PT AGRO RAWAS ULU

(SIPEF GROUP)

MUSI RAWAS KABUPATEN

SOUTH SUMATRA PROVINCE

INDONESIA

SUMMARY OF SEIA AND HCV REPORTS

JULY 2012

RSPO

RSPO NEW PLANTINGS PROCEDURE

Summary Report of SEIA and HCV Assessment

1. Executive Summary

PT Agro Rawas Ulu (PT ARU) has obtained an "izin lokasi" for oil palm and rubber plantations covering an area of 9'000 ha through the Decree No. Musi Rawas: 74/KPTS/BPM-PTP/2011 dated 12 December 2011, signed by the Bupati of Musi Rawas. PT ARU is located in the Rawas Ulu District, Musi Rawas regency, South Sumatra Province, Indonesia.

Villages where the assessments were conducted are : Pasar Surulangun Village, Sungai Jauh Village ,Sungai Baung Village,Teladas Village, Kertadewa Village, Pangkalan Village, Pulau Lebar Village and Lubuk Mas Village.

After obtaining the "izin lokasi", PT ARU hired a team led by Mr.Purwo Susanto (of YASBI), an RSPO-accredited HCV lead assessor, to conduct HCV and SEI assessments.

Based on the results of the HCV assessment in the area there are no primary forest. The forests that still exist in the form of a young secondary forest that has been turned into rubber platation by local community.

In general, HCV identification showed that HCV 1 was found on 1,195.21 ha or 13.28% of the area, HCV 2 was found on 49.93 ha or 0.55% of the area, HCV 4 was found on 888.27 ha or 9.87% of the area, and HCV 6 was found on 0.08 ha or 0.0001% of the area. As some areas have been found to contain more than one HCV, the total HCV area identified in PT ARU is 1,195.29 ha or 13.28% of the "izin lokasi" issued to PT ARU. HCV peer review assessment will be conducted in August 2012 and public consultation in September 2012.

No peat is present in the "izin lokasi" of PT ARU.

A desktop historical HCV assessment did not find primary forest in November 2005 within the PT ARU area.

The South Sumatra land system map with 1:250,000 scale showed that there were three main land system in the concession area of PT. ARU, namely Muara Beliti (MBI), Sebangau (SBG), and Sungai Aur (SAR). The largest land system was SAR with percentage of up to 59%, while the MBI land system had coverage percentage of about 23% and SBG of about 15%.

The AMDAL (Socio-environmental impact assessment) is in progress, and the initial stage (KA-ANDAL) has been completed. The IUP (operation licence) will be processed immediately after issuance of the AMDAL by the local government (Bupati Musi Rawas). The HGU (land use title) will be processed afterwards, as per Indonesian regulations.

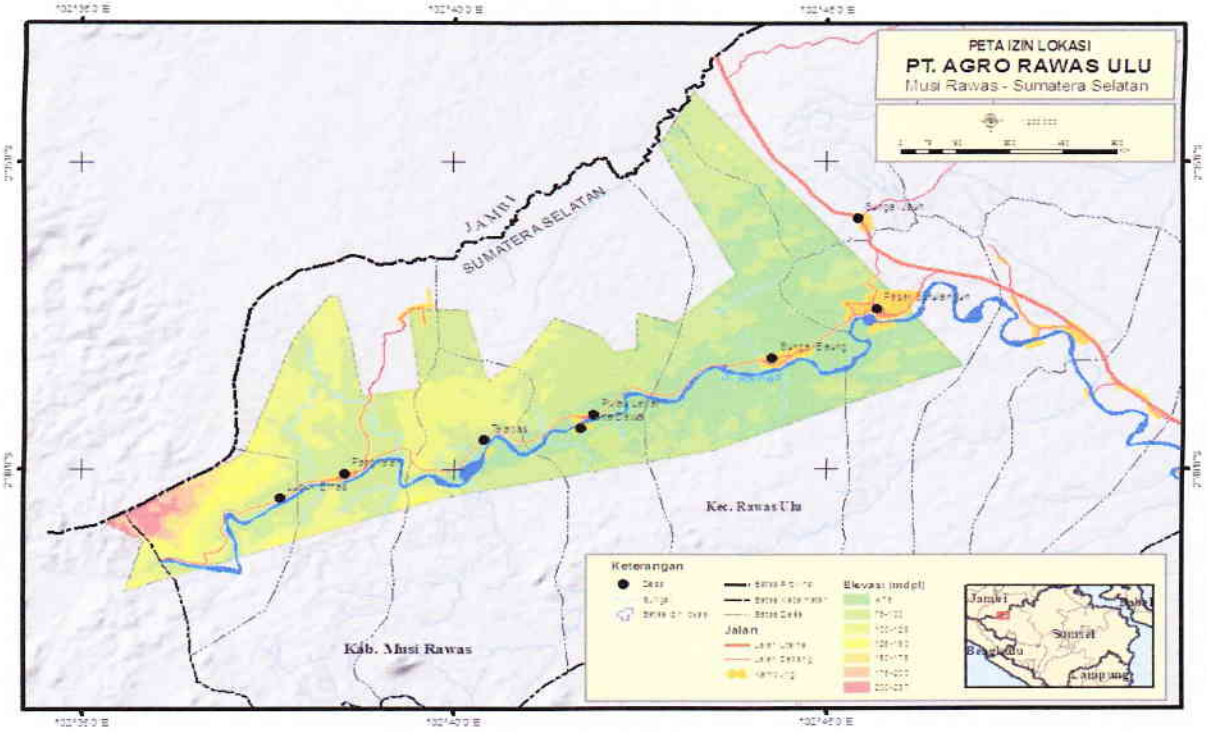
Table 1. Land System of PT. ARU Plantation Area

Land System	Description		Percentage of Coverage
	L General Description of Lithology	Soil Association	
MBI (Muara Beliti)	Fine grained Tefra, Tufit, mud stone, silt stone, sandstone, alluvium, young river, old sand, and gravel	Tropudults, Dystropepts, Haplorthox	23
SAR (Sungai Aur)	Mud stone, silt stone Sandstone, Tufit Fine grained Tefra	Paleudults Haplorthox Dystropepts	59
SBG (Sebangau)	Alluvium, young river	Tropofluvents Tropaquepts Fluvaquents	15

2. Scope of the SEIA and HCV Assessment

The SEIA and HCV assessment covered the location of PT Agro Rawas Ulu, and identified exisiting HCV areas and social situation and challenges at the time of the assessment.

A separate historical HCV assessment identified primary forest as of November 2005 through satellite imagery analysis.



3. Assessment process and Procedure

HCV assessor team, which involved experts in Biodiversity, Environmental Services, Social and Culture and supported by GIS expert, had conduct field data collection on 25 January – 4 February, 2012. Data collection was facilitated by the staff of the enterprise and assisted by the village community. Likewise with SEIA assessments conducted in the same time.

Table 2. HCV assessment process, methodology, and data achievement

Assessment Process	Methodology	Data achievement
Mapping and landscape	Field data collection to verify secondary data and information such as protected/conservation areas, road system, river system, boundaries, soil types and classes, topography, and; to conduct a comprehensive overview of the area.	Mapping all data and information found into a map and conducting analyses on it.
Fauna (wildlife) aspect	Qualitative field assessment (*rapid assessment*). Direct field observation; interview and discussion with	Qualitative condition of the habitat; endangered, critical, and protected wildlife species within the list of IUCN and the

	stakeholders, such as local community, staffs of the company, and other related parties.	prevailing regulation and its distribution; qualitative condition of wildlife species' population (number and status of reproduction); location of wildlife species encounter; species hunted by the community; benefit and disturbance of wildlife species; level of threat and survival opportunity of wildlife species.
Flora aspect	Interview and direct field survey. Initial mapping of ecosystem distribution; observation on forest structure, species density or dominance on each type of ecosystem.	Data of flora with particular status, species protected by the Indonesian government or assumed to be endangered in the IUCN list. Threat and opportunity to maintain the area.
Social, Economic, and Cultural Aspect	Interview and field visit using FGD (*Focus Group Discussion*), PRA (*Participatory Rural Appraisal*) and list of structured questions. Collection of data on the village's demography, custom, culture, and community's relation with forest.	Traditionally protected area, level of dependency toward the area, environmental services related to the assessed area.

SEIA assessment used four stages.
First, guided and open interviews. A guided interview is an interview using only predetermined questions, while an open interview is not limited to a set of questions, but still refers to the research themes. The purpose of the interview is to find information about the opinions, perceptions and the effects felt or apprehended by communities around the project. The interview process has been directed at key community members, and conducted over 10 days in the field.

Second, the distribution of the questionnaire to 20 respondents in each village adjacent to the project (total 160 respondents) which aims to seek people's perception of the activities of project as a whole. Questionnaires were randomly distributed to the community in the Pasar Surulangun Village, Sungai Jauh

Village, Sungai Baung Village, Teladas Village, Kertadewa Village, Pangkalan Village, Pulau Lebar Village and Lubuk Mas Village.

Third, direct observation, which is conducted on the pattern of daily life in a community in its interactions with the company. These observations are made on the sidelines of interviews for 10 days at research sites.

Fourth, a search of documents and secondary data from existing data in project area related to the Social and environmental issues. Search was also conducted in the villages, sub-district and district administration offices, collecting information such as public health data, villages/sub-district and districts monographies.

HCV and SEIA public consultation, which took place on February 03, 2012 at Kantor Kecamatan Rawas Ulu, Musi Rawas Regency. Public consultation was conducted to obtain feedback toward HCV findings from related parties. The process of public consultation, and the feedback and commentary from the participants was documented to provide inputs in finalization of HCV and SEIA report.

Public consultation was attended by the YASBI team, PT ARU employees, community and traditional leaders, NGO, Heads of Villages, , Head of Rawas Ulu Sub District, Environmental Agency, Forestry Agency,local NGO, local Pers, 7 head village and Agricultural Agency.

4.a. Summary of SEIA Findings

Demography. PT Agro Rawas Ulu location license area located in District Rawas Ulu which includes 1 urban village, and seven rural villages. Accessibility in this area is relatively good, close to the capital of the district, but a bit far from the capital of the regency. Population of 15' 434 people or 3'688 households and an average population density of 87.66 people/km2. By ethnicity, the majority of the population around Up is Malay Palembang and Muslim majority. The majority of the population livelihoods are farmers of rubber plantations. In general, low levels of education, where primary and secondary school graduates by 74% and high school graduates and PT as much as 23%. Health facilities and medical personnel as well as awareness for adequate medical treatment is quite high.

Economy. The primary sector contributed the largest GDP of Musi Rawas Regency in the amount of 72.93% where the agricultural sector contributed 38.38% and mining and quarrying 34.55%. From the year 2005 - 2009 there was a shift of economic structure of the primary sector to secondary and tertiary sectors. Management of rubber plantations, fruit, vegetables and rice paddy fields have not been carried out intensively. Natural resources are very important in this area are rubber plantations, rivers and fruits. The regional economy is supported by ground transportation, electricity, and the market. Financial institutions are accessible to community banks, cooperatives and savings and loan groups

around. Concern for others shown in the event of birth, death, and marriage. Livelihoods of farmers in this area are rubber, civil servants, merchants, farmers, making the stone / sand, and gold miners. In general livelihood of the population doubles. Household monthly income levels are mostly (34%) still below Rp 1.000.000, -. Monthly expenditure of food consumption, energy consumption, education and communication. Food consumption is the highest expenditure. Food and energy dependence from outside the region is very high.

Corporate contributions. The company is expected to give priority to local residents in the recruitment of labor to reduce unemployment there. Estate development is expected to increase the accessibility of the public. Plasma plantation development is expected to increase incomes. Company needs to identify social assistance and community development programs that target. Social assistance should be planned, documented and well socialized. There should be joint conservation program involving the community with BLH and the Forest Service. The Company is expected to provide opportunities either directly or indirectly.

Socio-cultural aspects. Ethnic groups in the project areas are heterogeneous, with a significant number of Malays from Palembang. The original customs of Palembang Malay are now rarely followed, and are heavily influenced by more recent Islamic customs. Practices of native culture has been largely supplanted by the more modern art and culture. Palembang Malay customs practices that still exist are the tambourine dance, "dish" dance (performed by brides at their wedding), "glasses" dance and "scarf" dance.
Oil palm plantation development is expected to cause changes in the orientation of the livelihoods of more job-based natural resources into various sectors such as service sector jobs, and trade. Changing patterns of polyculture to monoculture farming. Land ownership is getting more concentrated. With increasing purchasing power and incomes will encourage people to obtain higher education. It also would encourage more consumption and a shift towards urban culture. It is also expected to increase community interaction and creativity in formal and informal institutions.

Environmental Aspects. Community largely feels good and comfortable environmental conditions, although sometimes complained of disasters such as floods, erosion, landslides, mudslides and forest fires. The project area consists mainly of a flood plain and of marshland. Type of soil is thin solum and alluvium are prone to landslides and erosion. The population worries about additional flooding, landslides, pollution by plantation and mill waste, and pollution of the river. Local communities expect the company to establish good communications related to environmental issues and that the company actually implements environmentally friendly development.

Strategic issues. Most communities (76%) support the development of PT ARU in the Rawas Ulu area. Awareness of the future company activities is still not perfect within the entire community, which is understandable at this stage of development, and is being addressed by continued FPIC activities. Communities still express a preference for rubber, which has been present in the area for more than one generation. Residents are still not satisfied by the offered prices for land. The plasma system of the Company is still not entirely understood by the local populations. Rawas Ulu area is prone to conflicts between youth groups and to land conflicts. Land conflicts are usually solved through the village institutions and by involving community leaders. Citizens expect to receive training to improve the quality of human resources in order to later be able to work at the Company. Residents hope that the Company will give preference to local people when hiring personnel. Salary expectations are based on the local minimum wage and on the average income derived from rubber plots. The company is expected by the citizens to have a transparent CSR program, that encourages the communities to increase income-generating activities.

4.b. Summary of Assessment Findings for HCV Assessment

Plantation of PT. Agro Rawas Ulu (ARU) covered an area of 9'000 Ha. HCV identification showed that HCV 1 was found on 1,195.21 ha or 13.28% of the area, HCV 2 was found on 49.93 ha or 0.55% of the area, HCV 4 was found on 888.27 ha or 9.87% of the area, and HCV 6 was found on 0.08 ha or 0.0001% of the area.

As some areas have been found to contain more than one HCV, the total HCV area identified in PT ARU is 1,195.29 ha **or 13.28%** of the "izin lokasi" issued to PT ARU as presented in the following Table 3.

Table 3. Summary of HCV findings at PT. Agro Rawas Ulu

No.	HCV Area	Coverage		Block/Grid Location
		Ha	%	
I.	**HCV 1 : Area with important level of biodiversity**			
1	Lake Buffer and Lake Tebat Gede	29.49	0.33	J8
2	River Buffer of Sungai Rawas	807.46	8.97	C2, C3, D3, D4, E4, E5, F4, F5, G5, G6, H6, H7, I6, I7, J7, J8, K7, K8, L9, L8, L9, M8, M9
3	Buffer of Sub River of Sungai Rawas	17.11	0.19	D5-D9, E3, E4, E6, E7, F4, F5, H5, I6, K6-K11, J8, J10, L10-L12

No.	HCV Area	Coverage		Block/Grid Location
		Ha	%	
4	Secondary Forest of Teladas Village - Pangkalan	106.33	1.18	E6, E7, F6, F7
5	Secondary Forest of Lubuk Mas Village	150.68	1.67	B3 - B5
6	Secondary Forest of Pangkalan Village	58.53	0.65	D3, D4
7	Spring of Sukomoro (Pasar Surulangun)	12.56	0.14	L10
8	Spring of Menara Telkom (Sungai Jauh)	12.56	0.14	J14
9	Spring of Mericing (Pangkalan)	12.56	0.14	J8
Gross area of HCV 1		**1,212.14**	**13.47**	Percentage from the total coverage of concession area of PT. ARU of about 9,000 ha
Net area of HCV 1		**1,195.21**	**13.28**	After subtraction of the overlapping area
II.	**HCV 2 : Landscape area which is naturally important for ecological dynamics**			
1	Secondary forest of Teladas Village - Pangkalan	106.33	1.18	E6, E7, F6, F7
2	Secondary forest of Lubuk Mas Village	150.68	1.67	B3 - B5
3	Secondary forest of Pangkalan Village	58.53	0.65	D3, D4
Gross area of HCV 2		**315.54**	**3.51**	Percentage from the total coverage of concession area of PT. ARU of about 9,000 ha
Net area of HCV 2		**49.93**	**0.55**	After subtraction of the overlapping area
III.	**HCV 3 : Rare and threatened ecosystem**			
	-			
Coverage of HCV 3		-	-	

No.	HCV Area	Coverage		Block/Grid Location
		Ha	%	
IV.	**HCV 4 : Area which provides natural environmental services**			
1	Lake buffer and Lake Tebat Gede	34.35	0.38	J8
2	River Buffer of Sungai Rawas	807.46	8.97	C2, C3, D3, D4, E4, E5, F4, F5, G5, G6, H6, H7, I6, I7, J7, J8, K7, K8, L9, L8, L9, M8, M9
3	River Buffer of the Sub river of Sungai Rawas	17.11	0.19	D5-D9, E3, E4, E6, E7, F4, F5, H5, I6, K6-K11, J8, J10, L10-L12
4	Spring of Sukomoro (Pasar Surulangun)	12.56	0.13	L10
5	Spring of Menara Telkom (Sungai Jauh)	12.56	0.13	J14
6	Spring of Mericing (Pangkalan)	12.56	0.13	J8
Gross Total of HCV 4		**896.60**	**9.96**	Percentage from the total coverage of concession area of PT. ARU of about 9,000 ha
Net Total of HCV 4		**888.27**	**9.87**	After subtraction of the overlapping area
V.	**HCV 5 : Basic needs of local community**			
	-			
Coverage of HCV 5		-	-	
VI.	**HCV 6 : Traditional culture identities**			
1	Sacred Cemetery of Moneng Kemas (Sungai Baung)	0.08	0.00	K6
2	Sacred Cemetery of Batu Batudung (Teladas/P. Lebar)	0.08	0.00	G5
3	Sacred Cemetery of Galang Tujuh (P. Lebar)	0.08	0.00	G5
4	Sacred Cemetery of Wong Alim	0.08	0.00	G5

No.	HCV Area	Coverage		Block/Grid Location
		Ha	%	
5	Sacred Cemetery of Puyang Janggut (P. Lebar)	0.08	0.00	I6
6	Sacred Cemetery of Datuk Singgalang Galeh (Pangkalan)	0.08	0.00	E5
7	Sacret Cemetary of Puyang Gundul (Pangkalan)	0.08	0.00	D4
8	Cemetery of Adipati Kurus (Lubuk Mas)	0.08	0.00	C3
9	Sialang Teladas Tree	0.08	0.00	F5
10	Sialang Pangkalan Tree	0.08	0.00	D4
Gross Total of HCV 6		**0.80**	**0.004**	Percentage from the total coverage of concession area of PT. ARU of about 9,000 ha
Net total of HCV 6		**0.08**	**0.0001**	After subtraction of the overlapping area
Net Area of the Combined HCV (Net HCV 1 + Net HCV 6)		**1,195.29**	**13.28**	**Percentage from the total coverage of concession area of PT. ARU of about 9,000 ha**

Note: There are overlapping areas of identified HCV for the same block/grid reference.

Table 4 . HCV 1

HCV 1	Area	Coverage		Block/Grid Location
		Ha	%	
1.1	Lake Buffer and Lake Tebat Gede	34.35	0.38	J8
1.1	Buffer of Rawas River	807.46	8.97	C2, C3, D3, D4, E4, E5, F4, F5, G5, G6, H6, H7, I6, I7, J7, J8, K7, K8, L9, L8, L9, M8, M9
1.1	Buffer of sub-river of Rawas River	17.11	0.19	D5-D9, E3, E4, E6, E7, F4, F5, H5, I6, K6-K11, J8, J10, L10-L12
1.1, 1.2, 1.3	Secondary forest of Teladas village - Pangkalan	106.33	1.18	E6, E7, F6, F7
1.1, 1.2, 1.3	Secondary forest of Lubuk Mas Village	150.68	1.67	B3 - B5
1.1, 1.2, 1.3	Secondary forest of Pangkalan Village	58.53	0.65	D3, D4
1.1	Sukomoro Spring (Pasar Surulangun)	12.56	0.14	L10
1.1	Menara Telkom Spring (Sungai Jauh)	12.56	0.14	J14
1.1	Mericing Spring (Pangkalan)	12.56	0.14	J8
Gross Total of HCV 1 PT. ARU		**1,212.14**	**13.47**	**Percentage from the total coverage of concession area of PT. ARU of about 9,000 ha**
Net Total of HCV 1 PT. ARU		**1,195.21**	**13.28**	**After subtraction of the overlapping area**

Table 5. HCV 2

HCV 2	Area	Coverage		Block/Grid Location
		Ha	%	
2.3	Secondary forest of Teladas Village - Pangkalan	106.33	1.18	E6, E7, F6, F7
2.3	Secondary forest of Lubuk Mas Village	150.68	1.67	B3 - B5
2.3	Secondary forest of Pangkalan Village	58.53	0.65	D3, D4
Gross Total of HCV 2.3 PT. ARU		**315.54**	**3.51**	**Percentage from the total coverage of concession area of PT. ARU of about 9,000 ha**
Net Total of HCV 2.3 PT. ARU		**49.93**	**0.55**	**After subtraction of the overlapping area**

Table 6. HCV 4

HCV 4	Area	Width		Location Blok/Grid
		Ha	%	
4.1	Border Lake and Tebat Gede Lake	34.35	0,36	J8
4.1	Rawas Riverbank	807.46	8.97	C2, C3, D3, D4, E4, E5, F4, F5, G5, G6, H6, H7, I6, I7, J7, J8, K7, K8, L9, L8, L9, M8, M9
4.1	Rawas Stream Riverbank	17.11	0.18	D5-D9, E3, E4, E6, E7, F4, F5, H5, I6, K6-K11, J8, J10, L10-L12
4.1	Sukomoro Spring (Surulangun Market)	12,56	0,14	L10
4.1	Menara Telkom Springs (Sungai Jauh)	12,56	0,14	J14
4.1	Mericing Springs	12,56	0,14	J8

HCV 4	Area	Width		Location Blok/Grid
		Ha	%	
	(Pangkalan)			
Total Bruto HCV 4.1 PT. ARU		**896.60**	**9.96**	Percentage compared to permit area of PT ARU 9.000 ha
Total Netto HCV 4.1 PT. ARU		**888.27**	**9.87**	After deducting the area which overlap

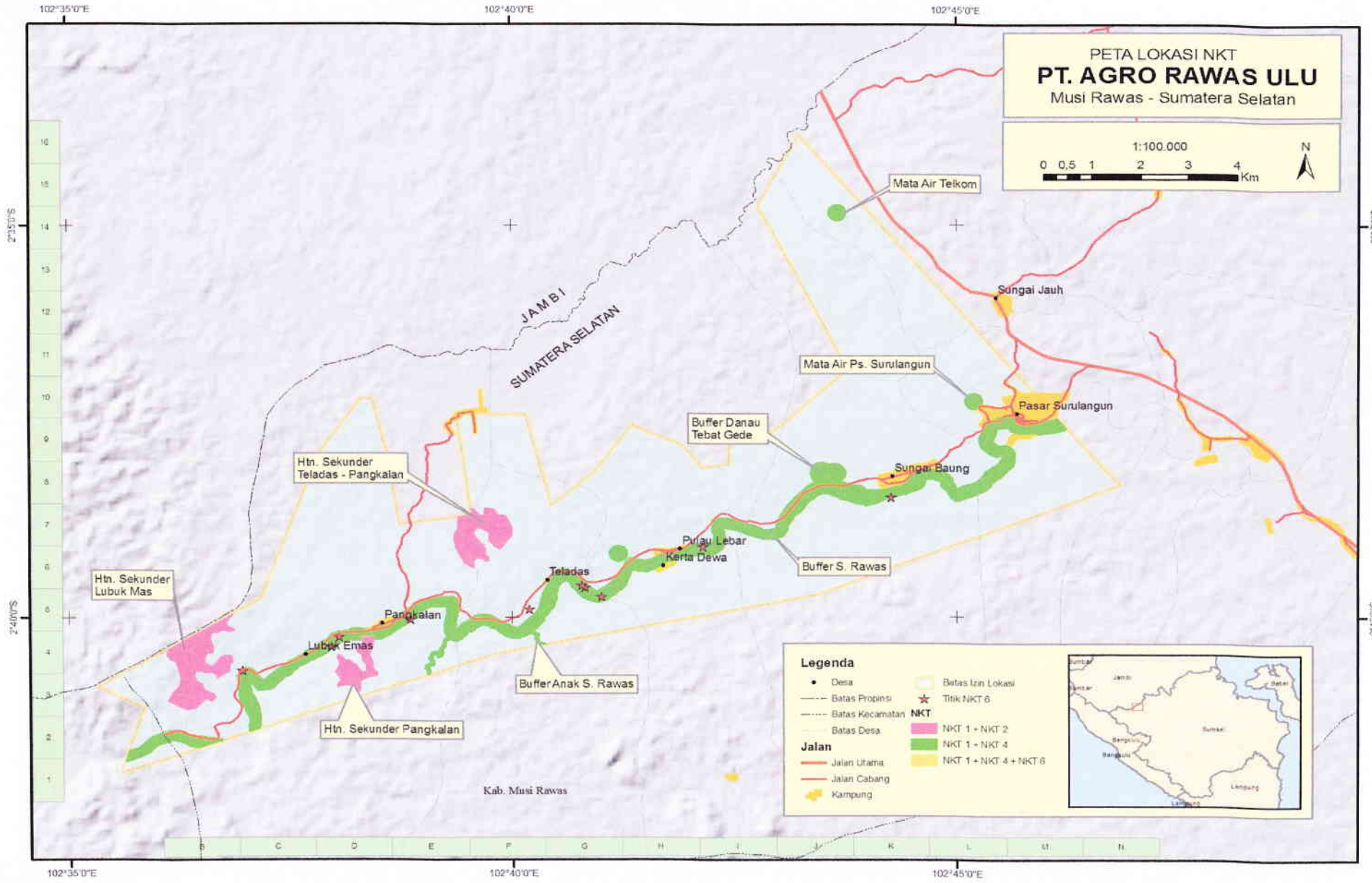
HCV 4	Area	Wide		Location Blok/Grid
		Ha	%	
4.3	Like side and Tebat Gede Lake	34.35	0.38	J8
4.3	Rawas Riverbank	807.46	8.97	C2, C3, D3, D4, E4, E5, F4, F5, G5, G6, H6, H7, I6, I7, J7, J8, K7, K8, L9, L8, L9, M8, M9
Total Bruto NKT 4.3 PT. ARU		**777.65**	**8.64**	Percentage compared to permit area of PT ARU 9.000 ha
Total Netto NKT 4.3 PT. ARU		**772.79**	**8.59**	After deducting the area which overlap

Table 7. HCV 6

HCV 6	Area	Width		Location Blok/Grid
		Ha	%	
6	Keramat Moneng Kemas (Sungai Baung) Shrine	0.08	0.00	K6
6	Batu Batudung (Teladas/P. Lebar) Shrine	0.08	0.00	G5
6	Galang Tujuh (P. Lebar) shrine	0.08	0.00	G5
6	Wong Alim shrine	0.08	0.00	G5
6	Puyang Janggut (P. Lebar) shrine	0.08	0.00	I6
6	Datuk Singgalang Galeh (Pangkalan) shrine	0.08	0.00	E5

HCV 6	Area	Width		Location Blok/Grid
		Ha	%	
6	Puyang Gundul (Pangkalan) shrine	0.08	0.00	D4
6	Adipati Kurus (Lubuk Mas) shrine	0.08	0.00	C3
6	Sialang Teladas Tree	0.08	0.00	F5
6	Sialang Pangkalan Tree	0.08	0.00	D4
Total Bruto NKT 6 PT. ARU		**0.80**	**0.009**	percentage compared to widht area of PT. ARU permit location9.000 ha
Total Netto NKT 6 PT. ARU		**0.08**	**0.0001**	After deducting the area that overlap

Map 1. Location of Combined HCV at PT. Agro Rawas Ulu



5. Internal Responsibility

Formal sign-off by Assessors and Company.

This document is the Summary of SEIA (Social & Environmental Impact Assessment) and HCV (High Conservation Values) Assessment of PT ARU.

Ir.Purwo SUSANTO
Team Leader HCV

Ir.Hery PRASETIYO
Team Coordinator SEIA

Yayasan Kelapa Sawit Berkelanjutan Indonesia (YASBI)

Statement ot Acceptance of Responsibility for Assessments.

The assessment results of the Social & Environment Impact Assessment (SEIA) and High Conservation Value (HCV) Assessment of PT Agro Rawas Ulu by YASBI will be applied as part of the guidelines in developing and managing PT Agro Rawas Ulu.

Adam Christian Quentin JAMES
President Director

Olivier Robert TICHIT
Director