



Forest Management Public Summary

for

PT Sumalindo Lestari Jaya II

Certification Code: SW-FM/COC- 1735

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This document was produced according to the guidelines of the Forest Stewardship Council (FSC) and the SmartWood Program. No part of the report should be published separately.

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ACRONYMS

AAC	Annual Allowable Cut
AMDAL	<i>Analisis Mengenai Dampak Lingkungan</i> (Environmental Impact Analysis)
AMI	<i>Audit mutu internal</i> – Internal Audit
BAPPEDA	<i>Badan Perencanaan Pembangunan Daerah</i> – Regional Planning Office
BAPPENAS	<i>Badan Perencanaan Pembangunan Nasional</i> – National Planning Office
BOD	Biological Oxygen Demand
CAR	Corrective Action Request
CBD	Convention on Biological Diversity
CITES	Convention on Trade in Endangered Species
DBH	Diameter at Breast Height
DHH	<i>Daftar Hasil Hutan</i> – Official Log Lists
DR	<i>Dana Reboisasi</i>
EIA	Environmental Impact Assessment
FMO	Forest Management Operation (SW term within standards)
FMU	Forest Management Unit
FSC	Forest Stewardship Council
HCVF	High Conservation Value Forest
HHNK	<i>Hasil Hutan Non Kayu</i> – Non-Timber Forest Products
HL	<i>Hutan Lindung</i> – Protected Forest
HPH	<i>Hak Pengusahaan Hutan</i> – Forest Management Concession
HPHH	<i>Hak Pengusahaan Hasil Hutan</i> – Forest Product Management Concession
HPHTI	<i>Hak Pengusahaan Hutan Tanaman Industri</i> – Industrial Forest Plantation and Management Concession
HPK	<i>Hutan Produksi Konversi</i> – Production and Conversion Forest
HPT	<i>Hutan Produksi Terbatas</i> – Limited Production Forest
IBRA	Indonesian Bank Restructuring Agency
ILO	International Labor Organization
IPB	<i>Institut Pertanian Bogor</i> – Agricultural Institute of Bogor
Kab.	<i>Kabupaten</i> – district
Kec.	<i>Kecamatan</i> – sub-district
LATIN	<i>Lembaga Alam Tropika Indonesia</i> - The Indonesian Tropical Institute
LEI	<i>Lembaga Ekolabel Indonesia</i> – Indonesia Ecolabeling Institute
LHC	<i>Laporan Hasil Cruising</i> – Timber Cruising Report
LHP	<i>Laporan Hasil Produksi</i> – Timber Harvest Report
LOA	Logged over area
LSM	<i>Lembaga Swadaya Masyarakat</i> - NGO
MoF	Ministry of Forestry
NGO	Non-Governmental Organization
NOAA	National Oceanic and Atmospheric Agency
NRMP	Natural Resources Management Project
NTFP	Non Timber Forest Product
P&C	Principles and Criteria of the FSC
PMDH	<i>Pembinaan Masyarakat Desa Hutan</i> – Forest Village Development Program
PRA	Participatory Rural Appraisal
PSDH	<i>PSDH Pungutan Sumber Daya Hutan</i> (Forest Resource Royalty)
PUP	<i>Petak Ukur Permanen</i> – permanent sample plots
RIL	Reduced Impact Logging
RKAP	<i>Rencana Kerja dan Anggaran Pembelanjaan</i> – Annual working plan and budget
RKL	<i>Rencana Kerja Lima Tahun</i> – Five year operations plan

RKPH	<i>Rencana Kerja Pengelolaan Hutan</i> - Forest Management Plan (20 year)
RKT	<i>Rencana Karya Tahunan</i> – Annual operating plan
RO	<i>Rencana Operasi</i> – Operating Plan Document
RTE	Rare, Threatened or Endangered (species)
RTRWP	<i>Rencana Tata Ruang Wilayah Propinsi</i> – Provincial spatial/land use plans
SBSI	<i>Serikat Buruh Seluruh Indonesia</i>
SFM	Sustainable Forest Management
Sg.	<i>Sungai</i> - River
SGS	PT Sumber Graja Sejahtera
SK	<i>Surat Keputusan</i> - Decree Letter
SKSHH	<i>Surat Keterangan Sahnya Hasil Hutan</i> (Official Timber Transport Document)
SLJ II	Sumalindo Lestari Jaya Unit II
SLJ V	Sumalindo Lestari Jaya Unit V
SP Kahutindo	<i>Serikat Pekerja Kehutanan dan Industri Perakayuan Indonesia</i>
SPSI	<i>Serikat Pekerja Seluruh Indonesia</i> – Indonesian Laborers Union
TGHK	<i>Tata Guna Hutan Kesepakatan</i> – Agreement on Forest Use Plan
TN	<i>Taman Nasional</i> – National Park
TNCI	The Nature Conservancy - Indonesia
TPTI	<i>Tebang Pilih Tanam Indonesia</i> – Indonesian Selective Cutting and Planting System
TPTJ	<i>Tebang Pilih Tanam Jalur</i> – Selective Cutting and Strip Planting System

INTRODUCTION

To earn SmartWood certification, a forest management operation must undergo an on-site field assessment. This Public Summary Report summarizes information contained in the initial assessment report, which is produced based on information collected during the field assessment. Annual audits are conducted to monitor the forest management operation's activities, to review the operation's progress toward meeting their certification conditions (corrective action requests), and to verify compliance with the SmartWood standards. Addenda providing the updated information obtained during these annual audits are included as attachments to the Public Summary Report.

This report presents the findings of an independent certification assessment conducted by a team of specialists representing the SmartWood Program of the Rainforest Alliance. The purpose of the assessment was to evaluate the ecological, economic and social sustainability of the forest concession management of PT Sumalindo Lestari Jaya - II (hereafter referred to as PT Sumalindo, Sumalindo, or the Company). The assessment was conducted jointly with a team from the LEI-accredited certification body, PT Mutuagung Lestari.

Most of this report was written after the assessment in September/October of 2003 and finalized by January 2004. The company reviewed the report and submitted comments to SmartWood in March 2004. The peer reviewers read the draft report and company comments and submitted their reports to SmartWood in June 2004. After substantial review of this input, and response to peer reviewers and the company on all comments, SmartWood completed the certification report with preconditions in June 2004. The findings of two precondition verification audits, conducted in August 2004 and November 2005, have been summarized herein. The final certification assessment report and public summary were updated in December 2005.

The purpose of the SmartWood program is to recognize conscientious land stewardship through independent evaluation and certification of forestry practices. Forestry operations that attain SmartWood certification may use the SmartWood label for public marketing and advertising.

1. GENERAL SUMMARY

1.1. Name and Contact Information

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1.2. General Background

A. Type of operation:

Business summary, corporate structure and history

PT Sumalindo Lestari Jaya Tbk ('SLJ' or 'the Company') has a long history since it was formally established 14 April 1980 as a company to operate an HPH concession in East Kalimantan. It has since grown into a diverse timber company with four logging concessions, three plantation forests, a plywood mill, and an MDF (Medium Density Fibreboard) mill. The company has four subsidiaries, is listed on the Jakarta Stock Exchange and employs approximately 5,000 people. In 2002, it had net sales of Rp 803 billion, and a gross loss of Rp 56.93 billion. The following discussion elaborates on the business, corporate structure and history.

Of the Company's timber concession activities, it operates four HPH concessions in East Kalimantan, Nos. I, II, IV, and V. A fifth operation, SLJ-III, operated in Papua until 2002, but its license was not renewed, as stated by company officials, because the governor and district head wanted to promote local forestry ventures. Timber its own active concessions supply SLJ's plywood mill and MDF mill in East Kalimantan. The new owner of SLJ is PT Sumber Graha Sejahtera (SGS) one company of the Hasko Group, who own a number of plywood manufacturing companies in South Kalimantan, Jambi, and South Sulawesi.

The company was listed on the Jakarta Stock Exchange on 21 March 1994, and as of 2001, 468.750 million shares had been issued. Authorized capital totaled Rp 1.8 trillion, with fully paid capital totaling Rp 468.75 billion (at Rp 1000/share).

SLJ II belongs to the large Sumalindo Lestari Jaya forest conglomerate, which was recently acquired by Hasko Group. The current primary owner of the Company, with 75 percent of the shares, is PT Sumber Graja Sejahtera (SGS), now a subsidiary of Hasko Group. PT Barito Pacific Timber owns 9.53 percent, and the general public owns over 15 percent of the Company. SGS purchased its ownership interest in SLJ from PT Astra International on August 19, 2002. Astra began restructuring in 1998, and management was assumed by IBRA (BPPN) that year, through 1989. Since October 1, 2002 IBRA has transferred its participation (loan at Sumalindo) to PT Rifan Financindo Asset Management, Jakarta.

Sumalindo Lestari Jaya is an integrated Indonesian timber company, with natural forest timber concessions, industrial timber plantations and a large wood processing mill. The group is both a publicly listed company, and a larger private entity. The concessions owned by the larger private entity are listed in Table 1. This private entity controls one concession in East Kalimantan not licensed to the publicly listed entity. The privately held concession is the first (italicized) listed in table below.

Table 1: Forest concessions (HPH) licensed to Sumalindo Lestari Jaya

Name of Concession (HPH)	Granted	Province	Area (ha)
<i>Dharma Satya Nusantara</i>	<i>Sep-85</i>	<i>Kaltim</i>	<i>100,000*</i>
Sumalindo Lestari Jaya I (formerly Gonpu)	Feb-91	Kaltim	89,595
Sumalindo Lestari Jaya II	Oct-81	Kaltim	269,660
Sumalindo Lestari Jaya IV (formerly Madyakarya Pacific)	Mar-90	Kaltim	100,000*
Sumalindo Lestari Jaya V	Sep-94	Kaltim	59,066

*Sources: Indonesian Department of Forestry, Directorate General of Forest Production, Directorate for the Development of Production Forests 2002. *Approximately*

SGS purchased SLJ for approximately Rp 16 billion (\$1.78 million), and assumed all outstanding debt, which totals, as of December 31, 2001, approximately Rp 963.960 billion. New owners have thus far maintained operating procedures and policies in place under previous ownership. As of 2002, Bank Mandiri has forgiven SLJ's outstanding debt, so that the company's debt load is currently about \$47 million. The Indonesian Ministry of Forestry has endorsed the corporate identity of the new entity managing the former assets of Sumalindo Lestari Jaya, and issued a decree explicitly recognizing Hakso as the licensee of Sumalindo's concessions and HTI licenses, and owner of the SLJ factory. They have not indicated any change in direction, although consultants have been hired to review operations in order to increase productivity of the natural forest harvesting operations. Since Rapat Umum Pemegang Saham on May 23, 2003, the Board Directors and Board Commissioners have been changed as follows:

President Director	: Amir Sunarko
Vice President Director	: David
Director	: Lee Yuen Chak
President Commissioner	: Ambran Sunarko
Commissioner	: Hurdatul Ainiah
Commissioner	: Setiawan Herliantosaputro
Independent Commissioner	: Harbrinderjit Singh Dillon
Independent Commissioner	: Husni Heron

Organizational structure and human resources.

SLJ has an elaborate organizational structure, comprised of two primary business units: one supplies raw materials and manages the HPH concessions and HTI plantations, while the second handles production, and manages the plywood mill and MDF factory. Other units within the company include Marketing, Human Resources, Technical, Procurement and Finance and Accounting. Coordinating these units are two Steering Committees, one for Management Improvement, and one for Safety, Health, Environment and Community Development. Three corporate offices report directly to the Board: Corporate Secretary; Corporate Audit and Corporate Planning. The concessions, including SLJ-II, fall within Business Unit I, specifically the logging division.

Within SLJ-II, there are eight sub-departments for all aspects of management and operations: Production Blok A and B, which houses four sections of Blok A, Blok B, Hauling and Skyline; Road Construction, which houses two sections for road building and road maintenance; Heavy Equipment, which houses four sections for equipment relating to blocks, hauling, roads and workshop; Forest Planning, which houses three sections on engineering, inspections, and forest inventory; Sales, which houses two sections on log processing and log control; Warehousing and Logistics, which houses two sections on spare parts; Human Resources, which houses three sections on Finance and Accounting, Personnel, and General Affairs, and lastly, Environment and Community Development, which houses two sections, one on each issue.

Staff for SLJ-II at the office in Samarinda consists of approximately 20 persons. At the concession in Long Bagun, as of April 2003, staff totaled 411.

B. Years in operation

The history of the SLJ-II HPH dates back to 1979, when PT Vick'ssus Trading Co entered into a Forestry Agreement with the Ministry of Agriculture (prior to the formation of the Ministry of Forestry in 1983), FA No 043/VII/1979 to operate a concession 111,000 hectares in size. The company changed its name to PT Rimba Abadi in 1980, which was officially sanctioned via the issuance of an SK from the Director General for Forestry (SK Dirjen Kehut. No 379/DJ/I/80). The Agreement was converted into a HPH in 1981, with an area of 110,000 hectares (SK Menperten No. 908/Kpts/Um/10/81). In the meantime, SLJ entered into a Forestry Agreement from the Ministry of Agriculture in 1980 to manage a 140,000-hectare HPH in East Kalimantan. This Agreement was converted into an HPH in 1981, with a size of 132,000 hectares (SK Menhut. No. 126/Kpts-IV/86).

On April 29, 1981, PT Rimba Abadi and SLJ merged, with SLJ remaining as the named company. The two concessions were known as SLJ-II and SLJ-III, and in 1990, with the issuance of an SK Dirjen Pengusahaan Hutan (SK Dirjen PH No. 419/IV-RPH/1990), the two concessions were united, forming a single concession totaling 242,000 hectares. However, the formal SK HPH (from the Ministry) was not issued for SLJ-II until July 17, 1993. That SK provided some additional hectares to the concession, bringing total area to 272,000 hectares (Add. SK HPH, No. 365/Kpts-II/93). In 1995, the Minister authorized an Allowable Annual Cut of 285,000 cubic meters (Kepmenhut No. 487/Kpts-IV/1995), and further included an additional area bringing the concession to 272,500 hectares, with production area of 269,660 hectares.

Operation of SLJ-II has risen and fallen with the general business trends in the forestry sector of Indonesia. Harvest reached its peak in 1994, with an annual cut of approximately 160,000 cubic meters. As the economic crisis unfolded, SLJ reduced its investment in equipment, and harvest levels have decreased steadily since then. Presently, according to SLJ-II representatives, it has capacity to harvest approximately 120,000 cubic meters, although with recent additional equipment failures and company efforts to recalculate (re-tooling) harvest plans, SLJ-II may harvest significantly less than that, approximately 70,000 to 90,000 cubic meters.

C. Date first certified

January 4, 2006

D. Latitude and longitude of certified operation

The latitude and longitude at a central point in the concession, which lies at the Sg. Benaan bridge, at km 127 above Long Bagun, is:

115° 11' 22" E
01° 12' 12.5" S

1.3. Forest and Management System

A. Forest type and land use history

The SLJ II concession contains a broad expanse of evergreen rainforest, classified as predominantly hill dipterocarp forest in the upper headwaters of the Mahakham river watershed in East Kalimantan, (see section 1.4). The current concession is the result of a merger between the concession from Vick'ssus Trading/Rimba Abadi and Sumalindo Lestari Jaya. The FMU falls within the administration of two kabupaten (Districts), with 54,738 hectares in the District of Kutai Barat and 214,922 hectares within the District of Malinau. The initial Forestry Agreements date from 1979/1980, but no forest operations were undertaken up to 1991.

The forest cover is mostly contiguous, with more than 80% of the area currently classified as virgin forest. Currently, logging operations have been limited to the lower quarter of the concession. The

boundary of the SLJ II concession currently borders several areas of Protection Forest (Sg Tabang Protection Forest, east side; and Batu Jumak Protection Forest on the north side and Batu Payang Protection Forest on the south east side. Former or current concessions that border the HPH:

PT Tunggal Yusi Timber in the south (Closed);
 PT Hitayaq Alan Medang in the west (Inactive);
 PT Rangka Kesuma to the northeast (Inactive);
 PT. Duta Rendra Sejahtera (Inactive); and,
 PT. Rodamas Timber Kalimantan Coy in the southwest (which operated until 2002, but is now inactive).

The majority (approx 80%) of the SJL II concession is virgin forest classified as HPT (Limited Production Forest), resulting in considerable restriction or limitation of operational choices (because of environmental sensitivities).

An all-weather main road currently opens the lower half of the concession and is planned to reach the northern boundary of the concession. A network of (semi-) permanent roads unlocks the logged areas and 4WD vehicles can reach most of these areas.

Table 2: SLJ-II Forest Cover by Condition Type, Size of forest management unit certified and forest use and area in production forest, conservation, and/or restoration.

Forest Condition by Cover Type	Original RKPH		2003 Re-Design	
	Area (Ha)	Percent (%)	Area (Ha)	Percent (%)
Virgin Forest	235,875	87%	214,817	80%
Logged Over Area	22,026	8%	47,512	18%
Non Forest	11,759	4%	7,332	3%
Total Concession Forest Area	269,660	100%	269,660	100%
Source:	Landsat image 97		Landsat image 2002	

The latest available Landsat image (2002) indicates the concession consists of 214,816 ha virgin forest, 47,512 ha previously logged cutting blocks and 7,332 ha non-forested area. Some additional areas (max 2731 ha) have been logged as of September 2003. On average, some 2% of the total area has been logged on a yearly basis.

The current permit for SLJ-II covers an area of 269,660 ha and will expire in 2006. Extension of the concession rights has not been established yet, which poses a dilemma with regard to the long-term tenure of the concession. However, the FMO is actively seeking extension and has already acquired

recommendation letters from the subdistrict heads. Certification of the concession may aid in the extension of the concession rights.

Table 3: Land use categories in the SLJ II concession.

Land use	Area (ha)
Natural or Semi-Natural Forest	182,516
Plantation	0
Protected area	75,505
Special Management Areas	4,863
Water	0
Infrastructure	100
Other uses	6,676
Total Certified Area	269,660

Source: SLJ-II Corporate Statement 2003; special management areas include community lands (e.g. 'tanah ulen') and village expansion and agricultural areas; other uses includes village area.

Boundaries for the concession and non-production areas were established during the 1990s, in mapping and ground marking approved by the Ministry of Forestry (Table 4).

Table 4: Confirmed boundaries of the SLJ II Long Bagun concession.

Boundary type	Boundary length (m)	% total	Legal confirmation
Rivers	47,900	13.12	TBT No. 1246/1997
Beach	None	--	--
National forest			
HL Batu Payang	29,970	8.2	TBT No. 500/1991
Hutan Suaka Alam	None	--	--
Hutan Suaka Margasatwa	None	--	--
Hutan Lindung	7,800	2.08	TBT No. 906/1994
HL Batu Jumak Utara	41,147	11.27	TBT No. 14/IV-Lap/1997
HL Batu Jumak Timur	15,564	4.28	TBT No. 14/IV-Lap/1997
Territorial/measured boundaries			
PT Hitayaq Alam Medang	21,320	5.84	TBT No. 906/1994
“	25,600	7.01	TBT No. 907/1994
PT Rangka Kusuma IV	83,432	22.85	TBT No. 1155/1996
PT Tunggal Yusi & Non HP	28,158	7.71	TBT No. 486/1991
PT Duta Rendra Mulya Sejahtera	12,987	3.56	TBT No. 936/1994
PT Kemakmuran Berkah Timber	51,350	14.07	TBT No. 1039/1995
TOTAL	365,028	100	

B. Annual allowable cut and/or annual harvest covered by management plan

The Indonesian Ministry of Forestry has legally mandated that certain planning documents are prepared and kept up to date by the company. They are:

- RKPH** - Rencana Karya Pengusahaan Hutan (Long term Forest Management Plan)
- RKT** - Rencana Karya Tahunan (Annual Working Plan)
- RKL** - Rencana Kerja Lima Tahun (Five Year Development Plan)
- ANDAL** - Analisis Dampak Lingkungan (Environmental Impact Analysis)
- RKL** - Rencana Pengelolaan lingkungan (Annual Environmental Management)
- RPL** - Rencana Pemantauan Lingkungan (Annual Environmental Monitoring)
- PMDH** - Diagnostik Studi Pembinaan Masyarakat Desa Hutan (Rural

Development Study)

These documents were presented and were complete. The management plan covers 1991/1992 until 2010/2011. SLJII expect to complete the revision of the management plan by 2005.

To determine the yearly cut level, a 100% inventory is performed on a block-by-block basis with a full block (*petak*) usually consisting of 100 ha. The resulting cruising volume compilation (LHC) is determined by SLJ-II. This volume is then subjected to standard reduction factors to allow for waste and decay and to provide a safety margin. The combined weight of these reduction factors (a multiplier effect of 0.56) on the LHC results in a maximum AAC for the concession. The provincial forest service then sets the annual production target specific to the annual cutting area of the concession and the AAC for the province of East-Kalimantan.

In 1995, the Minister authorized an Allowable Annual Cut of 285,000 cubic meters. The yearly planned and realized production, as well as the AAC, varied strongly (Table 5). The planned yearly AAC was 31-52 m³/ha while the actual AAC was even lower: 25-47 m³/ha, well within acceptable levels. The data provided by SLJ-II indicates it has underutilized the logged areas, as the planned yearly production has not been reached for any given year.

During the last two years, SLJ-II has seriously re-evaluated the productive area of the concession as well as the AAC. It determined several areas of HCVF as well as a genetic bank and established communal lands through a participative process. As a result, the total productive area is now set at 182,516 ha. Permanent sample plots have been established in various cutting blocks of each calendar year. Based on the findings from these plots, a more accurate growth estimate has been determined for the management plan of 2004 (1.04 m³/ha/year).

Table 5: Planned and realized production of SLJ-II

Year	Planned production		Realized production		Comments
	Area (Ha)	Volume (m3)	Area (Ha)	Volume (m3)	
1990/1991	900	34130	0	0	
1991/1992	2500	86160	319	31192	
1992/1993	2700	92270	1476	54259	
1993/1994	3200	150270	2430	91292	
1994/1995	4400	166000	3909	148630	
	800	35000	505	17458	Pilot project skyline
1995/1996	5000	166000	4296	135087	
1996/1997	5081	200873	4044	143915	
1997/1998	5344	279244	2977	138651	
1998/1999	6037	281148	2681	93144	
1999/2000	6126	255742	3328	119277	
2000	477	19555	247	6761	Carry over 99/00
	4291	166613	2901	72248	
2001	5968	222903	2938	123641	
2002	2721	83995	1578	49332	Carry over 2001
	5649	217744	1515	55129	
Average	3,825	153,603	2,197	80,001	

Source: Yearly management plan 2002, SLJ-II.

Thus, the average amount of timber that has been extracted was 36.4 m³/hectare.

C. General description of details and objectives of the management plan/system

The concession's 20-year management plan was originally designed under the standard Indonesian silvicultural prescription for natural forests – the Indonesian Selective Felling and Planting System (TPTI - Tebang Pilih Tanam Indonesia). This system follows a 35-year cutting cycle, with 12 steps to the silvicultural prescription: 1) work area organization, 2) pre-logging inventory, 3) opening up forest area, 4) felling, 5) underbrushing, 6) inventory of residual stand, 7) 1st liberation, 8) seedling procurement, 9) planting and rehabilitation, 10) tending of planted seedlings, 11) 2nd and 3rd liberation, and 12) thinning (Lampiran Keputusan DirJen Pengusahaan Hutan 1993). The planning is based on a long-term management plan (20 years), with operational five-year plans and one-year plans. Inventories of the standing stock are undertaken at intensities of 1% at the time of the preparation of the 20-year plan, 5% for the five year plan and 100% for the 1-year plan. Future crop trees are identified during pre-felling inventory, and marked in the field. In production forest, commercially valuable species ≥ 50 cm diameter at breast height (dbh) are selected, while in limited production forest only commercially valuable species ≥ 60 cm dbh are selected. One hundred percent post-felling inventories are planned to determine damage to the residual stand. Enrichment planting and roadside planting are undertaken to restore degraded or insufficiently stocked logging sites. The enrichment planting primarily uses native species of commercial dipterocarps.

Since 2001, the Ministry of Forestry has also determined several requirements for Reduced Impact Logging (RIL). SLJ-II plans its operation according to in-house RIL guidelines. Directional felling is promoted among the operational crews through the use of an incentive system. Implementation of the pre-planned skidding trails is ensured through a system to minimize steep skid trails and destruction of riparian zones. The logs are extracted to roadside landings using ground based skidding (<35% slopes) and/or a skyline system (>35%). Logs are then hauled by company trucks to a log yard along the Boh river.

The FMO's management (planned) activities show several deviations from TPTI/RIL (Table 6). For some of the required activities the concession obtained dispensation from relevant agencies (see rows 19, 24, 30 and 34). Other activities are performed earlier than required, like mapping (rows 8-11) and tending (rows 28, 31 and 32). Various activities required under TPTI are not performed by the FMO (rows 23, 27, 36, 38 and 40). The FMO has deviated from these activities based on analysis by independent consultants (GTZ, TNC, etc) and their own experience. For each deviation it provided acceptable rationale based on the consultancies and experience. However, it has not obtained approval from the necessary government agencies for all deviations from TPTI/RIL.

Enrichment planting/rehabilitation and tending (rows 19, 27, 28, 31 and 32), activities claimed not to be performed, are still planned in the management plan for 2003.

Table 6: TPTI/RIL regulations versus SLJ-II management activities

	Time	TPTI Regulations	RIL Regulations	SLJ-II Management activities
1	Et-3	Organization of logging area (PAK)	-	PAK, includes boundary demarcation for logging compartments
2	Et-3?	-	-	Preparation of compartment map
3	Et-2	Stand Inventory (ITSP)	ITSP	ITSP, road survey, road design, road mapping
4	-	-	Topographical survey	Topographical survey
5	-	-	-	Preparation of various maps, including timber harvest maps
6	Et-1	Opening up forest area (PWH)	-	PWH
7	-	-	-	PSP Inventory 1 (some 8 ha per year)
8	-	-	Tree map	Map prepared at Et-2 (Row 5)
9	-	-	Topographical map	Map prepared at Et-2 (Row 5)
10	Et-0.6	-	Planning of skid trail/landing	Map prepared at Et-2 (Row 5)
11	Et-0.3	-	Delineation of skid trail/landing	Map prepared at Et-2 (Row 5)
12	Et+0	-	Opening of skid trails	Opening of skid trails
13	-	Logging	Directional felling	RIL logging procedures
14	-	-	Winching 15-30 m	<i>Max winching unclear in the field, but more than 30 m in some</i>
15	-	-	-	Rehabilitation of main road, spur road, skidding trail and landing
16	-	-	-	Tending
17	-	-	-	Planting stock procurement
18	Et+0?	-	-	Delineation of forest cover change on timber harvest map
19	Et+1	Clearing	-	No clearing, dispensation from KanWil Kehutanan

20	-	-	Tending
21	-	-	PSP inventory 2
22	-	-	Estimation of residual stand with diameter (20 cm and up) from
23	Et+2	Inventory of residual stand (ITT)	No ITT, instead estimation of residual stand at Et+1 (row 2)
24	Et+2	Liberation	No liberation, dispensation from KanWil Kehutanan
25	Et+2	Planting stock procurement	Planting stock procurement at Et+0 (row 17)
26	-	-	Tending No enrichment planting, rehabilitation road system at Et+0 15)
27	Et+3	Enrichment planting/rehabilitation	-
28	ET+3	Tending	<i>No tending, performed from Et+0 to Et+2 (rows 16, 20 and 26)</i>
29	-	-	PSP inventory 3
30	Et+4	Liberation	No liberation, dispensation from KanWil Kehutanan
31	Et+4	Tending	<i>No tending, performed from Et+0 to Et+2 (rows 16, 20 and 26)</i>
32	Et+5	Tending	<i>No tending, performed from Et+0 to Et+2 (rows 16, 20 and 26)</i>
33	-	-	PSP inventory 4
34	Et+6	Liberation	No liberation, dispensation from KanWil Kehutanan
35	Et+7	-	PSP inventory 5
36	Et+10	Thinning	No thinning
37	-	-	PSP inventory 6
38	Et+15	Thinning	No thinning
39	-	-	PSP inventory 7
40	Et+20	Thinning	No thinning
41	-	-	PSP inventory 8

Source: Letter - Reduced Impact Logging (RIL), DepHut No 274/VI-PHA/2001 (23/02/01, DirJen Pengelolaan Hutan Produksi).

1.4. Environmental and Socioeconomic Context

Environmental Context

The landscape in East Kalimantan consists of a northern range of mountains running approximately from the northeast to southwest along the border with Sarawak. South of these mountains, the land descends rapidly into steep, rugged foothills, and rather abruptly into a broad swampy plain.

Two river systems, tributaries of the Sg Mahakam, lie within the concession flowing north-south on the concession's west boundary (Sg Oga/Sg Temahak); and flowing NE-SW, draining most of the eastern and central parts of the concession (Sg Boh). The upper Sg Boh drainage has limited areas of shifting cultivation, while the Sg Oga/Sg Temahak flow mostly through rugged topography, the western part of which has undergone some forest exploitation in the past. Rivers are continuously recharged by generous rainfall (from 2000-6500mm/yr), and SLJ Concession at Long Bagun receives at least 200 days of rain per year, averaging just below 3,000mm/yr. There are dry months, despite a consistent rainfall between about 2700-3300mm. Temperatures in the lowlands range from about 25-31 C. The tremendous variety of topography and associated habitats in Kalimantan has provided a vast range of biological communities.

Soils are dominated by Dystric cambisols and Haplic podzols and latosols, with a variety of other soils, mostly skeletal on the upper slopes and ridges (Table 7).

Table 7: Soil types and their abundance in the SLJ II Long Bagun concession.

Code	Classification				
	PPT	FAO	Soil taxonomy	Ha	%
A	Alluvial	Fluvisols	Entisol	1,187	0.44
B	Dystric cambisols	Dystric cambisols	Typical dystropept	124,178	46.05
C	Chromic cambisols	Chromic cambisols	Typical dystropept	1,753	0.65

D	Haplik podzolics	Orthic Acrisols	Typical dystropept	75,909	28.15
E	Haplik latosols	Cambisols	Typical dystropept	38,777	14.38
F	Chromic latosol	Orthic luvisols	Ultic tropodults	6,822	2.53
G	Lithosol	Lithosols	Entosols	6,337	2.35
H	Lithosolic/district cambisol complex	Lithosol/cambisol complex	Entisol/typical dystropept complex	14,696	5.45

Source: Hasil pemantauan lingkungan 1996-2002, SLJ II Long Bagun

Information on the ecological context and conservation importance of the SLJ-II concession area is available in the Nature Conservancy Report, "Preliminary High Conservation Value Forest Assessment for PT Sumalindo Lestari Jaya HPH Unit-II" (2003), from which some of the information below has been extracted.

The concession is dominated by lowland and mixed hill dipterocarp forest formations over mostly steep terrain (Table 8). In the absence of accurate digital maps for the concession, the total coverage by these forest communities in the landscape is unknown, but probably comprises more than 90% of the total concession area. The transition from lowland to montane formations may occur at a variety of altitudes, from 800-1800m, but for the purpose of this assessment (based on information from neighboring Kayan Mentarang National Park), the forest transition is defined as occurring at 1,000m.

Table 8: Topography of the SLJ II concession.

Slope gradient (%)	Area (Ha)	Relative area (%)
0-8	19,496	7.23
8-15	19,308	7.16
15-25	61,078	22.65
25-40	110,156	40.85
>40	35,946	13.33
Tertutup awan	7,955	2.95
Gap	15,721	5.83
Jumlah	269,660	100

Source: Hasil pemantauan lingkungan 1996-2002, SLJ II Long Bagun

These are some of the most biologically diverse terrestrial ecosystems in the world. It is estimated that 7,000 to 10,000 species of plants are found in the lowland forests of Borneo, making it richer than the whole of Africa (MacKinnon et al 1996). The forest is stratified, with a canopy of up to 45m and emergent trees as tall as 65m. Trees of the family Dipterocarpaceae dominate lowland primary forests in East Kalimantan. These tall, high-topped canopy trees are of great commercial value, and often found at high densities. They may comprise 10-15% of all trees and 80% of those forming the upper canopy. Borneo is the centre of diversity for this family, with 267 species, two-thirds of which are endemic. A sporadic mass flowering and fruiting event (mast), occurs on average every 4 – 5 years with a majority of dipterocarps across a wide area simultaneously bearing fruit.

Their large size, high stocking rates and excellent wood characteristics have made dipterocarps the target for forestry operations since the 1930's. Since the 1980's the increase in the volume and area of logging operations in Kalimantan has brought widespread deforestation. Lowland dipterocarp forest formations formerly abundantly distributed over in Java, Sumatra Borneo, the Philippines and peninsular Malaysia. Today these forests are rare or absent in Java and the Philippines, and if current trends continue, the bulk of primary

lowland dipterocarp forests may be lost from Sumatra and Kalimantan within a decade. High diversity forests found on flat alluvial soils have been hardest hit, with only 23 % remaining on Borneo. The remainder of primary forests in Kalimantan lies between 300m and 1000m on steep hillsides and ridge tops (mixed or hill dipterocarp forest). Lowland forests found in the SLJ II area are essentially mixed / hill dipterocarp forest, though some areas of alluvial dipterocarp forest probably occur at lower elevations of the Boh valley and its tributaries.

The exact extent of lower montane forest within the SLJ II concession is has not been surveyed, but several peaks from 1000 - 1350m, such as Gunung Payang, occur. This forest type differs from lowland dipterocarp forest in community structure and composition. Dipterocarpaceae are much rarer at these altitudes and the forest includes many more Ericaceae, Fagaceae, Lauraceae and Myrtaceae species. Structurally the forest consists of only 2 strata and the canopy height is only 15 – 33 m (MacKinnon et al 1996). Due to the small size of the trees and the lack of commercial species exploitation of these forests have been limited. In Borneo some still cover a large part of their historical range, though those on limestone areas are much more reduced. The largest number of species threatened occurs in lowland moist forests (Table 9).

Table 9: Threatened habitats and species in Kalimantan

Forest Type	Original extent (km ²)	Current extent (km ²)	% original extent remaining	Number of threatened species in Kalimantan
Tropical montane evergreen	83,350	48,797	59	4
Tropical montane on limestone	14,938	1,832	12	na
Tropical wet evergreen	720,437	346,737	48	136
Freshwater swamp forest	65,010	23,057	35	24
Heath forest	92,727	38,555	42	20
Limestone forest	27,884	16,074	58	na

Source: Wetlands International

Borneo possesses more than 220 species of mammals (Sumatra has 196 and Java 183). At least 400 bird species and approximately 500 species of herpetofauna are now known from Kalimantan. About one-fifth of all birds and one third of the herpetofauna are endemic (found nowhere else). At least half of all these endemic species (about 75% of endemic birds) are confined to montane areas, making Bornean montane forests the most species-rich in the Indo-Pacific region. All told, the current list of land vertebrates found in Kalimantan stands at just over twelve hundred species, and is by no means final as new additions continue to join the list. More than ten species of frogs have been added since 1988, about one per year. Even new mammals are turning up; an undescribed species of tree shrew was found in Lanjak-Entimau in Sarawak in 1997.

No large scale, formal inventory of the fauna of SLJ II has been completed, but it is reasonable to assume that faunal diversity of the area probably resembles that of Kayan Mentarang National Park (KMNP) to the north-northeast. Based on landscape and elevational characteristics, KMNP contains the same kinds of hill and montane forest types found in SLJ II. KMNP contains atleast 310 species of birds, including most montane endemics, and at least 94 mammals including the sun bear (*Helarctos malayanus*) and Bornean gibbon (*Hylobates muelleri*). Three protected species of primates occur in the concession, *Presbytis rubicunda*, *P. hosei* & possibly *P. frontata*. During an interview with one of the forest operations staff, it was reported that orangutan (*Pongo pygmaeus*) survives in the Upper Sg Lebusan. Other Critically Endangered, or Endangered large species such as rhino (*Dicerorhinus sumatrensis*) and Banteng (*Bos sondaicus*) have not been recorded since 1972 and 1980

respectively. Most or all of the protected species of the Felidae are present, and the Clouded Leopard (*N. nebulosa*) has been seen several times during the last year. These are traditionally killed by local people, who use them in traditional and cultural rites. A possibly undescribed species of crocodile has been sighted in two areas of the concession (Kuala Mujud, a tributary of the Sg Mahakam, and the Sg Lebusan (branch of Sg Boh).

Human disturbance within the concession area has been minimal (less than 10%), because the existing local communities moved into the concession only within the last few decades (see following Section). Disturbance is primarily in the form of abandoned plots of shifting agriculture, and small areas of housing.

Socioeconomic Context

This section describes the local communities that reside within the boundaries of the HPH. Much has been studied of Dayak populations of Kalimantan, their traditional social and political customs (*adat istiadat* or *adat*), shifting or swidden agricultural practices, and economic livelihoods.

There are five villages (*desa*) within the SLJ-II HPH. Mahak Baru, Dumu Mahak, Long Lebusan, and Long Top (also known as Ogap) are all located in the eastern part of the HPH, in the District Malinau, north of the boundary with the District of Kutai Barat. The fifth village, Sungai Barang, is located at the northernmost reach of the HPH, also in District Malinau. (All remain rather isolated, since even SLJ II's "main" road is frequently impassable beyond km 148.) The two population clusters are each very remote, with no access other than MAF plans or several days' hike. The populations are almost entirely of the *Suku Kenyah*, although Long Top has a small *Punan* population. Population estimates for each village vary.

Table 10: Population estimates and approximate dates of settlement, as told by community members.

Desa	Kepala Keluarga (households)		Year of Settlement (approximate)
	<i>Scoping interviews with community members</i>	<i>SLJ-II diagnostic study 1992</i>	
Mahak Baru	140	110	1969
Dumu Mahak	87	29	1971
Long Lebusan	153	83	1963
Long Top	12	19	1950s
Sungai Barang	26	ND	2002

Histories of villages are essential in the understanding of adat relations and boundary demarcations. Even though communities may move from one region to another, they often do not forsake some territorial claim over their original area. Most of the populations moved to this area of Malinau from Long Nawang near the Sungai Kayan, in the upper reaches of the Mahakam. The Punan of Long Top moved from Sarawak in Malaysia. There is anecdotal information that several families that had moved from these villages to Melak are now returning, in order to claim some of the compensation that is being paid to the community members.

Despite the existence of four villages that are well known, there is the formation of a new group only in the last three years, since 2000, known as Long Agung, or Agung Baru. Families that comprise this village moved there from Sungai Barang. Community representatives believe that the families have settled within the boundaries of Mahak Baru and Long Lebusan, but this is not clear.

As is typically the case with Dayak villages in Kalimantan, each of the villages within the HPH essentially has a dual form of governance stemming from the combination of adat leadership and state government leadership. Adat leaders have long existed within communities, while the central government imposed a system of governance upon villages through Act No. 5/1974 and Act No. 5/1979 (now both repealed by Act No. 22/1999), giving rise to village heads that fall within the bureaucratic framework of the Indonesian government. Thus, each village has an adat leader (Kepala Adat) and a village leader (Kepala Desa). Within the village adat structure, there will usually be a Secretary and a Treasurer, as was the case in the villages within the HPH boundaries. The two sets of leaders will generally collaborate in decisions. The Kepala Desa reports to the head (*camat*) of the sub-district (*kecamatan*) and head (*Bupati*) of the District (*Kabupaten*). Within the adat system is also a hierarchy: the Kepala Adat of the villages will raise issues with a Kepala Adat Besar, who is the adat head of a region.

Table 11: Names of the village leaders provided by staff of SLJ-II

Desa	Kepala Adat	Kepala Desa
Mahak Baru	Papui Laing	BithLaing
Dumu Mahak	Lim Ncau	Lenjau Udau (Taman Sika)
Long Lebusan	Lenjau Serang	Uris Ding
Long Top	Layoi Lahaq	John Belithou
Long Agung	Ajang Juk	Amos Arang

Decisions regarding social and economic issues within the villages are generally made in the form an assembly of the village inhabitants (*musyawarah*). In recent years, decisions to elect village and adat leaders have been made in this manner, although often the chosen leaders are those whose families have consisted of previous leaders. A *musyawarah*, however, can be more of a socialization of a decision made by the leadership than an actual decision by the assembled community.

The village area consists of houses and fields (*ladang*). The boundaries of the village area are established along natural markers, such as streams and mountains. While the village leaders know the full perimeter of the boundaries, others only know the boundaries along the paths. Within these boundaries, all villagers are free to use the *ladang* for their needs; in this sense, the *ladang* is communal property shared among the villagers. Outside the boundaries, community use of the forest is not extensive -- the forest is used to seek gaharu, rotan, and gold, which are the only cash products of the communities. According to community members interviewed, virtually everything grown in the *ladang* is for village consumption. This includes rice, corn, soy, sago, banana, pineapple, and peanuts. Fishing in streams also provides an important food source for the communities. Villagers report that fishing has diminished only slightly in recent years, and that catch is still abundant. SLJ-II operations, however, are not near the fishing grounds of the communities, so that few to no impacts should be expected. The villagers interviewed were not aware of special sites outside the village areas, such as burial grounds, caves, fruit trees, etc., with one exception for Long Top. Long Top has a sacred burial site outside the village area that itself is apparently clearly marked.

The adat system that governs activities for community members also provides for a system of enforcement and sanction. Persons from outside the village who wish to use the *ladang* or any resources within the village boundaries must request permission from the Kepala Adat. If permission is not requested, then the person may be subject to a fine or some other form of punishment as prescribed by the Kepala Adat. According to the Adat Secretary for Long Top, this would amount to an ad hoc negotiated fine.

In 1998, the several *suku* Dayak of the region formed a *musyawarah* and codified some of the adat laws in a formal document.

1.5. Products Produced and Chain of Custody

A. Species and volumes covered by the certification

Tree species harvested by SLJ II are grouped into broad commercial categories rather than by specific taxonomic identification. The common or trade names (that may include multiple species) for the trees that are harvested are given in Table 12.

Table 12: Species harvested by SLJ II

Species	Scientific name	Volume (m ³)	Product
Meranti, red	<i>Shorea</i> spp.	42,790	pink veneer
Meranti batu	<i>Shorea</i> spp.	20,148	
Meranti, yellow	<i>Shorea polyandra</i>	20,084	yellow veneer
Marsolok	***	5,369	
Meranti, white	<i>Shorea lamellate</i>	5,061	pale-yellow veneer
Merkabang	***	3,962	
Keruing	<i>Dipterocarpus</i> spp.	2,793	dark veneer
Kenuar	***	2,660	
Kapur	<i>Dryobalanops</i> spp.	1,314	pink veneer
Various species	-	2,467	Each species <1,000 m ³ /y
Mixed timbers	-	9,152	-
Total		115,800	

Source: Production figures from 'Keputusan Kepala Dinas Kehutanan Propinsi Kalimantan Timur' (No 522.110.1/13/Kpts/DK-VII/2003). Figures will likely vary for 2004.

The bulk of SLJ II's log production is within the commercial category of "meranti" tropical hardwoods. Dipterocarp species known as "meranti" comprise the predominant timber product. SLJ II is similar to most other logging operations in Kalimantan in the utilization of a relatively narrow range of the species that occur in the forest, e.g., mostly dipterocarps, albeit these occur at relatively high density (15% by species, sometimes >50% by volume).

B. Chain of custody certificate

Sumalindo Lestari Jaya operates its own plywood mill with an input capacity of 423,200 m³ (output of 251,600 m³). The plywood mill obtains its raw timber only partially from SLJ-II. Sumalindo Lestari Jaya also sources its logs from privately owned timber plantations as well as third parties. All logs produced by SLJ-II are produced for this mill. The chain of custody for the FMU would originate with felled logs, from the stump in the cutting block, which are hauled to roadside and loaded on Sumalindo logging trucks, onwards to riverside log yards, from where logs are boomed together and hauled downstream.

The CoC assessment for a joint FM/COC certification candidate is limited to the SLJ-II forest gate only. In this assessment the go-between log pond at Long Iram was considered as the SLJ-II "forest gate". Arguably, this could also be the log yard/log pond within the concession (km 82). But the use of an SKSHH is too expensive due to the small volumes that can be rafted from km 82. Therefore SLJ-II prepares alternative travel documents (a log invoice or 'faktur') for transport of the small rafts up to the forest gate. The timber tracking system required under Indonesian law (*SKSHH*) only starts at the go-between log pond. Once the small rafts reach the Long Iram log pond, the small rafts are aggregated and an SKSHH is obtained for delivery to the plywood mill. This pre-SKSHH log invoice system is authorised by the forest service.

The Company carries out systematic tree marking and labelling and reasonably sufficient control of its standing stock inventory. Labelling of commercial trees available for harvest follows MoF prescriptions. Based on the maps, individual trees (and stumps) can be traced without much difficulty in the field. At the landings, tree tags are re-attached to the logs, and similar data is written in chalk on both ends of the logs.

All trucks transporting logs have a Trip Ticket, which lists production numbers of logs on each log. Random samples of these production numbers were taken from the central log yard and cross-checked against the inventory control system at base camp. The cross-check accurately produced the details of the cruising report, production report, trip ticket and DHH.

An inventory control check was also carried out by assessors at the log pond. Some discrepancies between the cruising data and the SKSHH were found (Appendix III). While SLJ-II appeared to have fairly good control of its inventory movements, improvements were required to conform to chain of custody certification standards.

C. Description of current and planned processing capacity covered by the certificate

This certificate will cover no processing facilities of PT Sumalindo Lestari Jaya. A COC certification will be required separately to cover the processing.

2. CERTIFICATION ASSESSMENT PROCESS

2.1. Assessment Dates

September 30, 03	Public meeting, Jakarta.
October 7, 03	Meeting with SLJ II staff and the top management.
October 8, 03	Public meeting, Luwai Room, Hotel Mesra International, Samarinda. Team discussion of field schedule.
October 9, 03	Travel to Melak, capital of Kutai Barat district.
October 10, 03	Public meeting in Ruang Serba Guna, Bupati office, Kutai Barat. Departure to Long Bagun.
October 11, 03	Travel to Field Camp.
October 11-18, 03	Field assessment.
October 19, 03	Return to Samarinda. Social team in Melinau.
October 20, 03	Public meeting in Malinau. Document review, NGO interviews, Samarinda.
October 21, 03	Team meeting and scoring session. Closing meeting.
October 22, 03	Departure to Jakarta
Nov. – Dec., 03	Drafting of assessment report
December 18, 03	Submission of Draft Assessment report to SmartWood task manager
January 14 – 19, 04	Task manager review of Draft Assessment report
January 20, 04	Draft Assessment report submitted to PT Sumalindo Lestari Jaya
March 2, 04	Comments on Draft Assessment report submitted to SmartWood
April 1, 04	SmartWood commences recruitment of peer reviewers
June 4, 04	Three peer review reports completed and received by SmartWood
June 7 – 10, 04	Final assessment report with preconditions submitted to Sumalindo and assessment team for final review.
June 23, 04	SW Certification Assessment Report with preconditions finalized
August 5 – 11, 04	Precondition verification audit field evaluation.
August 25, 04	Precondition verification audit report submitted to Sumalindo, with 1 precondition remaining.
September 5, 04	Sumalindo presents to SW strategic plan of verifiable improvements for all concessions under their management.
September 16, 04	SW inform Sumalindo that the strategic plan to address remaining precondition requires more clarification.
October 13, 04	Sumalindo submits to SW improved strategic plan and commitment statement.
December 2, 04	SW indicates to Sumalindo that current strategic plan, when made publicly available, completes precondition 1 requirement.
January 4, 05	WALHI and Pokja Hutan submit study on Sumalindo SLJ2 and SLJ5 for SW consideration.
February 14, 05	SW finalizes response to WALHI, indicating that a decision to certify the company was postponed for further evaluation of COC procedures.
March 14, 05	SW informs SLJ2 that precondition 8 was re-instituted and implementation of a robust COC system must be demonstrated.
May 28, 05	SW informs WALHI and Pokja Hutan that COC system must be improved prior to certification being granted.
Nov 25 – Dec 7, 05	Precondition verification audit field evaluation.
December 16, 05	SW submits performance and precondition verification audit report to Sumalindo with all pre-conditions closed.
December 27, 05	SW Final Certification Assessment Report completed.

2.2. Assessment Team and Peer Reviewers

Robert B. Stuebing, Team Leader – Ecologist.

An Independent Biodiversity Consultant, with an MSc. in Zoology, M.A. in International Affairs, and 25 years experience in research on tropical biodiversity and environmental impacts in S.E. Asia. Rob is a Research Associate at Field Museum of Natural History, Chicago, IL (USA), and has worked with ITTO, WWF and other Indonesian / Malaysian organizations. He has participated in several other assessments and scopings in Kalimantan.

Bart Willem van Assen, Forester

He is an independent consultant in tropical forestry. He has worked in Indonesia for 8 years with various partners, including the Indonesian Ecolabelling Institute (LEI), the UN-ESCAP CGPRT Centre and the Dutch Institute for Agro-Technological Research. He has been involved in both assessment and scoping for the SmartWood program in Indonesia.

Aisyah Sileuw, Social Assessor

Sarjana Kehutanan from Bogor Agricultural University and SmartWood staff auditor for two-years and ten years experience in certification issues, she focused on issues of social and community aspects of forest management. She has participated in several scoping evaluations and assessments of forest management and chain of custody.

Dwi Rahmad Muhtaman, Social Assessor

With an MPA from Auburn University, Alabama, Mr. Muhtaman has some 10 years experience in forestry and biodiversity policy issues and has worked on forest certification for the past 6 of these years. He has participated in seven forest concession assessments in Indonesia as well as being actively involved in chain-of-custody certification assessments. Mr. Muhtaman has worked as lead writer on a book on Criteria and Indicators for Sustainable Plantation Forestry in Indonesia published by CIFOR and ACIAR, 2000. He is a founding member of LATIN and has been active in developing the SmartWood/LATIN collaboration in Indonesia. He was working as an independent consultant and associate of The InC at the time of the assessment.

Peer Reviewers:

Three peer reviewers, with ecological, forestry, and/or social expertise were sought for this assessment. The FSC minimum requirement is that each forest assessment be peer reviewed by a minimum of one independent and qualified peer reviewer.

Forestry and Agroforestry Policy Specialist, with 30 years experience in plant pathology, policy and institutional analysis. Most experience in Indonesia and Southeast Asia, which has included evaluation of national policies and regulations, participative decision-making for land management and village-based co-management of public forestry land resources.

Forest Production & Conservation Specialist, with 20 years in tropical forest management, silviculture, and conservation. Program leader and senior forester for Community-based Forest Management and Conservation Projects in Latin America and Indonesia.

Social Scientist, with 20 years experience in Agricultural development, project evaluations and eco-certification. Primarily working in Indonesia and Southeast Asia, conducting research and assessment on the social and institutional aspects of agroforestry and environmental conservation projects.

Precondition Verification Audit Team (August 2004 & November 2005)

Bart Willem van Assen, Forester
(As above)

2.3. Assessment Process

To accomplish the field component of the assessment, the team followed the standardized steps in the SmartWood certification process:

- 1) **Pre-assessment Analysis** - an evaluation was done of existing documentation (20 year plan; 5 year plan and annual management plans), SLJII operational plans, volume and harvest data, biodiversity surveys, environmental studies and follow-up management and monitoring plans, community development activities, based on currently used maps. This information was used for preliminary briefings with assessment team members.
- 2) **Selection of Sites** - The team selected sites to be visited based on materials and issues raised through stakeholder consultation, by interviews with SLJII staff, and national forest management procedures and policies. Sites chosen were representative of all current forest management practices, forest types, infrastructural development, environmentally / ecologically sensitive areas and the conditions of stakeholder communities.

Table 13: Summary of Forest Areas & Areas Visited by SmartWood Assessors during Assessment & Precondition Verification Audits

SITE	Elev (m)	Lat.	Long.	Assessor
Tree No 03-1755	-	1.12522	115.1788	BWA
Tree No 03-1977	-	1.12527	115.17924	BWA
Tree No 33-2274	-	1.08143	115.2067	BWA
Tree No 33-2490	-	1.07932	115.20681	BWA
Tree No 34-1222	-	1.07757	115.19427	BWA
Tree No 34-2814	-	1.08177	115.19839	BWA
Tree No 51-148/140	-	1.10235	115.22192	BWA
Tree No 51-2715	-	1.10358	115.22357	BWA
<i>SLJ-II Tree No 18-26/1856</i>		N 01°07.984'	E115°10.133	BWA
<i>SLJ-II Tree No 18-26/1963</i>		N 01°08.008'	E115°10.169	BWA
<i>SLJ-II Tree No 18-26/2631</i>		N 01°08.094'	E115°10.262	BWA
SLJ-II Tree No 18-26/3154b				BWA
Tree No 47-1402 (barcode 20332)*		01°16.916'	115°19.737'	BWA
Tree No 47-1404 (barcode 20337)*		01°16.926'	115°19.743'	BWA
Tree No 47-.... (barcode 20339)*		-	-	BWA
Tree No 47-.... (barcode 20341)*		-	-	BWA
Tree No 47-.... (barcode 20342)*		-	-	BWA
Felling Blocks				
Skyline 2003	671	1.09558	115.20294	RBS, BWA, AS
Ex-skyline km 130	531	1.19736	115.209	RBS
Border Felling Blocks (1994/1995)	-	0.9953	115.09664	BWA
Border Felling Blocks (1996 and 1997/1998)	540	1.16493	115.14714	BWA
Border Felling Blocks (1996/1997)	-	1.11754	115.13854	BWA
Felling Block (1993)	-			BWA
Felling Block (1998)	-	1.19971	115.21954	BWA
Felling Block (2000)	-	1.23419	115.2314	BWA

Felling Block (2003)	-	1.09183	115.16427	BWA
Felling Block (2003)	-	1.0955	115.20231	BWA
Felling Block (2002)	-			BWA
Felling Block 16-29 (2001)	-			BWA
Felling Block 16-38 (2001); SLJ II boundary	835	0.98631	115.22871	BWA
Felling Block 17-33 (2003)	-	1.07916	115.20756	BWA
Felling Block 17-34 (2003)	-	-	-	BWA
Felling Block 17-51 (2003)	-			BWA
Felling Block 18-03 (2003)	-	-	-	BWA
Felling Block 18-04 (2003)	-			BWA
Felling Block 18-11 (2004); Virgin forest*	-	1.10487	115.20995	BWA
SLJ-II 2003 Cutting Block No 17-33*		N01°04.722	E115°12.409	BWA
LOA 2003*		01°07.007'	115°08.744'	BWA
SLJ-II 2004 Cutting Block No 18-26*				BWA
Landings				
Landing (2000); Skyline	-	1.23637	115.22772	RBS, BWA
Landing (2001)	-	1.08233	115.12064	RBS, BWA
Landing (2002); mixed skyline bulldozer	-	1.01852	115.18439	RBS, BWA
Landing (2002); Skyline	-	1.02032	115.18172	RBS, BWA
Log yard	168	0.97367	115.1025	RBS, BWA
Transit Log yard Km 101	-	-	-	BWA
Landing (2004)*	-	-	-	BWA
Transit logyard KM 146*	-	-	-	BWA
Transit logyard KM 122*	-	-	-	BWA
Permanent Sample Plots				
Entrance to Permanent Sample Plot 12-40	-	1.20211	115.17056	BWA
Permanent Sample Plot 1996/1997, track 2	697	1.1314	115.11657	BWA
Permanent Sample Plot 2002, track 1	-	1.08954	115.14883	BWA
Permanent Sample Plot 2003, track 1	-	1.11828	115.14053	BWA
Permanent Sample Plot Block B1 corner	-	1.20413	115.17155	BWA
Permanent Sample Plot km 57	227	0.82003	115.07803	RBS, BWA
Skid trails				
1 st RIL skid trail	808	1.00167	115.16239	RBS
Skid trail (2003)	505	1.10431	115.21089	RBS
Flat skid trail (2002)	623	1.00894	115.18339	RBS
Various				
RKT 1994/95 km 93	398	1.17264	115.09886	RBS
RKT 1994/95 km88	440	1.00228	115.09922	RBS
RKT 1995/96	153	1.06984	115.10911	RBS
RKT 1996/97 km 109	678	1.12839	115.70986	RBS
RKT 2002	347	1.08967	115.14889	RBS, BWA
RKT 2002	414	1.09067	115.16464	RBS, BWA
RKT 95/96 km 102	460	1.0875	115.124056	RBS

Border Lerengan E	735	1.08834	115.191	RBS, BWA, AS
Lerengan E (East)	718	1.08797	115.19095	RBS, BWA, AS
Lerengan E (East)	596	1.09422	115.18694	RBS, BWA, AS
Roadside instable/eroded soils	-	1.0868	115.17749	BWA
Roadside with instable/eroded soils	-	1.00079	115.10138	BWA
Roadside with instable/eroded soils	-	1.08563	115.15809	BWA
Roadside with instable/eroded soils	-	1.08928	115.15915	BWA
Roadside with instable/eroded soils	-	1.09278	115.14338	BWA
Roadside with instable/eroded soils	-	1.10284	115.20677	BWA
Roadside with instable/eroded soils	-	1.1041	115.20645	BWA
Roadside with serious erosion	-	1.09165	115.20471	RBS, BWA
Roadside with serious erosion	-	1.10149	115.20562	RBS, BWA
Ulen reserve	207	0.92992	115.1005	RBS
ASDG Genetic stock	396	0.84992	115.08319	RBS
KPPN entrance	190	0.77681	115.06194	RBS
Seed source	154	0.92717	115.10522	RBS
Sg Benaan bridge km 127	564	1.20347	115.1895	RBS
Sg Boh bridge km 122	132	1.19033	115.15927	RBS
Sg Mujud bridge	110	0.88283	115.09211	RBS
Skid trail 2002 km 105	697	1.02022	115.18164	RBS
Main Camp km 83	195	0.97651	115.11497	RBS, BWA, AS
Mobile Camp km 110	447	1.08744	115.18264	RBS, BWA, AS
Nursery km 93	345	1.18117	115.10167	RBS, BWA
Fire tower km 46	480	0.75178	115.06194	RBS
Gunung Payang Conservation Zone	448	0.87742	115.07975	RBS
Quarry 2002	836	1.00033	115.98103	RBS, BWA
Remains of temporary camp	-	1.11785	115.14053	RBS, BWA
Ridge top km 112	632	1.139	115.11144	RBS
Logging camp (future location)	-	1.08767	115.18255	BWA
Dumu Mahak/Mahak Baru Villages	-	01° 23'	115° 19'	AS
Malinau	-	-	-	DM

Key: Forester (BWA), Ecologist (RBS), Sociologist (AS, DM); * visited during precondition verification audit.

- 3) Field Interviews and Site Reviews** – The assessment team held extensive discussions with the SLJII management and camp personnel. Staff counterparts accompanied Forestry/ecology assessors in the field on all occasions. The social assessors generally worked independently, relying on the help of informants from local NGOs and communities. SW/LEI forestry and ecology assessors made all site visits together, while social assessors conducted some interviews independently of other team members, discussing and sharing data after the interviews. See section 2.5 below regarding stakeholder consultation.
- 4) Assessment Report Development** - Responsibilities for the report sections were confirmed prior to the site visit at team planning meetings in Samarinda. Following the site visit, the team met to discuss and reach a consensus on team findings for each criterion to be scored, and for potential preconditions, conditions, or recommendations to be assigned. The Team Leader facilitated the draft report in communication with team members, over a six-week period.

- 5) Report Review by Candidate Operation and Independent Peer Reviewers -** The company reviewed the report and submitted comments to SmartWood in March 2004. The peer reviewers read the draft report and company comments and submitted their reports to SmartWood in June 2004. After substantial review of this input, and response to peer reviewers and the company on all comments, SmartWood completed the certification report with preconditions in June 2004.
- 6) Report Finalization and Certification Decision -** The initial certification decision that was made by SmartWood was that the company was recommended for certification contingent on the completion of eight (8) mandatory preconditions that needed to be met prior to certification being awarded. In August 2004, after company work to comply with the preconditions, Sumalindo requested that SmartWood conduct an audit of the preconditions. A field audit was deemed necessary to verify compliance. SmartWood planned a five day audit to evaluate the preconditions, which took place from August 5 – 11, 2004. The findings and recommendations of the audit team’s report, finalized in August 2004, were that the company had met seven of the eight preconditions. From September 2004 to January 2005, the company developed a strategic plan for assuring that it complied with the FSC partial certification policy with respects to the other company forest management units, which was reviewed by SmartWood in its various drafts until completion. In November 2005, a performance and precondition verification audit evaluated company compliance to certification standards and determined all preconditions had been met. Based on this recommendation and agreement with it, SmartWood issued the decision to certify PT Sumalindo Lestari Jaya II on December 28, 2005. The certification assessment report and public summary of that report were finalized in December 2005.

2.4. Standards

The PT SLJ-II full assessment evaluation was conducted using the Forest Stewardship Council-approved *SmartWood Certification Interim Standards for Assessing Forest Management in Indonesia, Version 3, April 2003*, which incorporated the LEI Criteria and Indicators. At the time of the scoping evaluation, there were no endorsed FSC national or regional guidelines for assessing forest management in Indonesia. Within the context of the joint certification protocol, the LEI standard had to be incorporated within the field guidelines used by assessors. SmartWood developed its first version of a locally adapted generic standard for Indonesia in October 2000. Then a second version, with the same title, was prepared in February 2001 to be available for stakeholder comment and finished prior to the assessment of PT Intracawood in March 2001. These guidelines incorporate specific indicators and verifiers from the LEI Criteria and Indicators within the structure of the FSC P&C. The LEI C&I were the most applicable set of indicators and verifiers to bring into a standard for Indonesia, and referenced for relevant national laws, regulations, and administrative requirements. Rainforest Alliance saw the MOU between LEI and FSC as the grounds upon which one could incorporate the LEI C&I from a position of their having been put through a long process of consultation. This effort was coordinated throughout with LEI staff. After a subsequent round of revisions to the interim standard, a new version was released in April 2003.

2.5. Stakeholder consultation process and results

Prior to assessment, a public stakeholder consultation document prepared by SmartWood and PT Mutu Agung Lestari (in English and Indonesian) was distributed by email, fax and hand delivery in Indonesia to seek input on the PT SLJ II certification process. Environmental, social welfare, and community-based natural resource management organizations were contacted as well as foundations, regional universities, government agencies and the press. Invitations were sent to these organizations to invite them to the public stakeholder meetings that were organized. SLJ staff was present in public consultations in Jakarta, Samarinda, Malinau and Melak (West Kutai). The public meetings arranged were:

- at the National level in Jakarta, September 30, 2003
- at the province level in Samarinda, the provincial capital, October 8, 2003
- at the two district capitals; Melak (October 10, 2003) and Malinau (October 20, 2003).

For those stakeholders who are not digitally connected, such as villages within the concession area, a public announcement was put on the village board, on church board to let them know that the assessor team sought for inputs regarding the company's performance in sustainable forest management.

The field assessment was conducted over a 15 day period (October 7 – 22, 2003) including an introductory meeting and debriefing with the company's staff at the office in Samarinda and Long Bagun Km 83.

Village sites were chosen solely by the auditors, based on auditors' perceptions of where potential economic and social conflicts existed, both in the past and presently. In selecting village sites to visit, the auditors sought as broad a range of circumstances and experiences as possible, both positive and negative. With this particular concession, there are very few villages in or around the HPH, so the sample was limited.

During the extent of the SmartWood evaluation of PT SLJII, assessors have visited all five of the villages within the concession areas. These villages are located nearby past, current and future RKT cutting areas. The villages near past RKT were visited during the pre-assessment. The current year RKT areas were not near villages. During the assessment, the assessors visited villages situated in or near future RKT areas. These were Mahak Baru, Dumu Mahak, Long Lebusan, and Long Top.

In terms of the process of field interviews, each village interview followed a similar format. Company officials facilitated the introduction between auditor and the village leader or adat leader, and then would leave, so that auditors would interview the villagers on our own. In addition to village leaders, adat leaders and village figures, interviews were also done with farmers. Interviewees in villages were randomly selected. During interviews, there was NOT any SLJ II staff present. Assessors would further explain the nature of SmartWood/LEI, the process and reason for the visit. Assessors invited members of the village to join with the village leaders, with meetings ranging in about 5 to 20 participants. Questions began generally on village demographics, history, settlement, economic overview, religion. Next questions raised issues of adat customs on tenure, hunting, governance, dispute resolution. Questions were then focused on relations with the company.

In addition, individual interviews were done with some of the SLJII field workers, IFBWW, APhi Komda Kaltim, NGO activists, and others.

In January 2005, the East Kalimantan Working Group of Forests (EKWGF) submitted a report to SmartWood based on a field study on the concessions of Sumalindo Jaya II and V in East Kalimantan. This study was apparently supported by Walhi East Kalimantan, the Walhi National Executive, Greenpeace Southeast Asia and Greenpeace International. The twelve page report published various issues regarding the certification process of SLJ-II, however most of the fieldwork and findings were related to the SLJV concession, which was not under a certification assessment. The report raised complaints related to the overall Sumalindo group, to SLJV concession, and to SLJ2 concession with respects to FSC principles 1, 2 and 3, for which SmartWood submitted an 18 page response in February 2005 that indicated how these issues were being dealt with through the certification process. (See Table 14 below). The company also prepared its own response to the EKWGF complaints.

SmartWood attempted to contact the two community members referred to in the EKWGF report during the 2005 pre-condition verification audit. Both of them were not available for comment during the audit.

One significant issue raised by this study, for which SmartWood responded strictly, was that the company did not have a sufficiently rigorous Chain of Custody system to prove that logs from outside the concession may be mixed in with logs from the concession. Based on SmartWood diligence in evaluating the SLJ-II CoC system, pre-condition 8 requiring the implementation of a reliable CoC system in the concession was reinstated in March 2005 and re-evaluated in November 2005.

Issues Identified Through Stakeholder Comments and Public Meetings

The stakeholder consultation activities were organized to give participants the opportunity to provide comments according to general categories of interest based upon the assessment criteria. Table 14 below summarizes the issues identified by the assessment team with a brief discussion of each based upon specific interview and/or public meeting comments.

Table 14: Stakeholder Comments

FSC Criteria	Stakeholder Comments	SmartWood Response
P1: FSC Commitment/ Legal Compliance		
1.1	<ul style="list-style-type: none"> • How much outside financial support will be available to assure certification status is maintained? • Certification process of SW/LEI involves too many “unreasonable” demands, and has caused many failures. • SLJ II should be given a “handicap” because of its remote location. • What of problems caused by the division of the concession into two Kabupaten (Districts)? 	<ul style="list-style-type: none"> • Certification is voluntary, and requires a prior and ongoing commitment by the company to maintain its certification. It is market driven, so that financial benefits are expected to come from increased sales of certified wood products. Therefore, Sumalindo is not receiving any ‘outside’ support to maintain compliance to the certification standards, but will fund these activities on their own. • Certification standards and FSC policies are demanding of a high-quality of forest stewardship that have achieved international recognition. While these standards are high, and admittedly difficult considering constraints to tropical forest management in Indonesia, the standards are attainable. • Certification, in order to be credible, must maintain the same level of international standards for all FMUs, thus no ‘handicaps’ can be given. • The company has regular interactions with local government, as well as local villages, to deal with administrative aspects pertaining to each of the two districts. Public meetings during the certification assessment were held in Melak and Malinau, representative of each kabupaten.

1.2	<ul style="list-style-type: none"> Greenpeace has publicly accused the FMU of “counterfeiting” and illegal sales EKWGF accused the FMU of illegal logsourcing and transport. 	<ul style="list-style-type: none"> SW was not able to corroborate allegations of any “counterfeit” or “illegal” sales. Limitations to the company Chain of Custody system would not have permitted the company to defend or disprove such allegations. <p>Weaknesses in the timber tracking from SLJ2 were noted and SW imposed preconditions and conditions (see below).</p>
P2: Tenure & Use Rights & Responsibilities		
P 2.1, 2.3	<ul style="list-style-type: none"> SLJ II should not be reluctant to openly discuss harvesting trees (if by mistake) in <i>adat</i> lands. Forest Gazettment is unfinished 	<ul style="list-style-type: none"> The FMU is obligated under the certification system to maintain open communication with local communities on all matters involving traditional lands. The FMU demonstrated that it had taken every reasonable step to finalise the forest gazettment process. SW found that SLJ2 went forth and followed a process, including working with neighbouring concessions, local communities, and government officials, to complete the delineation of all of its concession borders. SW repeatedly checked in the field the integrity of SLJ2 adherence to the borders as marked and this has been good. Furthermore, the company had gone ahead with the local communities to delineate the enclaves of their customary lands.
P3 – Indigenous Peoples’ Rights		
3.1, 3.2	<ul style="list-style-type: none"> Participation in employment (by local communities) is not proportional in SLJ II There is a need for (certification) 	<ul style="list-style-type: none"> Analysis of the company’s employment data indicated that it does employ a majority of `local’ people, but those generally come from further a field in the Province or the District, compared to villages within the concession area. SLJ2 has indicated commitment to improve the capacity of the local people. Proportional employment is a challenge within all concessions that SmartWood has evaluated and not only SLJ2. Local people usually have very different income earning strategies that are often highly diversified and seasonal, that can fit poorly with full-time employment demands of a forest company. In SLJ2 it was found that opportunities for local people are being provided in the semi-skilled or unskilled levels such as manual labor (operator, helper, etc.). When the company has vacant positions at that level, it usually announces this in the nearest villages. Certification requires adequate

	<p>standards not only from outside, but which will meet local needs.</p> <ul style="list-style-type: none"> The company should have conducted community mapping exercises to map out communities customary use areas. <i>Tanah ulen</i> areas should not be disturbed 	<p>participation by local communities and certification will require the FMU to have social strategies to meet future challenges. SW standards have been developed with local needs in mind. The FMU is obliged to conduct discussions on local needs in order to maintain certification.</p> <ul style="list-style-type: none"> SLJ2 had completed participatory mapping with three villages (Dumu Mahak, Mahak Baru and Long Lebusan). For the other villages (the new village of Sungai Barang and Long Top) these were done after the assessment, in 2004. The company was not disturbing such sites. This is covered by SW standards, and required for certification.
P4: Community Relations & Workers' Rights		
P4.1, 4.2	<ul style="list-style-type: none"> SLJ II has a good reputation in community relations, including health and education. The company also provides transportation for villagers to towns. SLJ II needs to apply workers' rights equally to both genders. Fees and compensations are not paid. Fees not paid to Long Bagun Ulu village 	<ul style="list-style-type: none"> No response required. This is addressed sufficiently through company adherence to practices consistent with the criteria under Principle 4. Where there was evidence of certain fees not being current, SmartWood issued a precondition and verified the payments of these fees. (Notably, the Forest Resource Royalty (PSDH) and Reforestation Fee (DR) were not completely paid at the time of the 2003 assessment, but were since paid). This village was not within the scope of the SmartWood assessment of SLJ2. Though it was found that the company had made payments. In villages within the scope of the SLJ2 concession, it was found that community members could be more clearly informed and aware of how SLJ2 funds were being distributed to villages.
P5: Benefits from the Forest		
5.1, 5.5	<ul style="list-style-type: none"> SLJ II has not interfered with the use of forest products by local communities. Impacts ('destruction of river catchment areas') of SLJ5 on Alan River and Mahakam River. 	<ul style="list-style-type: none"> No response required. These river catchments were outside the scope of the SLJ2 assessment. However, the SmartWood inspection of SLJ2 found that overall the implementation of

		Reduced Impact Logging, particularly use of skyline logging, was above standard for concessions elsewhere in Indonesia. The construction of roads and skid trails remain issues for SLJ2 to work on improving, but the quality of the roads and forest operations did not lead us to conclude that the FMU was causing destruction of river catchment areas.
P6: Environmental Impact		
6.1-6.3 (incl 9.1-9.3)	<ul style="list-style-type: none"> TNCI and Universitas Mulawarman have entered a long-term collaborative agreement with SLJ II. 	No response required.
6.5 (and 1.4)	<ul style="list-style-type: none"> Local authorities (BAPELDA, KSDA) in Samarinda remarked that they have not received environmental or conservation reports from SLJ II concession. 	<ul style="list-style-type: none"> A recent legal revision apparently requires these reports be sent only to district offices, though they should be sent to Provincial offices as a courtesy. Sumalindo is asked to do this.
6.7	<ul style="list-style-type: none"> There is a large oil tank in Batu Majang village, which is leaking. 	<ul style="list-style-type: none"> The oil tank is not part of the SLJ2 concession, but SLJ5. However, evaluations of similar facilities at the SLJ2 base camp were quite well run.
P7: Management Plan		
	<ul style="list-style-type: none"> No comments made. 	<ul style="list-style-type: none"> No response required.
P8: Monitoring & Assessment		
	<ul style="list-style-type: none"> Chain of custody system does not guarantee that there is not a mixing of logs during transport. 	<ul style="list-style-type: none"> SmartWood required that Sumalindo strengthen the functioning of the COC system, which was done over two years of work on adoption of a barcode system implemented from SLJ2 to the mill.
P9: Maintenance of High Conservation Value Forest		
P9.1-9.2	<ul style="list-style-type: none"> SLJ II plans long-term cooperation with UnMul and TNC for conservation and management of HCVF. 	<ul style="list-style-type: none"> No response required.
P10 – Plantations		
Not applicable to PT Sumalindo Lestari Jaya II		

3. RESULTS, CONCLUSIONS AND RECOMMENDATIONS

3.1. General Discussion of Findings

The assessment team has summarized the findings by FSC Principle and these are presented in Table 15.

Table 15: Findings by FSC Principle

Principle/Subject Area	Strengths	Weaknesses
P1: FSC Commitment and Legal Compliance	<ul style="list-style-type: none"> • SLJ-II has a clearly defined, long-term commitment to SFM, RIL and certification. It has sought consultation on practical implementation since 1996 to improve management practices. The rationale behind SFM, RIL and certification is understood at all levels in the company, and implemented. • The management has knowledge of international treaties and agreements signed by Indonesia. Copies of related documents are available at the various office of SLJ-II. • SLJ-II has minimized the conflict between Indonesian laws/regulations and FSC Principles 2&3 by actively consulting local communities in definition of "adat" lands. • The assesment confirmed that SLJ-II has a reputation with local government for following or exceeding national and local laws and regulations. 	<ul style="list-style-type: none"> • SLJ-II uses an adapted version of TPTI to decrease the logging impact on the forest: narrow roads, lower AAC and non-compliance to several aspects of TPTI. For some of these adaptations, dispensation has not been obtained from relevant officials. • The FMU has been late in payments of fees, royalties, taxes and other charges. [Precondition 1 issued] • There could be a stronger link between the relevant sections of important international agreements and the management plans and strategies of SLJ-II. • No clear statement addressed to the public committing the company to a specific action plan/strategic plan to ensure consistency to the FSC partial certification policy. [Precondition 2 issued] • No monitoring system for (potential) encroachment or illegal logging has been developed by the FMU. The borders of the concession are checked only once every 5 years. (Although, admittedly, the concession is very remote, with limited and controlled road access, and rather difficult waters that would make illegal logging difficult.) [Condition 3 issued]
P2: Tenure & Use Rights & Responsibilities	<ul style="list-style-type: none"> • SLJ-II is involved in a participatory process of determining "indigenous land" versus "state land". 	<ul style="list-style-type: none"> • Authoritative information about the berita acara of (BIPHUT) was not available. SmartWood therefore requested clarification from the company in the form of a precondition. [Precondition 3 issued]
P3 – Indigenous Peoples’ Rights	<ul style="list-style-type: none"> • SLJ II has generally an excellent record in its attention to the rights of local communities within the concession. 	<ul style="list-style-type: none"> • SLJ II’s communication with local communities still needs improvement. [Condition 5 & 6, 9 & 10 issued]
P4: Community Relations & Workers’ Rights	<ul style="list-style-type: none"> • SLJ II monitors and improves the social impact of its operation at forest workers level. Its attention to workers’ rights is generally good. 	<ul style="list-style-type: none"> • Safety equipment is still not completely in use among field workers. [Condition 8 issued]. • SLJ II has some outstanding issues regarding workers contracts.
P5: Benefits from the Forest	<ul style="list-style-type: none"> • Investments have brought SLJ II up to its planned production regime. Financial analyses by independent auditors prove economic viability. • SLJ-II is aware of the impact of its activities 	<ul style="list-style-type: none"> • The financial status of SLJ is in disarray, with serious outstanding debts and losses over the last years. A more detailed analysis of the survival strategy of the SLJ Group is necessary.

	<p>on the forest. It has taken various actions to reduce damage to other forest resources and is pursuing diversification of its products.</p> <ul style="list-style-type: none"> • The actual AAC is much lower than the allowed AAC. Growth rates, stocking, and regeneration are monitored through a series of permanent sample plots. The planned AAC for 2004 is based on these plots and is very cautious. 	<ul style="list-style-type: none"> • SLJ-II so far only focuses on plywood production, despite a potential market for the MDF mill. Stringent demands from the plywood industry do result in less than optimal utilization and waste wood at the felling block and the log yard. • Processing of the logs takes place some 500 kilometers downstream. The local community is entirely depending on the demands from the FMU, and little activities strengthen and diversify its economy. [Conditions 11, 12 & 13 issued]
P6: Environmental Impact	<ul style="list-style-type: none"> • Detailed maps and operating procedures for all mechanical disturbances are prepared by SLJ-II. Their impact is monitored and evaluated on a regular basis. • SLJ II has set aside substantial portions of its concession for the conservation of RTE species, and does not permit hunting by its workers. • Forest regeneration is monitored through various sample plots in virgin forest and LOA. Operational plans have been updated accordingly. 	<ul style="list-style-type: none"> • There are indications of a change in composition after logging, but little knowledge is available on succession dynamics. • The environmental impact of road construction and maintenance is underestimated by the FMU. • Identification of faunal species is still based on local names, and knowledge of faunal communities only basic. • Data from wildlife surveys is not collected in a form usable by SLJ II to adjust its management plans. [Precondition 6, Conditions 15 – 21 issued]
P7: Management Plan	<ul style="list-style-type: none"> • SLJ-II prepares detailed management plans/SOP's conform the various levels of management. Description and justification of harvesting techniques and rationale is excellent. • Management plans are used at each step of management and implementation, at felling block level often in the form of SOP's and maps (up to scale 1:2000). • Harvesting techniques are monitored and adapted to fit the local situation. Applied techniques continue to be evaluated and improved where necessary. • The rationale for the AAC is site-specific and based on local research on forest ecology and silviculture. • Training is provided to all employees, including repeated training for forest workers. 	<ul style="list-style-type: none"> • The management plans lacks profiles of adjacent lands, as well as relevant external boundaries defined by provincial and national governments. • Implementation of the management plan at felling block level is still weak due to new workers and equipment. • Some of the actual activities in the field are not in accordance with the SOP's. • Most of the training is done in-house, and could be improved where internal capacity to train is weak. • There is no clear reference to the adapted harvest activities and its monitoring in the yearly management plans. • No formal management plans exist for non-commercial areas, despite the available knowledge at various management levels. • No public summary of the management plan is available. [Precondition 7, Conditions 21 & 22 issued]
P8: Monitoring & Assessment²	<ul style="list-style-type: none"> • Various forms of monitoring exist within the concession. Data obtained from satellite imagery compiled and analyzed for the concession • A comprehensive administrative system of monitoring timber extraction is maintained 	<ul style="list-style-type: none"> • SLJ II's multi-site, multi-division, and remote production and processing leads to complicated internal and multi-product CoC issues and/or risks. • Government checking/audit of the CoC occurs only about 150 km downstream from

² The FMO has multi-site, multi-division, and geographically distant production and processing capabilities. There are complicated internal and multi-product COC issues and/or COC risks are deemed to require more in-depth treatment.

	<p>by SLJ-II.</p> <ul style="list-style-type: none"> • Growth rates, regeneration, forest condition and environmental parameters are monitored in ex-operational areas. • Productivity and efficiency are low, and the costs relatively high due to the implementation of more expensive techniques for SFM and RIL, as well as distance to the mill. Profits at FMU level are low but acceptable. • Social monitoring and regular dialogues are held with local communities to monitor social parameters. 	<p>the SLJ-II logyard.</p> <ul style="list-style-type: none"> • No monitoring of forest products harvested by local communities was observed. • No clear link was observed between the monitoring/assessment (production and environment) and the yearly management plans. • No public summary of the Monitoring & Assessment is available. [Precondition 8, Conditions 24 issued.]
P9: Maintenance of High Conservation Value Forest	<ul style="list-style-type: none"> • SLJ II has entered an MOU with TNCI and has identified its areas of HCVF in its concession. • Boundaries of appropriate areas of HCVF have been marked on maps set aside as conservation, community or special management areas. 	<ul style="list-style-type: none"> • Boundaries and management plans for HCVF areas have not yet been incorporated into RKPH or any other management documents
P10 - Plantations	n/a	n/a

Precondition Compliance Summary:

Following is a review of the SmartWood process for evaluating the preconditions established during the full assessment. As described above in this certification report, SmartWood auditors conducted Precondition Verification Audits (PVAs) with field inspections, interviews with staff and stakeholders, and reviewed documentations in order to assess company compliance with the Pre-Conditions. Findings are presented for each of the pre-conditions issued.

- **Pre-Condition 1** *Prior to certification being granted, SLJ-II shall obtain approval for its installment payments for the Forest Resource Royalty (PSDH) and Reforestation Fee (DR) for 2002 until the current year (Criterion 1.2).*
The 2004 and 2005 PVAs verified that the company was current on its payments. Extensive details on the payments for PSDH and DR made by SLJ-II, including bank transfers and reports from the forestry department, were reviewed. The pre-condition was closed out in 2004.
- **Pre-Condition 2** *Prior to certification being granted, Sumalindo shall provide a commitment to adhere to the FSC P&C in all forests under their control with an action plan and timelines for internal evaluation of verifiable performance with respect to FSC P&C on those forests. Sumalindo shall make this commitment publicly available, kept up to date, and clearly identifies all the FMUs affected (Criterion 1.6).*
The company developed a strategy and action plan that would address concerns related to the FSC policy on partial certification, which was to be made available in a public format via the company website. For the better part of a year, Sumalindo worked on complying with this precondition. When SmartWood conducted a precondition verification audit in August 2004, it was determined that there was more that the company needed to do. At that time, SmartWood found that the commitment and action plan needed strengthening and needed to be made publicly available. From September to November 2004, the company worked specifically to produce an official company strategy providing details and long-term planning for all forests and plantations. Of specific importance was to demonstrate specific time-bound targets for improving forest management, in line with FSC principles, over the next five to ten years. SmartWood wanted this strategy to indicate how, when, and why each particular forest unit is managed consistent with the FSC policy on partial certification. The strategy set specific targets for such areas as meeting legal compliance, settling disputes, and identifying High Conservation Value Forest areas, especially prior to any potential conversion of natural forest. The intent was to get the company to be explicit about how it determines a concession was meeting targets, where it was not meeting them, what steps would be taken to ensure that commitment stays on track, and what the specific commitments were by company senior management.

This pre-condition was closed out in December 2004.

- **Pre-Condition 3** *Prior to certification, the Forest Boundary Gazettement (Berita Acara Tata Batas Hutan) by BIPHUT shall be obtained, or alternatively, the company shall provide details of negotiation with BIPHUT to formalise the boundaries established by SLJ-II following a mutually-agreed time frame (Criterion 2.1).*
The 2004 and 2005 PVAs verified that the company is in continuous formal and informal communications with the relevant parties on forest boundary gazettment. Details of the communications to BIPHUT were reviewed by auditors. The pre-condition was closed out in 2004 and a new condition was added, to monitor this process in the first year of certification.
- **Pre-Condition 4** *Prior to certification, the company shall provide clear evidence that the skilled management staff which has left the company in recent times has been suitably and effectively replaced, with capacity sufficient to maintain the high level of forest management planning and to supervise all forest management activities, staff, and contractors (Criterion 5.1).*
The 2004 and 2005 PVAs verified that the current staff is up to standard in forest management. During the August PVA, the auditor requested more detail on the rationale for downsizing (which led to the precondition) and the staff to fill the gaps. These were all long-term employees with SLJ, with extensive expertise in the management of various forest concessions of SLJ. Interviews with these employees indicated sufficient expertise and/or support to safeguard the managerial quality of the concession. After the 2003 personnel changes, no major changes have taken place and the current management is well aware of their responsibilities. The pre-condition was closed out in 2004.
- **Pre-Condition 5** *Prior to certification, SLJ II shall revise its written SOPs for road construction, to prevent significant damage to, and erosion of, steep areas (slopes exceeding 35%), and no entry road construction shall occur on such slopes unless SLJ II can provide clear evidence to show that this is not detrimental to the forest, and has an environmentally sound extraction system in place (Criterion 6.5).*
During the audit of August 2004, copies of the SOPs were checked for authenticity, and field visits were arranged for the cutting blocks for 2004 and 2003. A visit to the 2003 cutting area showed that the negative effects of roading reduced after 1 year. SLJ-II now maintains erosion plots near main roads, spur roads and skid trails for 3 years, or until erosion is within acceptable parameters. Data from these samples also indicate reduced erosion from such areas after the first year. The 2004 and 2005 PVAs verified that the current roading minimizes earth movement and related effects in the environment, such as erosion. The pre-condition was closed out in 2004.
- **Pre-Condition 6** *Prior to issuance of a certificate, the company must cease the use of all chemicals that are prohibited under the FSC-IP-0001 (FSC Policy on Chemicals in Certified Forests) or be granted derogation for the limited use of specific chemicals by FSC (Criterion 6.6).*
The 2004 PVA verified that these chemicals are not in use by the company and that the company has SOPs in place in case of emerging use of any new chemical, to avoid the mistaken use of a prohibited chemical. The condition was closed-out in 2004.
- **Pre-Condition 7** *Prior to certification, a public summary of SLJ-II's management plan and its monitoring & assessment shall be made available by the management of SLJ-II (Criterion 7.4).*
The 2004 and 2005 PVAs verified that the company's public summaries are up-to-date and available at the Base Camp, mill and HQ. The condition was closed-out in 2004.
- **Pre-Condition 8** *Prior to certification, SLJ II shall develop a monitoring system that reliably tracks all logs from the Km 83 log yard at the concession to the final destination at the plywood mill, in accordance with all government requirements (Criterion 8.3).*
Through consultation with various parties(URS, SGS, TNC, and private consultants), the company developed a computerized program for log tracking, including bar-coding, that now functions as a detailed and thorough CoC system. The 2005 PVA verified that this system is reliable and implemented for the whole concession (as the early steps with TNC were done as a 'pilot' only on a few cutting blocks, but not operationally). The pre-condition was closed in 2005 and downgraded to 1 minor CAR.

3.2. Certification Decision

Based on a thorough field review, analysis and compilation of findings by this SmartWood assessment team **PT Sumalindo Lestari Jaya II** is recommended to receive joint FSC/SmartWood Forest Management and Chain of Custody (FM/COC) Certification contingent upon successful completion of the Pre-Conditions listed in Section 3.3 and with the stipulated conditions listed below.

In order to maintain certification, **PT Sumalindo Lestari Jaya II** will be audited annually on-site and required to remain in compliance with the FSC principles and criteria as further defined by regional guidelines developed by SmartWood or the FSC. **PT Sumalindo Lestari Jaya II** will also be required to fulfil the conditions as described below. Experts from SmartWood will review continued forest management performance and compliance with the conditions described in this report, annually during scheduled and random audits.

3.3. Conditions and Recommendations

Pre-Conditions are verifiable actions which must be addressed prior to the issuance of a forest certificate. **Conditions** are verifiable actions that will form part of the certification agreement that **PT Sumalindo Lestari Jaya II** will be expected to fulfill at the time of the first audit or as required in the condition. Each condition has an explicit time period for completion. Non-compliance with conditions will lead to de-certification. **Recommendations** are non-binding suggestions that will assist in the meeting of Conditions or in the general improvement of operations towards a more assured certification.

Preconditions

- Precondition 1: Prior to certification being granted, SLJ-II shall obtain approval for its instalment payments for the Forest Resource Royalty (PSDH) and Reforestation Fee (DR) for 2002 until the current year (Criterion 1.2).**Error! Bookmark not defined.
- Precondition 2: Prior to certification being granted, Sumalindo shall provide a commitment to adhere to the FSC P&C in all forests under their control with an action plan and timelines for internal evaluation of verifiable performance with respect to FSC P&C on those forests. Sumalindo shall make this commitment publicly available, kept up to date, and clearly identifies all the FMUs affected (Criterion 1.6).**Error! Bookmark not defined.
- Precondition 3: Prior to certification, the Forest Boundary Gazettment (Berita Acara Tata Batas Hutan) by BIPHUT shall be obtained, or alternatively, the company shall provide details of negotiation with BIPHUT to formalise the boundaries established by SLJ-II following a mutually-agreed time frame (Criterion 2.1)**.....Error! Bookmark not defined.
- Precondition 4: Prior to certification, the company shall provide clear evidence that the skilled management staff which has left the company in recent times has been suitably and effectively replaced, with capacity sufficient to maintain the high level of forest management planning and to supervise all forest management activities, staff, and contractors (Criterion 5.1).**Error! Bookmark not defined.
- Precondition 5: Prior to certification, SLJ II shall revise its written SOPs for road construction, to prevent significant damage to, and erosion of, steep areas (slopes exceeding 35%), and no entry road construction shall occur**

on such slopes unless SLJ II can provide clear evidence to show that this is not detrimental to the forest, and has an environmentally sound extraction system in place. (Criterion 6.5).Error! Bookmark not defined.

Precondition 6: Prior to issuance of a certificate, the company must cease the use of all chemicals that are prohibited under the FSC-IP-0001 (FSC Policy on Chemicals in Certified Forests) or be granted derogation for the limited use of specific chemicals by FSC. (Criterion 6.6)Error! Bookmark not defined.

Precondition 7: Prior to certification, a public summary of SLJ-II's management plan and its monitoring & assessment shall be made available by the management of SLJ-II (Criterion 7.4)Error! Bookmark not defined.

Precondition 8: Prior to certification, SLJ II shall develop a monitoring system that reliably tracks all logs from the Km 83 log yard at the concession to the final destination at the plywood mill, in accordance with all government requirements (Criterion 8.3).....Error! Bookmark not defined.

Conditions raised by the 2003 Full Assessment

Condition 1: Within one year of certification, SLJ II shall provide full written scientific justification for its modifications to the TPTI and submits this for approval to the Dinas Kehutanan (Criterion 1.1).

Condition 2: Within six months of receiving certification, SLJ II shall enter into formal consultations with local communities and the local government/sub district, concerning programs supported by compensation fees, and to ensure that funds are fairly assigned properly channelled to the communities (Criterion 1.2)

Condition 3: Within a year of receiving certification, SLJ II shall implement an effective monitoring and response system to prevent transport of illegally harvested forest products from all potential exit points from its concession (Criterion 1.5)

Condition 4: Within one year of receiving certification, SLJ II shall have in place a mutually agreed upon strategy among company, local communities and local government (not only Dinas Kehutanan) to define stable and recognized tenure in the SLJII concession at Long Bagun By the annual audit of year 2, there shall be demonstration of significant implementation. (Criterion 2.1)

Condition 5: Within one year of receiving certification, SLJ II shall, with the full consent of local communities, submit for approval the agreed upon operational maps involving communities within the concession to the appropriate authorities. (Criterion 3.3)

Condition 6: By the second year of certification, SLJ II shall institute a written policy of incentives for the use of traditional knowledge in work activities such as timber cruising, wildlife surveys, or other areas where such knowledge benefits the company (Criterion 3.4).

Condition 7: Within a year of certification, SLJ II shall develop and implement a fully transparent approach to inform local communities concerning potential employment opportunities in the Long Bagun concession (Criterion 4.1).

Condition 8: Within one year of certification, SLJ II shall ensure that all field safety equipment, including footwear, meets Ministry safety standards and is in use by all field staff (Criterion 4.2).

Condition 9: By the second year of certification, SLJ II shall, with sufficient socialization of a broad spectrum of the inhabitants, complete its participatory mapping of the two remaining villages currently not covered by this process. A formal agreement between the company and the villages leadership shall be reached on this mapping and all community members shall be made aware of this agreement and boundaries (Criterion 4.5).

Condition 10: By the second year of certification, SLJII shall formalize their SOP for conflict resolution, negotiate it with the communities, and obtain the signed agreement of the communities upon this conflict resolution mechanism (Criterion 2.3, Criterion 4.5).

Condition 11: Within one year of certification, SLJII shall have improved its utilization of felled trees by setting more rigorous felling and bucking standards; ensuring that all fallers and production personnel are well informed on the need to maximize recovery. Relevant SOPs shall include revised bucking standards to be issued to fallers, scalers, and production supervisors (Criterion 5.2).

Condition 12: Within one year of receiving certification, SLJ II shall develop and implement a strategy for significantly reducing waste in operational areas; including not only economic species felled and not transported, but residual wood from road building, etc. (Criterion 5.3).

Condition 13: Within the first year after certification, SLJ II shall develop and implement an improved strategy to monitor erosion from its haul roads, and ensure that results and recommendations are incorporated into management plans (Criterion 5.5).

Condition 14: Within one year of receiving certification, SLJ II shall revise its management documents to incorporate findings and recommendations from environmental assessments, conducted over the past five years, including provisions for approximately 30,000 ha that has been designated as HCVF. (Criterion 6.1).

Condition 15: Within one year of receiving certification, SLJ II shall ensure that its field workers do not trap and/or rear any wild species protected under Indonesian laws (Criterion 6.2).

Condition 16: Within one year of receiving certification, SLJ II shall create a GIS database on wildlife distribution and abundance; produce a concise annual summary of wildlife records by species; and provide recommendations for incorporation into management planning documents (Criterion 6.2).

Condition 17: Within one year of certification, SLJ II shall make a formal assessment of the success of regeneration within Logged Over Areas, and make adjustments to its harvest plans so that that species composition and relative abundance will be maintained. (Criterion 6.3).

Condition 18: SLJ II shall demonstrate that the formal boundaries for Conservation Zones and Special Management Zones are incorporated into the RKT and RKL documents for 2005 and in the RKP document for 2006. (Criterion 6.4).

Condition 19: Within six months of receiving certification, SLJ II shall ensure that a list of all toxic chemicals in use in the concession, and a manual for their proper handling, is kept at all sites where chemicals are stored or mixed. (Criterion 6.6).

Condition 20: Within six months of receiving certification, SLJ II must ensure that all solid waste involving hazardous materials must be managed properly, and must ensure off-site disposal of such materials (Criterion 6.7).

Condition 21: Within six months of receiving certification, SLJ II shall monitor water quality to include BOD (Biological Oxygen Demand), hydrocarbon, and coliform levels, and ensure that its camps do not contribute to these types of pollution.

Condition 22: Within two years of receiving certification, SLJ-II shall analyze and rectify the error between its cruising and production figures, and modify its written SOPs accordingly (Criterion 7.1).

Condition 23: Within six months of receiving certification, SLJ II shall incorporate the results of all monitoring indicators into the current year annual operating plan. (Criterion 7.2).

Condition 24: Within the first year of certification, the company should produce a formal, written program for periodic monitoring of the social impacts of forest management activities. By the annual audit of year two, there shall be significant demonstration of program implementation (Criterion 8.2).

Condition 25: Within one year of receiving certification, SLJ II shall formally adopt written procedures for the maintenance and enhancement of conservation attributes in its existing HCVF areas, and integrate them into future management documents such as its Environmental Assessment and Monitoring Plans (Criterion 9.3).

Conditions closed out during the August 2004 PVA

Condition 9: By the second year of certification, SLJ II shall, with sufficient socialization of a broad spectrum of the inhabitants, complete its participatory mapping of the two remaining villages currently not covered by this process. A formal agreement between the company and the villages leadership shall be reached on this mapping and all community members shall be made aware of this agreement and boundaries (Criterion 4.5).

Condition 13: Within the first year after certification, SLJ II shall develop and implement an improved strategy to monitor erosion from its haul roads, and ensure that results and recommendations are incorporated into management plans (Criterion 5.5).

Condition 19: Within six months of receiving certification, SLJ II shall ensure that a list of all toxic chemicals in use in the concession, and a manual for their proper handling, is kept at all sites where chemicals are stored or mixed. (Criterion 6.6).

Condition 20: Within six months of receiving certification, SLJ II must ensure that all solid waste involving hazardous materials must be managed properly, and must ensure off-site disposal of such materials (Criterion 6.7).

Conditions raised by the August 2004 Precondition Verification Audit

Condition 26: SLJ-II will maintain detailed document on its communication with BIPHUT regarding the Forest Boundary Gazettment (Berita Acara Tata Batas Hutan), and adjusts its actions accordingly.

Condition 27: Within 6 months after certification, SLJ-II shall provide a detailed report on the developments of the COC system developed with TNC/SGS/URS.

Conditions closed out during the November 2005 PVA

Condition 2: Within six months of receiving certification, SLJ II shall enter into formal consultations with local communities and the local government/sub district, concerning programs supported by compensation fees, and to ensure that funds are fairly assigned properly channelled to the communities (Criterion 1.2)

Condition 11: Within one year of certification,SLJII shall have improved its utilization of felled trees by setting more rigorous felling and bucking standards; ensuring that all fallers and production personnel are well informed on the need to maximize recovery. Relevant SOPs shall include revised bucking standards to be issued to fallers, scalers, and production supervisors (Criterion 5.2).

Condition 21: Within six months of receiving certification, SLJ II shall monitor water quality to include BOD (Biological Oxygen Demand), hydrocarbon, and coliform levels, and ensure that its camps do not contribute to these types of pollution.

Condition 27: Within 6 months after certification, SLJ-II shall provide a detailed report on the developments of the COC system developed with TNC/SGS/URS.

CARs raised by the November 2005 Performance and Precondition Verification Audit

CAR 2005-1: COC data should reflect real-time, so that for each location include date and time in, date and time out and changes to logs at the location. Documentation of incidents of lost barcodes must be well-documented.

Conditions/CARs renumbered

CAR 2006-01: Within one year of certification, SLJ II shall provide full written scientific justification for its modifications to the TPTI and submits this for approval to the Dinas Kehutanan (Criterion 1.1).

CAR 2006-02: Within a year of receiving certification, SLJ II shall implement an effective monitoring and response system to prevent transport of illegally harvested forest products from all potential exit points from its concession (Criterion 1.5)

CAR 2006-03: Within one year of receiving certification, SLJ II shall have in place a mutually agreed upon strategy among company, local communities and local government (not only Dinas Kehutanan) to define stable and recognized tenure in the SLJII concession at Long Bagun By the annual audit of year 2, there shall be demonstration of significant implementation. (Criterion 2.1)

CAR 2006-04: Within one year of receiving certification, SLJ II shall, with the full consent of local communities, submit for approval the agreed upon operational maps involving communities within the concession to the appropriate authorities. (Criterion 3.3)

CAR 2006-05: By the second year of certification, SLJ II shall institute a written policy of incentives for the use of traditional knowledge in work activities such as timber cruising, wildlife surveys, or other areas where such knowledge benefits the company (Criterion 3.4).

CAR 2006-06: Within a year of certification, SLJ II shall develop and implement a fully transparent approach to inform local communities concerning potential employment opportunities in the Long Bagun concession (Criterion 4.1).

CAR 2006-07: Within one year of certification, SLJ II shall ensure that all field safety equipment, including footwear, meets Ministry safety standards and is in use by all field staff (Criterion 4.2).

CAR 2006-08: By the second year of certification, SLJII shall formalize their SOP for conflict resolution, negotiate it with the communities, and obtain the signed agreement of the communities upon this conflict resolution mechanism (Criterion 2.3, Criterion 4.5).

CAR 2006-09: Within one year of receiving certification, SLJ II shall develop and implement a strategy for significantly reducing waste in operational areas; including not only economic species felled and not transported, but residual wood from road building, etc. (Criterion 5.3).

CAR 2006-10: Within one year of receiving certification, SLJ II shall revise its management documents to incorporate findings and recommendations from environmental assessments, conducted over the past five years, including provisions for approximately 30,000 ha that has been designated as HCVF. (Criterion 6.1).

CAR 2006-11: Within one year of receiving certification, SLJ II shall ensure that its field workers do not trap and/or rear any wild species protected under Indonesian laws (Criterion 6.2).

CAR 2006-12: Within one year of receiving certification, SLJ II shall create a GIS database on wildlife distribution and abundance; produce a concise annual summary of

wildlife records by species; and provide recommendations for incorporation into management planning documents (Criterion 6.2).

CAR 2006-13: Within one year of certification, SLJ II shall make a formal assessment of the success of regeneration within Logged Over Areas, and make adjustments to its harvest plans so that that species composition and relative abundance will be maintained (Criterion 6.3).

CAR 2006-14: SLJ II shall demonstrate that the formal boundaries for Conservation Zones and Special Management Zones are incorporated into the RKT and RKL documents for 2005 and in the RKP document for 2006 (Criterion 6.4).

CAR 2006-15: Within two years of receiving certification, SLJ-II shall analyze and rectify the error between its cruising and production figures, and modify its written SOPs accordingly (Criterion 7.1).

CAR 2006-16: Within six months of receiving certification, SLJ II shall incorporate the results of all monitoring indicators into the current year annual operating plan. (Criterion 7.2).

CAR 2006-17: Within the first year of certification, the company should produce a formal, written program for periodic monitoring of the social impacts of forest management activities. By the annual audit of year two, there shall be significant demonstration of program implementation (Criterion 8.2).

CAR 2006-18: Within one year of receiving certification, SLJ II shall formally adopt written procedures for the maintenance and enhancement of conservation attributes in its existing HCVF areas, and integrate them into future management documents such as its Environmental Assessment and Monitoring Plans (Criterion 9.3).

CAR 2006-19: SLJ-II will maintain detailed document on its communication with BIPHUT regarding the Forest Boundary Gazettment (Berita Acara Tata Batas Hutan), and adjusts its actions accordingly.

CAR 2006-20: COC data should reflect real-time, so that for each location include date and time in, date and time out and changes to logs at the location. Documentation of incidents of lost barcodes must be well-documented.