

**Summary Report of SEIA and HCV Assessment for PT Agrokarya Primalestari
Mentaya Hulu Sub-district, Kotawaringin Timur District, Central Kalimantan Province**

Executive Summary

PT Agrokarya Primalestari (PT AKPL) is located in Kecamatan Mentaya Hulu, Kotawaringin Timur District, Central Kalimantan Province. The business activities of PT AKPL are based on a Location Permit from the Head of Kotawaringin Timur District under the Decree of Kotawaringin Timur District Head No 613.460.42 in Sampit dated 3 September 2004 (for a total plantation area of $\pm 20,000$ ha) and the Decree of Kotawaringin Timur District Head No 393.400.9.62.02/VII/2010 concerning a Land Permit for palm oil development in Kapok, Tajur Beras, Kawan Batu Village, Mentaya Hulu Sub-District, Kotawaringin Timur District, Central Kalimantan Province dated 7 July 2010 (for a total area of 2,300 ha with 500 ha dedicated for plasma). The permit was then extended by decree of Central Kalimantan Governor Agustin Terasnarang No 188.44/130/2007 in Palangka Raya dated 23 March 2007 for a total plantation area of $\pm 20,000$ ha and valid for three years. The company's Plantation Business Permit (IUP) was issued by the Governor of Central Kalimantan under Decree No. 188.44/130/2007 dated on 23 March 2007, in Mentaya Hulu Sub-District, Kotawaringin Timur District and Seruyan Tengah Sub-District, Seruyan District, Central Kalimantan Province, for a total area of 20,000 ha.

PT AKPL owns a palm oil mill (POM) with installed capacity of 90 TFFB/hour. The company obtained an Environmental Permit under Decree of the Central Kalimantan Governor No 188.44/184/2007 dated 10 May 2007. In addition to the Social and Environmental Impact Assessment (SEIA) documents, the company also completed a Social Impact Assessment (SIA). This was done by an internal team from PT SMART Tbk led by Mr Yosaphat Ardhilla Renato (*RSPO Approved HCV Assessor*), an expert in social impact management.

In order to collect data on the social, economy and cultural aspects of the villages around the estates/palm oil mill of PT AKPL, a survey was employed which included a questionnaire, in-depth interviews, and a focus group discussion. Secondary data was collected by conducting a literature review of the SEIA documentation, High Conservation Value (HCV) Identification reports, as well as analysis of the supporting data from government sources such as local government web pages.

The Management Unit (*Unit Pengelola*-UP) of PT AKPL has conducted HCV identification in the concession area. The aim is to identify HCV areas in or near the concession area that contain significant social, cultural or ecological value, and to formulate management direction and monitoring that guarantees the preservation and/or enhancement of those values. Identification of HCV and HCVA and its management and monitoring are important prerequisites in managing each UP in the PT AKPL area, and are an important part of obtaining certification from the Roundtable for Sustainable Palm Oil (RSPO).

The HCV identification exercise showed no primary forest in the area PT AKPL. HCV identification activities were carried out according to "A Guide to Identifying High Conservation Value Areas (Consortium of Revision HCV Toolkit Indonesia, 2008)". Field data collection took place on 25th – 29th June 2010. Satellite imagery analysis was used to identify and analyse the mapping area of each management unit. This acted as a preliminary to determining locations potentially having HCV and that would be observed in the field survey. The socio-cultural aspects were carried out by interviewing the local community, village officials, community leaders, plantation workers and related parties. The public consultation with related stakeholders was held after the field survey.

Scope of SEIA and HCV Assessment

Company Name : PT Agrokarya Primalestari

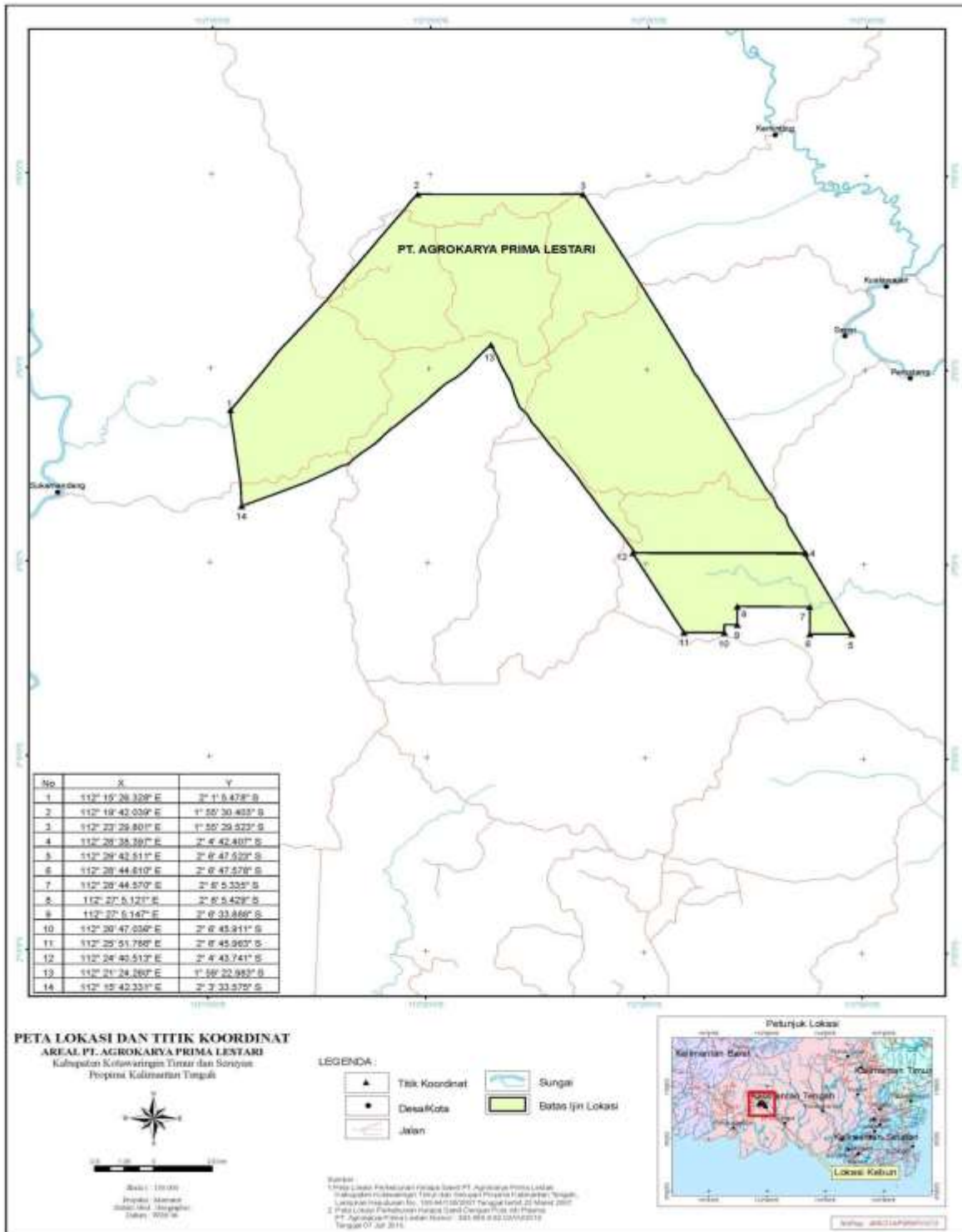
Location : Dusun Kapok, Tajur Beras Village and Kawan Batu Village, Mentaya Hulu Sub-District, Kotawaringin Timur District, Central Kalimantan,

INDONESIA

- Geographical location : 112°15'26.328" -112°29'42.511" E
And 1°55'29.523" - 2°6'47.578" S
- Surrounding entities
- a. North : PT Karya Makmur Sejahtera
 - b. East : PT Karya Makmur Sejahtera
 - c. West : PT Karya Makmur Sejahtera
 - d. South : PT Kridatama Lancar
- Status of concession land
- 1. Kotawaringin Timur District Head's decree No 613.460.42 stipulated in Sampit dated 3 September 2004 for a total area of ±20,000 ha.
 - 2. Kotawaringin Timur District Head's decree No. 393.400.9.62.02/VII/2010 of 7 July 2010 concerning Location Permit for palm oil development in dusun Kapok, Tajur Beras, Kawan Batu village, Mentaya Hulu Sub-District, Kotawaringin Timur District, Central Kalimantan, for a total area of 2,300 ha with 500 ha dedicated for plasma.
 - 3. Extension of Location Permit: decree of Central Kalimantan Governor, Agustin Terasnarang, No. 188.44/130/2007 stipulated in Palangka Raya dated 23 March 2007 for a total plantation area of ±20,000 ha, and valid for three years.
 - 4. Plantation Business License (IUP): Central Kalimantan Governor's decree No. 188.44/130/2007 dated 23 March 2007, in Mentaya Hulu Sub-District, Kotawaringin Timur District and Seruyan Tengah Sub-District, Seruyan District – Central Kalimantan Province for a total area 20,000 Ha
 - 5. Land Use Permit (HGU): In process
- Map of Location : Figure 1

Note: Maps with higher resolution have been attached in appendix 1.

Figure 1. Location Map of PT Agrokarya Primalestari in the Seruyan and Kotawaringin Timur Districts



Assessment Process and Procedures

a. SEI Assessment

The SEIA documents were prepared by PT Geo Dinamika Utama Palangkaraya and approved by the Governor of Central Kalimantan under Decree No. 188.44/184/2007 dated 10 May 2007 of the Environmental Impact Assessment for Activities in the Oil Palm Plantation and Palm Oil Mill in Mentaya Hulu Sub-District, Kotawaringin Timur District, Central Kalimantan Province. The company also has a Social Impact Assessment (SIA) prepared by the internal PT SMART team in February 2013, led by an RSPO-approved HCV assessors specialist in social impact management. Below are the team credentials.

SIA Team Leader

Yosaphat Ardhilla Renato S. Ant.

Currently working in PT SMART as a Corporate Social Responsibility (CSR) Officer specialising in social and cultural anthropology, he received a bachelor's degree in Anthropology from the Anthropology Study Programme of the University of Gadjah Mada (UGM) in 2010. He is also a member of the HCV Resources Network and an RSPO-approved specialist in participatory rural assessment, socioeconomic or cultural studies, participatory mapping and conflict resolution.

Team Member:

Laurentius Vita Baskara S. Sos.

A CSR staff specialising in social development and welfare, he obtained a bachelor's degree in Social Studies from the Faculty of Social and Political Studies at UGM in 2010. He has performed several social impact assessments for plantations and mills managed by PT SMART. He is also trained in the fields of Free, Prior, Informed Consent (FPIC) and social mapping.

Veranita Mei Pratiwi S. Ant.

A CSR staff specialising in social and cultural anthropology, she obtained a bachelor's degree in Anthropology from the Cultural Anthropology Study Programme of UGM in 2010. She is involved in several SIAs for PT SMART's plantations and mills.

Suma Nugraha, S.E.

A CSR staff specialising in socio-economics and politics, he earned a bachelor's degree in Economics from IPB in 2008. He previously worked as a supervisor in the World Bank Survey Project and Bravo Media Centre where he was assigned as a special staff for Vice President of Republic Indonesia. He has also worked as a supervisor in media relations and monitoring at PT FOX Indonesia Political and Strategic Consulting. He has been involved in social data collection and social impact management and monitoring at several of PT SMART's plantations and mills.

Widodo C Yuwono

Currently the Social Impact Assessment & Grievance Section Head at PT SMART, he previously pioneered CSR activities as the CSR Section Head. He obtained his bachelor degree from Institut Keguruan dan Pendidikan (IKIP).

Assessment Methods

a. SIA Assessment

In order to collect data on the social, economic and cultural aspects of the villages around PT AKPL's estate/palm oil mill, a survey was employed which included a questionnaire, in-depth interviews and a focus group discussion. Primary data was collected through field visits. Secondary data was collected through a literature review of SEIA documents, the HCV identification study and additional literature from government sources such as government websites. Secondary data was also collected from records of the CSR activities of PT AKPL and local maps. Those data were then analysed in accordance with relevant RSPO principles on the social aspects of sustainability.

b. HCV Assessments

HCV assessment was carried out by the Research Centre for Bioresources and Biotechnology of the Institute of Research and Community Services, Bogor Agricultural Institute from 23 June to 6 July 2010 under the Location Permit of PT AKPL. The evaluating team consisted of six members, of whom three were RSPO Approved HCV Assessors. The team are:

1. Dr. Ir. Machmud Thohari DEA, Team Leader.

A lecturer in the Postgraduate Programme and a Researcher in the Department of Forest Resource Conservation and Ecotourism of the Faculty of Forestry, Bogor Agricultural Institute, he is the Chairman of R&D for Indonesia Bird Conservationist and Vice Chairman of Indonesia Palm Oil Society (MAKSI). His various research areas have included biodiversity, development of forestry and the environment, SEIAs, national parks and forest conservation, and studies for the Ministry of the Environment, State Ministry of Research and Technology, Agricultural Department, and Animal Rescue Centre. He is in charge of preparing the HCVA documentation.

2. Dr. Ir. Harnios Arief, MScF, Expert in Fauna (Wildlife Ecology).

A lecturer in the Department of Forest Resource Conservation and Ecotourism of the Faculty of Forestry, Bogor Agricultural Institute, he is also Head of Forest Conservation Management. He has done various studies on Initial Environmental Examination, Preparation of Area Spatial Planning, SEIAs, Preparation of Certification System and Ecolabel Certification Assessment in various forest management units in Sumatra, Java, Kalimantan, Sulawesi, Maluku and Papua. He has been registered as an RSPO-approved HCV assessor since 2010.

3. Ir. Rachmad Hermawan, MSc. Expert in Environment Services.

A lecturer in the Department of Forest Resource Conservation and Ecotourism of the Faculty of Forestry, Bogor Agricultural Institute, he is actively involved in various HCV studies. These include High Conservation Value Forest studies at PT Sumalindo Lestari Jaya II Site Batu Putih, Berau East Kalimantan; Pontianai Block PT RAPP, Riau; PT Andalas Lestari Permai, West Sumatra; and Rupert Island Bengkalis District, Riau. He has been registered as an RSPO-approved HCV assessor since 2010.

4. Sad Hasto Agus S, S.Hut. Expert in Flora.

Currently an independent consultant in the field of biodiversity, ecology and biology, SEIA, environmental audit in ecology, assessment of sustainable forest management and HCV constituent for palm oil plantation, he was previously active in Biodiversity Conservation Indonesia from 1994 to 1998. He has a bachelor's degree in Forest Resource Conservation from the Faculty of Forestry, Bogor Agricultural Institute.

5. Mulyadi Kamad, S.Hut. Expert in Social, Economy and Cultural.

Executive Director of Biodiversity Conservation Indonesia and a member of the Committee on Environmental Care in Bogor District, he has been involved in HCVA identification, Assessment of Sustainable Forest Management Certification, environmental education, and community empowerment. He was previously a lecturer in Ecotourism at the Department of Forest Resource Conservation and Ecotourism of the Faculty of Forestry, Bogor Agricultural Institute. He has a bachelor's degree from the Faculty of Forestry of Bogor Agricultural Institute.

6. Kasuma Wijaya, S.Hut. Expert in Mapping and GIS.

Permanent Assistant in the Project for the Support of Forest Resources Management through Leveraging Satellite Image Information – Alos PALSAR, JICA and Faculty of Forestry, Bogor Agricultural Institute. He has a bachelor's degree in Forest Management Study from the Faculty of Forestry of Bogor Agricultural Institute.

The HCV Assessment Phases

Field data was collected from 23 June to 6 July 2010 by the HCV team from the Research Centre for Bioresources and Biotechnology of the Institute of Research and Community Services, Bogor Agricultural Institute. The HCV were assessed according to the six HCV outlined in "A Guideline of HCV in Indonesia" and RSPO principles and criteria, with methodology adapted for each of the HCV.

Summary of Assessment Findings

a. SEIA

The conclusions of the SEIA are as follows:

1. The existence of PT AKPL has had a positive impact on the surrounding community.
2. The positive social impact of PT AKPL comprises improvement of the economy and community welfare, and contribution to regional development. Economic improvement has had a positive impact on living standards as well as quicker money circulation providing considerable opportunities for development of the region.
3. Acquisition and land compensation has been accomplished with prior notification and mutual agreement between the company and members of the community who received compensation. The compensation process is in accordance with PT AKPL's procedures.
4. PT AKPL has implemented an Occupational Health and Safety policy. This has had a positive impact on the company's employees because all employees are covered by work safety insurance.
5. The negative impact outlined in the Social Impact Analysis and Identification findings are community anxiety and social jealousy relating to land clearing and the local labour quota. Another negative impact is the degradation of environmental quality, usually relating to water quality and air pollution.

The social impact of PT AKPL

NO.	Social Impact	Social Issues
1.	Community anxiety and social jealousy	<p>The involvement of the Government, community leaders and traditional institutions in every activity of land acquisition and at the pre-construction stage.</p> <p>Land acquisition could trigger community anxiety or polemic if it is not in accordance with set procedures and pricing.</p> <p>The company needs to consider the local labour quota and adjust its labour requirements accordingly.</p> <p>Clarity of the plasma programme and planned CSR programmes.</p>
2.	Economic Improvement	<p>An increase in community income compared to before the construction of the company infrastructure. The community earns a fixed, regular income through the operations of the company.</p> <p>Provision of facilities supports employees' quality of life.</p> <p>The company utilises certain contractors on an ongoing basis.</p> <p>The employee welfare, competency improvement programme, protection of workers' rights through the implementation of Occupational Health and Safety (OHS) were implemented by the company as part of its obligations.</p> <p>The emergence of shops selling everyday necessities is driven by the growing economic activity of the community.</p>
3.	Environmental degradation	<p>The waste resulting from the company's operations is re-used in a responsibility manner to support the company's operations; hazardous waste is managed in collaboration with third parties.</p> <p>Poor sanitation in the community results in epidemics. The company may conduct public outreach and dissemination on this subject. The company through OHS management is expected to control the spread of disease internally and coordinate with health facilities and infrastructure in the assessed region to prevent an epidemic.</p> <p>FFB transport activities to the mill often generate dust and pollution which can lead to respiratory disease. The company undertook efforts to lower pollution levels.</p>

4.	An increase in social welfare and the contribution to the regional development	In every aspect of its operations, the company does its best to comply with relevant laws and regulations, including paying taxes.
		The number of people graduating with higher education continues to increase in the area. The higher level of education reinforces the company's contribution to the community.
		Villagers around the company receive a wide range of social assistance from the company.

General Recommendations Based on Social Impact Identification and Analysis:

1. Community Anxiety and Social Jealousy

Based on the socialisation during the investment stage, PT AKPL will run its operation in the study area listed in the EIA documents, the land acquisition and compensation has followed free, prior, informed, consent (FPIC) procedures and methods. The socialisation and FPIC processes help the company clarify and promote the investment climate for oil palm plantation business managed by PT AKPL.

Zoning is the initial step in PT AKPL's land compensation process. It is an important stage that can be useful if future problems arise regarding the land acquisition and compensation. In addition, the company needs to confirm and explain the progress of its plasma scheme. This is a crucial element of the company's corporate social responsibility (CSR) programmes, as the implementation of a plasma scheme reduces the risk of social conflict.

PT AKPL conducts socialisation regarding its manpower needs, adhering to the quota for hiring labourers and providing the local authorities with current data. Priority is placed on proactive communication with stakeholders, including public consultation on land acquisition. Using local workers is also important and perceived as cost effective, in that the company does not need to bring in workers from outside the region. The company needs to conduct entrepreneurship training for the communities, so that people are able to diversify their means of livelihood. This can be done in collaboration with the relevant agencies that are competent to provide such training.

2. Economic Improvement

PT AKPL makes the following efforts towards economic development for the community: providing information regarding manpower needs to the local government in accordance with requirements, setting employee salaries at or above the minimum wage, empowering the community through local partnerships and the purchase of goods and services from local businesses, implementing OHS policies, and providing training to employees to improve their competence. In addition to internal programmes, PT AKPL carries out activities under the plasma scheme that have the potential to improve the economic well-being of the communities and farmers involved.

3. Minimising Environmental Degradation

Proactive communication with stakeholders is needed for environmental and health management. The company conducts socialisation and performs strict supervision of contractors in order to achieve environmental management in its operations, implement best practices in the management of palm oil wastes and hazardous as well as toxic materials (*Bahan Beracun dan Berbahaya - B3*), and report social and environmental impact monitoring to the relevant agencies. This represents a series of efforts to manage the significant negative impact of environmental degradation.

4. Community Welfare and Regional Development

Synergy can be generated between this management programme and long term CSR programmes. Efforts that should be included are: scholarships for outstanding students, support for cultural activities such as traditional ceremonies held in the area. The company's compliance in paying taxes has indirectly assisted or contributed to regional development.

Public consultation on the managing the social impact of PT AKPL was held on 1 February 2013 at the PT

AKPL office in Central Kalimantan. The consultation was conducted by the SIA team and attended by a 44 participants including PT AKPL's management team and stakeholders.

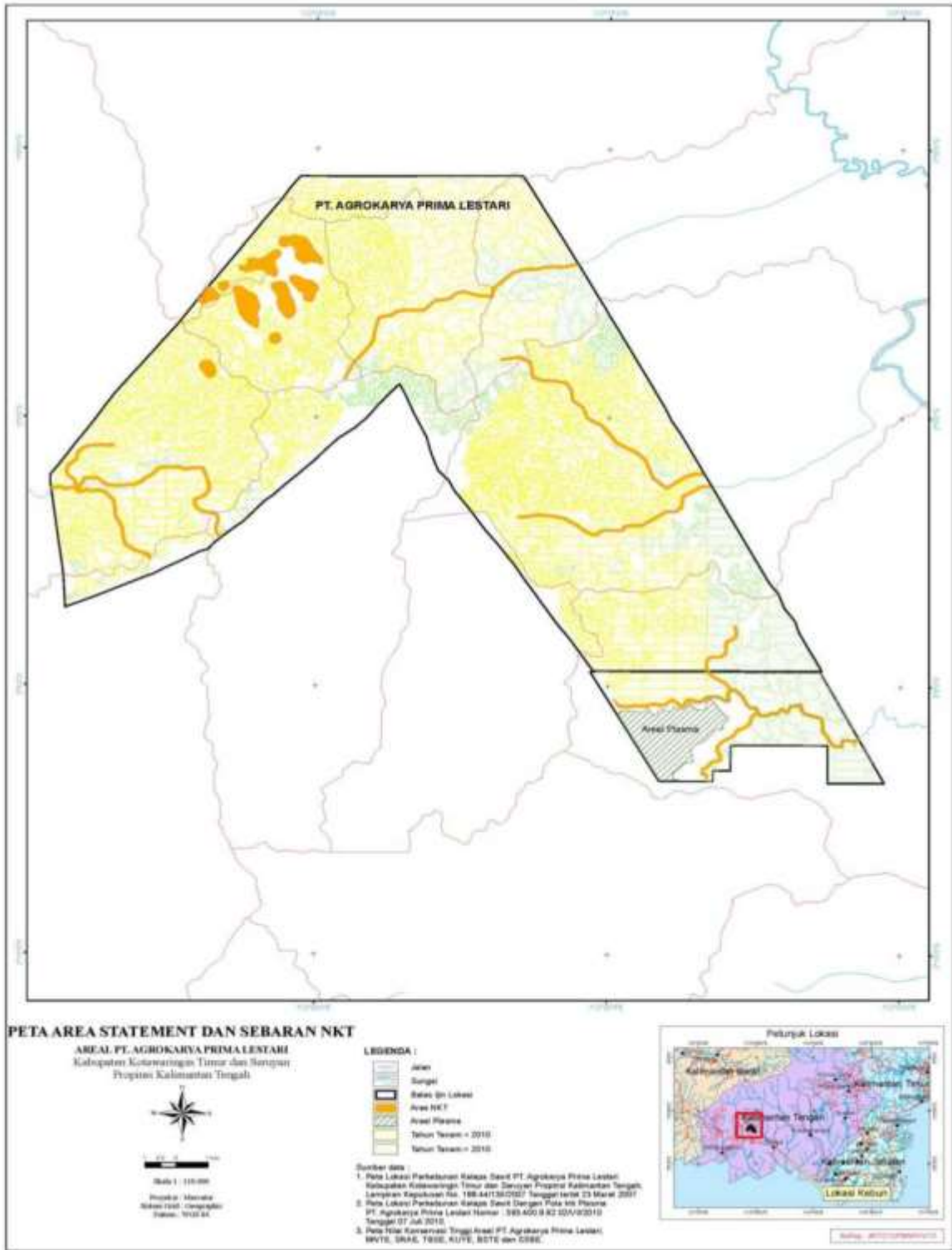
b. HCV Assessment

There are seven HCVs identified in the area covered by PT AKPL's location permit: HCV 1.1, HCV 1.3, HCV 1.4, HCV 2.3, HCV 4.1, HCV 4.2 and HCV 6, with a total area of 993.3 ha. Their detailed descriptions are as follows:

1. HCV 1.1 (areas that support biodiversity for protection and/or conservation) consisting of: a) the riparian zone of Kawan Batu River, Muara Simpangan, Peman, Sapiri, Tilep, Rege, Ipoh and Sambun, covering a total of 582.3 ha; b) the steep sloped area >40% that controls erosion and sedimentation, located on Kemeluh Hill, Batu Hill, and Susu Hill covering a total area 347.7 ha; and c) springs at Kemeluh Hill, Batu Hill and Susu Hill occupying 62.8 ha.
2. HCV 1.3 (the area serves as a habitat for a species that is endangered, of limited distribution or protected and of a viable population) in the riparian zone of Kawan Batu and Rege rivers (each overlapping with HCVA 1.1) with a total area of 139.7 ha. The species found in the area are: ironwood/ulin (*Eusideroxylon zwageri*), jelutung (*Dyera costulata*) and bird durio (*Durio carenatus*). The fauna species include orang utan (*Pongo pygmaeus*), Müller's Bornean gibbon (*Hylobates muelleri*), and Sun Bears (*Helarctos malayanus*).
3. HCV 1.4 (the area serves as a temporary habitat for the species or group of species) is on the border of Kawan Batu and Rege rivers (each overlapping with HCVA 1.1 and 1.3) on a total of 139.7 ha. Species found include: Maroon Langur (*Presbytis rubicunda*), Müller's Bornean gibbon (*Hylobates muelleri*), Large Flying Fox (*Pteropus vampyrus*), Brahminy Kite (*Haliastur indus*) and Rhinoceros Hornbill (*Buceros rhinoceros*).
4. HCV 2.3 (an area that contains a population of representative indigenous species), located in the riparian zone of Sekawan Batu and Rege rivers (each overlapping with HCVA 1.1, 1.3, and 1.4) covering a total of 139.7 ha. Representative species of birds and predators that use these places for nesting, resting and/or foraging are: Brahminy Kite (*Haliastur indus*), Besra (*Accipiter virgatus*), Blyth's Hawk-Eagle (*Spizaetus alboniger*), Black Winged Kite (*Elanus caeruleus*), Grey-headed Fish Eagle (*Ichthyophaga ichthyaetus*), Crested Goshawk (*Accipiter trivirgatus*), and reptilia namely cobra (*Naja* sp.)
5. HCV 4.1 (an important area serving as water supply and flood control for the communities downstream) is in the Managing Unit, in the form of riparian zone and secondary forest including: a) Sekawan Batu riparian zone, Muara Simpangan, Peman, Sapiri, Tilep, Rege, Ipoh and Sambun, encompassing 582.3 ha; b) springs in Kemeluh Hill, Batu Hill and Susu Hill occupying 62.8 ha.
6. HCV 4.2 (an important area for the control of erosion and sedimentation) found in the Managing Unit, on a steep sloped area >40% as an erosion and sedimentation control situated in the Kemeluh Hill, Batu Hill and Susu Hill, covering 347.7 ha.
7. HCV 6 (the area is important to the local community's cultural identity) in the form of a sacred area where the old village graveyard is located, includlpuh village in blocks of R49/50 of 0.5 ha.

Public consultation on the HCV identification was conducted on 5 July 2010. This event was attended by approximately 19 people comprising representatives of the PT AKPL managing unit (Regional Controller, Estate Manager, and staff) as well as stakeholder representatives comprising the village head, village secretary, community leaders and village supervisors (*Babinsa*).

Figure 2 : Identification of HCV and Project Plan Area of PT Agrokarya Primalestari



Note: Maps with higher resolution have been attached in appendix 1.

Internal responsibility

We hereby sign off on the above Summary Report of SEIA and HCV, The above may be amended and clarified for improvement during the development of the plantation but it will remain in accordance with RSPO Standards and Principles.

On behalf of the Management of **PT Agrokarya Primalestari**,

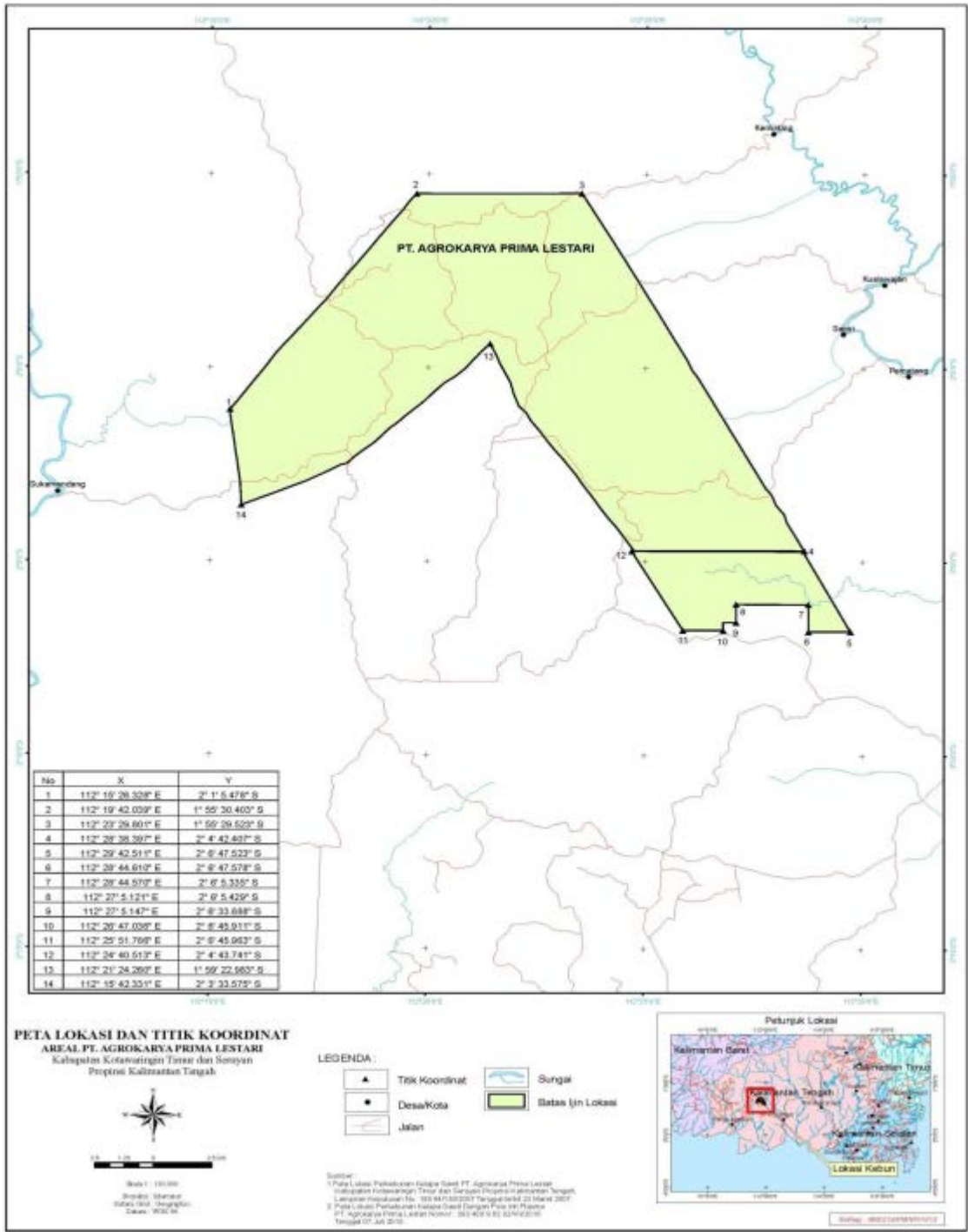


Dr. Haskarlianus Pasang

Head of Sustainability Division

Date: May 10th, 2013

Figure 1: Location Map of PT Agrokarya Primalestari in the Seruyan and Kotawaringin Timur Districts
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**Figure 2: Identification of HCV and Project Plan Area of PT Agrokarya Primalestari
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