluation and licensing processes with the requirements of the timber legality assurance system. Finally, the independent monitors can file complaints to conformity assessment bodies, licensing authorities, the National Accreditation Committee, and the Ministry of Environment and Forestry.

In performing their work, independent monitors have the right to full access to data and information on parties involved in the certification process as well as access to locations relevant to the monitoring process. Their security during monitoring is also guaranteed by the government. Finally, they are protected from civil lawsuits on their monitoring report.

In addition to the Independent Monitor, the VPA mandates an annual Periodic Evaluation by an independent third party to provide assurance that the system functions as described in the VPA.



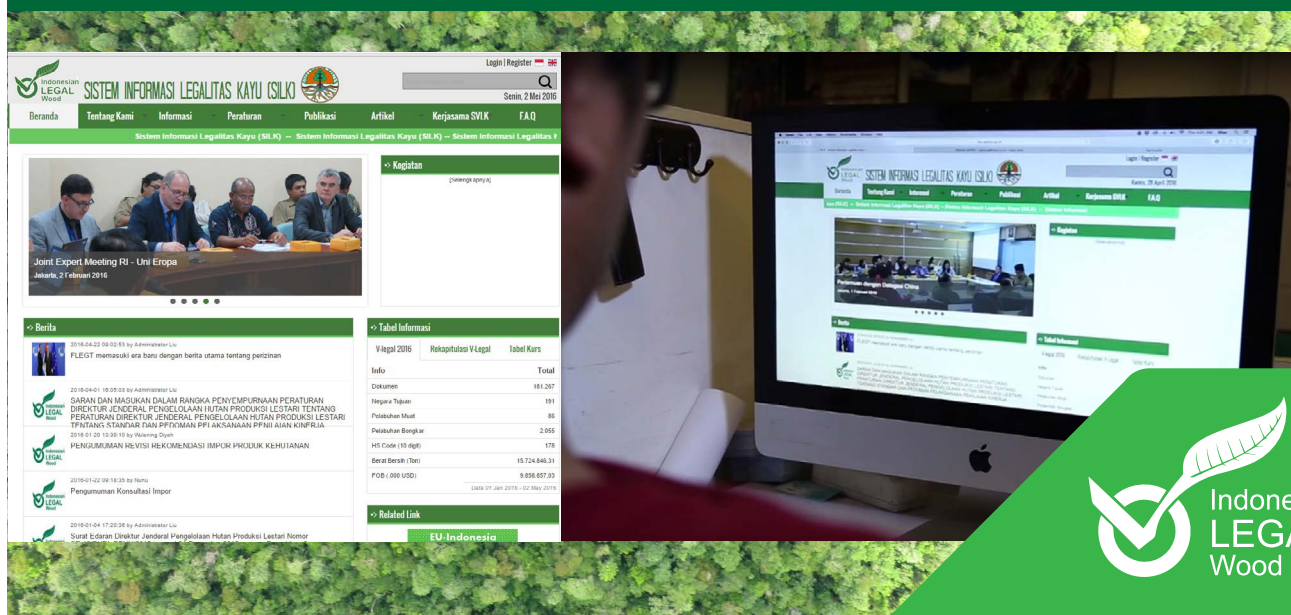
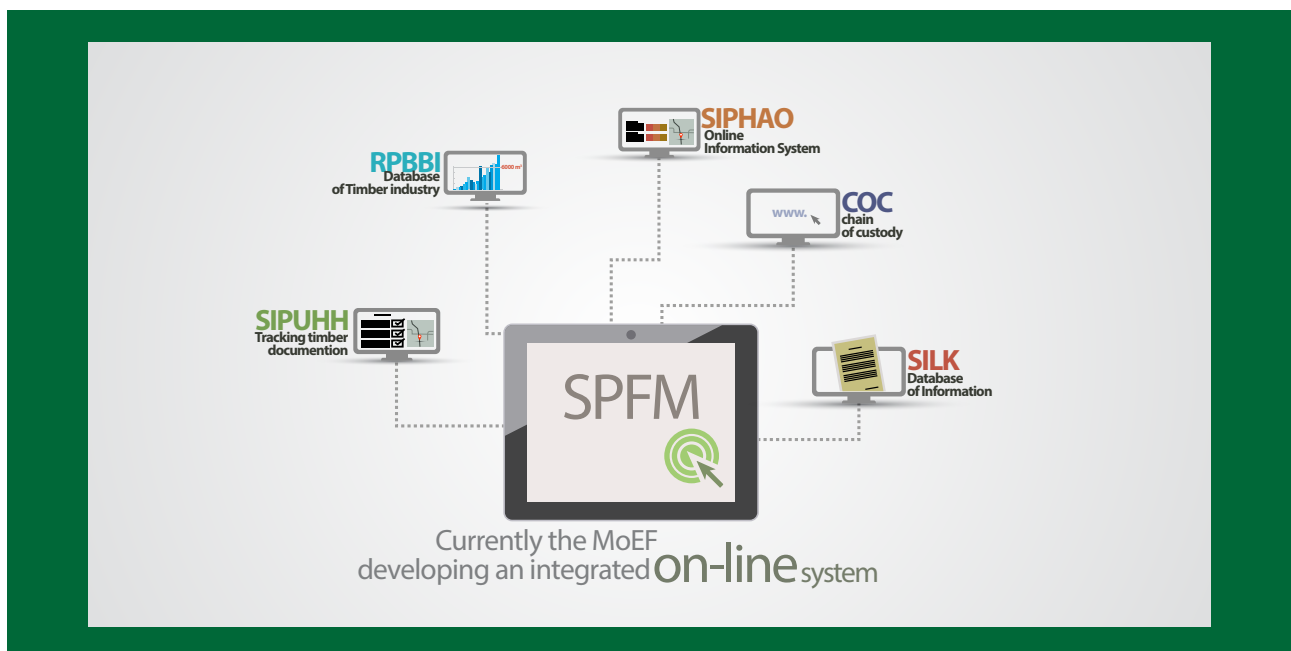
DATA

The Ministry of Environment and Forestry uses various online databases to track the supply chain, including a database which tracks timber and documents it from forest operation to industry, a database of timber industries which records the origin of raw timber as input materials for the industry, an online information system on natural forest production, and finally a database of information on timber exports with V-legal certificates.

Currently the Ministry of Environment and Forestry is developing an integrated on-line system combining the above on-line systems to describe data on the entire chain of custody.

An online database called SILK (*Sistem Informasi Legalitas Kayu*) or the Timber Legality Information System serves as a registry of V-legal documents. SILK links automatically with information systems in the Indonesian Ministry of Trade and the Customs Office of The Ministry of Finance.

Competent authorities in target export markets can access SILK to verify V-legal documents and seek clarification if necessary.





ACHIEVEMENTS

More than
2500
Timber Industries

13.64 MILLION
hectares of natural forest
are SVLK certified

9.02 MILLION
hectares of plantation
forest are SVLK certified

2015

The SVLK issued

181.269

V-legal export
licenses to

43 TYPES

HS code (4 digit)

**PER 1 AUGUST
2016**

The SVLK issued

93.611

V-legal export
licenses to

43 TYPES

HS code (4 digit)

2015

Indonesia exported
SVLK-Licensed timber
products to

191 COUNTRIES

include

28 COUNTRIES

in the EU

**PER 1 AUGUST
2016**

Indonesia exported
SVLK-Licensed timber
products to

184 COUNTRIES

include

28 COUNTRIES

in the EU

2015

Licensed timber
products had a net
weight of

15.73 MILLION
tons and were worth

**USD 9.86
BILLION**

**PER 1 AUGUST
2016**

Licensed timber
products had a net
weight of

7.53 MILLION
tons and were worth

**USD 5.44
BILLION**

2015

Licensed timber products
travelled from

86 PORTS
in Indonesia to

**2055
PORTS**
overseas

**PER 1 AUGUST
2016**

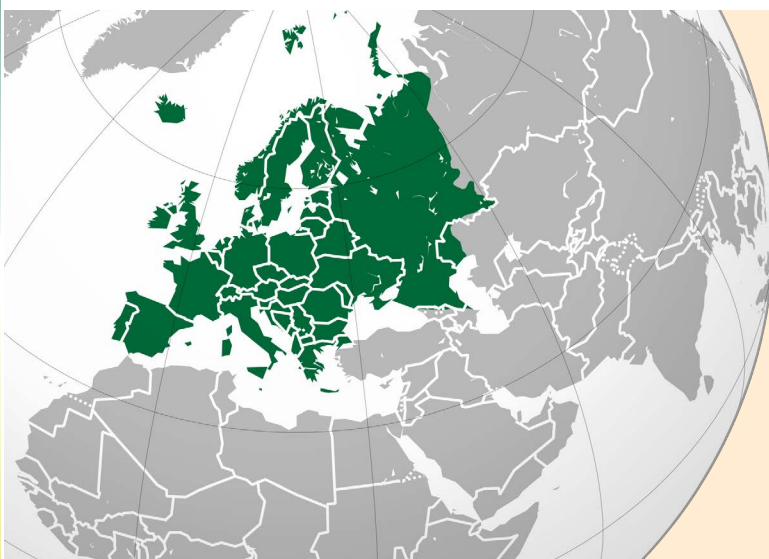
Licensed timber products
travelled from

84 PORTS
in Indonesia to

**1425
PORTS**
overseas

By 1 August 2016, all timber harvested in natural forest concessions and those coming from plantation forest concessions were SVLK certified. The system has also certified 13.64 million hectares of forests and more than 2,500 management unit for forest and timber industries. To support the certification process, the Ministry of Environment and Forestry trained 980 SVLK auditors and registered 4634 technical officers overseeing the timber and timber product transport. In addition, 22 Conformity Assessment Bodies issuing SVLK legality certificates (LVLK) and 14 Conformity Assessment Bodies issuing SVLK sustainability certificates (LP-PHPL) were accredited by the National Accreditation Committee (KAN).

INDONESIA'S TIMBER PRODUCT EXPORTS



**EU
MARKET**

**GLOBAL
MARKET**

2013

USD 593,337,822

USD 6,067,386,152

2014

USD 644,213,671

USD 6,602,595,732

2015

USD 882,234,291

USD 9,859,389,633

2016

**PER 1 AUGUST
2016**

USD 708,387,394

USD 5,445,734,927



Indonesian
**LEGAL
Wood**

FLEGT INDONESIA FIRST IN THE WORLD LICENSE

As of 15 November 2016, Indonesia issues **FLEGT** licenses to verified legal timber products it exports to the EU. This makes Indonesia the first country in the world to achieve this major milestone in the global effort to combat illegal logging and associated illegal timber trade.

