



## Frequently Asked Questions (FAQs)

### Accusations against Korindo

#### 1. What was Korindo Group accused of?

Korindo was accused of violating three of the [six unacceptable activities](#) stated in FSC's Policy for Association (PfA).

The three unacceptable activities were:

- Significant conversion of forests to plantations or non-forest use
- Destruction of high conservation values (HCV) in forestry operations
- Violation of traditional and human rights in forestry operations.

The accusations related to Korindo's activities establishing palm oil plantations in Indonesia.

FSC immediately began an investigation into this case following a complaint filed by the environmental non-governmental organization (NGO), [Mighty Earth](#) in June 2017. An independent complaints panel was appointed by FSC to investigate.

#### 2. Where did the alleged unacceptable activities take place, and are they FSC-certified areas?

Mighty Earth's PfA complaint is related to Korindo subsidiary companies and their operations in North Maluku and Papua. The areas where the alleged unacceptable activities took place were not FSC certified but the activities themselves violated three of the six unacceptable activities stated in FSC's PfA.

The unacceptable activities happened in forests that were converted into oil palm plantations. Palm oil is not an FSC certified commodity, so Korindo's oil palm plantations were never, and could not be, FSC certified.

Korindo also has forest management operations in natural forests in Indonesia. These operations are also not FSC certified. However, Mighty Earth's complaint did not allege any direct involvement in wrongdoing by these forest management operations.

Korindo's FSC certified operations are under the FSC Standard for Chain of Custody Certification (FSC-STD-40-004 V3-0), i.e. companies that are allowed to process FSC certified timber bought from other producers. They are located in East Kalimantan, Indonesia. Mighty Earth's complaint did not allege any direct involvement in wrongdoing by these FSC-certified operations.



## The investigation

### **1. Which allegations did the complaints panel confirm to be true? On what basis were allegations dismissed?**

An investigation conducted by an independent complaints panel between 2017 and 2018 was followed by expert social and environmental analysis in 2019.

Based on the [investigation by the complaints panel](#) it was confirmed that Korindo had converted forests to establish oil palm plantations in Indonesia, impacting HCV Forests and contributing to the damage (and potential destruction) of HCVs. In addition, the investigation found Korindo's practice of Free Prior and Informed Consent (FPIC) was not aligned with the high requirements of FPIC demanded by FSC.

These conclusions were accepted and acknowledged by the FSC Board and considered by FSC in defining the roadmap process for Korindo, for the company to implement effective actions towards the improvement of its operations and the remedy of any past environmental and social impacts.

The original allegations against Korindo included an allegation that Korindo was systematically using fire for land clearing. The panel found that on the balance of probabilities this was not the case. Although satellite images show the presence of smoke from fires on Korindo concession areas, it could not be determined that fires were set with the intention to clear land. The issue of fire has therefore not been included in the follow-up discussions with Korindo.

### **2. Following the investigation, FSC's Board of Directors requested secondary analysis to be undertaken. Why did they deem that necessary and what did the analysis find?**

The initial investigation was unable to provide an in depth analysis in relation to the allegations of violations of [traditional and human rights](#) and the destruction of HCVs in forestry operations. The FSC Board of Directors concluded that an additional expert analysis (with focus on the potential environmental and social impacts) would be needed to substantiate a decision on the case.

The additional environmental analysis supported the conclusion that land use change and conversion by Korindo has caused the destruction of HCV in Korindo's subsidiaries PT Papua Agro Lestari and PT Gelora Mandiri Membangun concession areas. Additional social analysis supported the conclusion that the violation of traditional, indigenous and human rights had occurred, with the affected communities suffering considerable harm.



**3. FSC's complaints panel recommended that Korindo should be disassociated from FSC, as it has violated FSC policies. Why didn't this happen?**

In these cases, FSC's objective is always to achieve the fastest and most effective outcome possible for the environment and the affected communities. In the implementation of its PfA, FSC has learned that simply expelling companies does not provide any solutions to the environmental and social damage that has been done. We have experienced a number of cases where disassociated companies have come back to FSC with a wish to end the disassociation, but this normally only happens after years, which means that valuable time is lost before measures can be put in place to correct and compensate for past misconduct.

Following the complaints panel investigation as well as the expert analyses, Korindo committed to complying with FSC certification and agreed to collaborate with FSC to improve its performance and remedy past environmental and social harm. By agreeing that all current and future companies belonging to Korindo would comply with FSC's PfA, Korindo confirmed its commitment to follow key FSC guidelines throughout its operations.

Based on Korindo's commitment to improve to meet FSC's policies and values, the Board of Directors decided to grant Korindo conditional association. This means FSC can constructively engage with Korindo to improve their operations and oversee the organization's social and environmental progress. Continued association is dependent on Korindo complying with strict requirements towards social and environmental reparations and remedy.

**4. This case started three years ago. Why is it taking so long to resolve?**

FSC always aims to achieve the fastest and most effective outcome possible, in the best interests of the environment and the affected communities. The process of identifying potential harm done inside or outside certified forest areas, caused by any FSC member or certificate holder, is a diligent step-by-step procedure. This begins with identifying and analysing the concern and screening the allegation, through to conducting the investigation and formalising a decision. FSC wants to ensure that any decision is based on clear and convincing evidence.

In the case of Korindo, the initial investigation included a field visit in Indonesia, where the complaints panel interviewed stakeholders in Jakarta and Papua and visited Korindo operations, as well as surrounding communities in Papua. This investigation confirmed that Korindo had converted forests to establish oil palm plantations in Indonesia, impacting HCV Forests and contributing to the damage (and potential destruction of) HCVs. In addition, the investigation found Korindo's practice of Free Prior and Informed Consent (FPIC) was not aligned with the high requirements of FPIC demanded by FSC.



However, additional expert analyses needed to be carried out to specify and clarify these important questions and the process was extended by six months. Based on the outcomes, FSC has imposed improvement and remedy requirements on Korindo and has received progress reports that need to be validated by independent third-party verifiers during this process.

**5. Wasn't the evidence of significant conversion and violations of traditional rights enough in itself to take at least some action?**

FSC required Korindo to put a moratorium on any further conversion of forest in place until, at minimum, the investigation was complete. This moratorium remains effective as of today, meaning that any process of further damage was stopped. Important questions were raised during the investigation and the additional analysis was needed for FSC to reach a final decision that addressed all the allegations in the case.

**6. How did FSC reach the conclusion that Korindo was not systematically using fire for forest land clearing? What was the complaint panel's position on the company's approach to tackling fires?**

The complaints panel examined the available documentation and data provided in the context of the complaint to determine whether there was evidence that Korindo had been involved in the systematic use of fires for the clearing of forests.

The panel did not find clear and convincing evidence that Korindo had been involved in the systematic use of fires for land clearing.

According to the law in Indonesia, the company has a responsibility to prevent and extinguish the fires within its concession. The panel was concerned that Korindo was not doing enough to prevent fire and to combat it when it occurs in areas outside its established oil palm plantations, including areas that had been cleared but not yet planted. **However, since the complaints panel did not find clear and convincing evidence in this area, the issue of fires hasn't been part of the continued discussions with Korindo.**

**7. What conditions did FSC set for Korindo to maintain its status?**

In November 2019, FSC set five preliminary conditions, which are as follows:

- 1) Implement a land clearing moratorium applicable across all its operations (and commodities) in Indonesia.**



- The Moratorium encompasses the suspension of any *forest conversion* by Korindo Group. The Moratorium shall remain in force until all High Conservation Value ('HCV') and High Carbon Stock ('HCS') assessments are finalized (including all review stages, such as peer reviews and quality reviews by the respecting governing bodies) and approved by the HCV Resource Network. This moratorium remains effective as of today.
- 2) Refrain from any activities in HCV or HCS areas.**
    - Once the HCVs and HCS assessments are finalized and approved by the HCV Resource Network (HCVRN), Korindo shall, following the findings of such assessments, refrain from developing its activities in areas identified as containing HCV and/or as being HCS areas. Korindo shall implement the necessary measures and actions to ensure the conservation, viability and maintenance of the identified biodiversity and environmental values (HCVs and HCS).
  - 3) Progressively reduce and – by 30 September 2020 – cease the use, purchase, trade and liquidation of logs acquired from the development of palm oil plantations or from any other conversion as raw material in all the companies in the Korindo Group.**
  - 4) Work towards full FSC certification within the next four to five years for its forest concessions located in Kalimantan and Papua, Indonesia.**
    - Korindo will demonstrate sustained effort towards this goal through measurable progress and regular updates.
  - 5) Progressively increase the trade in FSC certified and controlled material in all its timber and forest product production sector including plywood and veneer.**
  - 6) Undertake remedy and improvement processes to assure social measures have been, and will continue to be, fair and proportionate and subject to free, prior and informed consent of affected communities in Papua and north Maluku.**
  - 8. Why are these only preliminary conditions? Will they change? If so, how and when?**

Further conditions for Korindo to remain associated shall be defined within a structured, transparent and inclusive public stakeholder consultation process to develop a roadmap to guide this process.

- 9. How does FSC monitor progress against these conditions and make sure they are being met?**



Korindo is required to report its progress to FSC three times a year and the company's progress will be validated annually by independent third-party verifiers.

#### **10. What progress has Korindo made to meet the conditions so far?**

In July and September 2020, Korindo reported it was making progress towards achieving goals, including:

1. A continued moratorium on land clearing.
2. Ceasing the use of conversion timber in supply chains by the end of September 2020.
3. Working towards full FSC certification of 600,000 hectares of Indonesian forest by 31 December 2023.
4. (I) Implementation of a grievance mechanism for any wrongdoings in 2020, beginning a dialogue between Korindo and its stakeholders. This system is scheduled for a robust peer-review in 2021. (II) Appointment of an independent mediating party to support dialogue and conflict resolution with communities by the end of September 2020. (III) Commitment to the implementation of free, prior and informed consent training in 2020, with an evaluation of its effectiveness planned for 2021.

As mentioned above, Korindo's progress reports will be validated by independent third-party verifiers during this process. This validation will happen once a year.

#### **11. The reports FSC published on the case were heavily redacted. Why weren't you able to reveal your findings in full?**

A redacted version was released after FSC met a compromise with Korindo that both parties found to be a productive way forward. Together with the redacted version of the reports, this resulted in Korindo publicly expressing its commitment towards FSC and to the implementation of the necessary actions required by FSC to improve its operations and remedy any social and environmental harm caused.

#### **12. Korindo took legal action against FSC. What was that action? Why does FSC tolerate this approach from its own FSC certified companies?**

Korindo issued FSC with a cease-and-desist letter in 2019 in response to the investigation findings. This letter did not change in any way FSC's approach in the Korindo case. FSC could have taken strong action against Korindo based on the conclusions of the investigations (such as proceeding to a disassociation), however the FSC Board determined that the clear commitment expressed by Korindo to a set of actions for improvement and remedy was the best and



most constructive way forward for a positive impact for the environment and the affected communities.

FSC recognizes the right of any organization to use legal systems to defend their interests. FSC, its members and associated companies are all accountable to international and local laws.

Inevitably – particularly in the context of the FSC Dispute Resolution system – FSC may in certain occasions make decisions that are contrary to the interest of some certified companies, and there will be instances when companies wish to challenge such decisions through law. However, FSC would not be fulfilling its mission if it was to walk away or turn its back on challenges.

At the same time, FSC does expect FSC-certified organizations to act with good faith and support FSC's mission rather than taking legal action unnecessarily. This is something FSC has communicated and clarified with Korindo. Therefore, FSC will continue to work on progressing through to a roadmap process.

## **Current status**

### **1. What is FSC's roadmap?**

FSC's roadmap is the process that aims for companies to improve social and environmental performance and provide remedy for any social and environmental harm caused. It is a pathway for improvement of the organization's operations ensuring alignment with FSC's values and policies.

In the case of Korindo, a roadmap process will monitor that Korindo is implementing the necessary actions as requested by FSC through a transparent stakeholder involvement process. When it is demonstrated that this is the case, this may lead to the decision by the FSC Board of lifting of the 'conditional' status of Korindo's association.

### **2. Is Korindo's grievance mechanism fit for purpose?**

Korindo has reported on its website that it has launched a pilot of its current grievance mechanism. This mechanism and its effectiveness are subject to the progress reports FSC receives from Korindo and to independent verification. FSC will continue to evaluate these reports to reach a conclusion on the adequacy of the mechanism and whether it needs to be improved.



**3. FSC states that a maintained association option is preferential to complete disassociation. Why is that and are there any other cases of FSC disassociation?**

FSC's mission is to promote environmentally appropriate, socially beneficial, and economically viable management of the world's forests. Our robust approach to Korindo is consistent with that mission.

Reflecting on its PfA, FSC has found that it is sometimes better to work with organizations to remedy non-compliance than disassociate completely.

Disassociation is the process of cutting all legal ties with an organization (including all legal entities, holding companies, subsidiaries and sister companies under the same ownership and belonging to the same group), through the termination of all FSC certificates. In cases of disassociation, FSC is no longer linked with the organization and can no longer influence its activities towards more sustainable and socially responsible practices.

Maintained association, on the other hand, enables FSC to work closely with organizations to implement measures, correct their past failures, prevent reoccurrence, and provide social and environmental remedies for potential harm caused. Maintained association keeps a line of communication between all parties, accelerating the potential for positive change in the world's forests and communities that depend on them.

To protect its integrity FSC will expel organizations when there is no other option and particularly when we see no commitment to significant improvement and remedy. FSC's mission is twinned with a vision that looks to future generations. To realize its current mission and work towards its future vision, FSC must work with companies to improve their operations and find constructive solutions.

**4. Which organizations have been disassociated?**

There have been cases of disassociation, which required certificate holders affected by this decision to terminate their certificates and since then they have not been able to use the FSC trademarks.

- In October 2007, FSC disassociated from the Indonesian company Asia Pulp and Paper (APP).
- In May 2013, FSC disassociated from the Danzer Group. Disassociation was ended in August 2014 when the Danzer Group met the requirements set by FSC.





- In August 2013, FSC disassociated from the Asia Pacific Resources International Holdings Ltd. Group (APRIL).
- In January 2015, FSC disassociated from Dalhoff Larsen and Horneman (DLH Group). The disassociation was ended in November 2017, when DLH met the requirements set by FSC.
- In August 2015, FSC disassociated from the Vietnam Rubber Group (VRG).
- In July 2016, FSC disassociated from the BILT Graphic Paper Products Limited (BILT).
- In February 2017, FSC disassociated from the Holzindustrie Schweighofer.
- In March 2019, FSC disassociated from the Jari Group.

Some of the ongoing cases are being considered for ending disassociation through the FSC roadmap process.

#### **5. Will FSC re-consider its decision to maintain association with Korindo?**

FSC has clearly outlined requirements and conditions that Korindo must successfully implement to maintain association. These measures demand social and environmental progress in the form of reparations and remedies.

Overseeing a robust, timebound and independently verified process, FSC's Board of Directors will continue to monitor progress updates against the set conditions.

Should this process be jeopardized at any stage and the corrective action ceases, the FSC Board of Directors will hear a case for disassociation from Korindo.

FSC is actively committed to environmentally appropriate and socially beneficial management of the world's forests. As such, this requires FSC to make difficult judgment calls between collaboration to drive change, versus disassociation from organizations that show no willingness to change. This is motivated by FSC's continued realization of its mission to advance the environmental and socio-economic agenda of responsible forest management across the world.

Please find further information on these requirements [here](#).

#### **6. What will happen if Korindo does not comply with the roadmap criteria?**

As mentioned above, Korindo is not yet in a roadmap process. Korindo is currently obliged to meet the preliminary conditions which will allow it to progress to the roadmap stage. If Korindo does not fulfil the obligations set by the preliminary conditions, the company will not move to



the roadmap phase. In this situation,, the case would be reconsidered by the FSC Board of Directors, with the option of moving into the process of disassociation.

**7. What will happen if further allegations arise against Korindo during the roadmap process?**

The roadmap process is designed to directly address the violations of the PfA. Any new allegations of violation of the PfA is subject to a new PfA compliance assessment, the outcome of which could lead to a suspension or termination of the roadmap process.

**FSC credibility and integrity**

**1. NGOs have questioned FSC's credibility as a result of this case. How do you respond to claims that FSC's reputation has been damaged?**

What matters most is achieving the best outcome for the environment and communities affected by these violations. FSC strives every day to achieve that and protect the integrity of the FSC certification.

In this case, outlining strict requirements and conditions for Korindo to follow, FSC intends to expedite the process and achieve positive change in a shorter timeframe than that found through disassociation, which would lead to further environmental and socio-economic destruction.

Whilst measurement of progress has been impacted by Covid-19, FSC has been able to provide timely updates on the Korindo case. In August 2020, FSC announced several areas where Korindo had reported progress towards meeting the preliminary conditions.

FSC is resolute in its central mission, transparency of actions and commitment to stakeholders. It will continue to provide timely updates on the progress made in this case.

**2. Does FSC feel the criticism from NGOs is justified?**

FSC shares the frustration of those who seek immediate and clear answers and tangible results in these cases. We welcome constructive criticism as we share common goals with anyone who is passionate about protecting our forests.



This case has undergone an extended procedure, which led to a first investigation carried out by the complaints panel, followed by expert social and environmental analysis.

Whilst FSC acknowledges that it took longer than originally planned to define the conditions and implement progress reporting, it is continuously working towards the most effective result leading to reparations from past social and environmental harm.

As previously stressed, Covid-19 has had a significant effect on the functioning of the FSC Secretariat. FSC is determined to minimize the impact and make sure important functions – such as progress reporting – are running effectively. FSC is working to improve this by tracking Korindo's fulfilment of the preliminary conditions and planning next steps accordingly.

FSC also acknowledges frustrations concerning its decision to grant Korindo conditional association. However, FSC's Board of Directors firmly believes that disassociation would not yield any constructive mechanism to ensure that Korindo improves its forestry practices and secures remedy for past issues.

We are continually reviewing our practices and processes and lessons learned in this case are already being reapplied across our operations.

**3. A new forest management standard is being put in place in Indonesia. Does this have an impact on FSC roadmap processes with companies operating in Indonesia?**

The new FSC forest management national standard in Indonesia will start to be implemented in January 2021.

As part of its conditional association with FSC, Korindo and all its subsidiaries working on natural forest management will be required to comply with the new national standards, ensuring the company's forest management activities are sustainable, ethical and in line with FSC's expectations.

Regarding the oil palm operations that were the scope of Policy for Association investigations and roadmap processes, these areas fall outside the FSC certified area. Roadmap processes focus on achieving social and environmental remedy for the harm caused by the activities that occurred outside the scope of the certified area (e.g. in oil palm plantations), and therefore have no overlap, nor are affected by the development and implementation of a revised FSC Forest Management Standard for Indonesia.



**4. Is Korindo's threat of legal action the real reason behind the fact that FSC has not disassociated from Korindo?**

No. Based on the assessments and the conditions set and agreed with Korindo, the FSC Board of Directors made an informed decision not to expel Korindo from its certification scheme. FSC concluded that disassociation provided no constructive resolution to the environmental and social harm done. The decision not to disassociate was made in the hope of achieving demonstrable progress on important environmental improvements and social remedy in the areas in which Korindo operates.

FSC has acted in line with its commitment to responsible forest management in Indonesia, as anywhere else in the world.

**FSC Policy for Association**

**1. What is the Policy for Association (PfA)?**

The PfA defines FSC's position on unacceptable activities of organizations (members, certificate holders or others) associated with FSC. Unacceptable activities range from violations of traditional and human rights in forestry operations to illegal logging. The Policy also defines the mechanism for disassociation where a company is found to be directly or indirectly involved in relevant unacceptable activities.

**2. How does the PfA differ from a regular FSC certification?**

The main scenario targeted by the PfA is an organization's involvement in unacceptable activities in areas or operations which are not covered by the scope of an FSC certificate.

The PfA aims to avoid FSC's association with any organization involved in unacceptable activities across their operations (including those areas that fall outside the scope of FSC certification). It acts as a due diligence and risk mitigation mechanism for FSC, ensuring that only companies that are aligned with FSC's values are associated with FSC.