



PUBLIC SUMMARY REPORT NEW PLANTINGS ASSESSMENT

PT HINDOLI

**Mukut-Penuguan Smallholder Oil Palm
Banyuasin Regency, South Sumatera Province**

INDONESIA

Report Author

Charlie Ross – September 2011

EMandM@bigpond.net.au

Tel: +61 417609026

BSI Group Singapore Pte Ltd (Co. Reg. 1995 02096-N)
3 Lim Teck Kim Road #10-02
Genting Centre
SINGAPORE 088934
Tel +65 6270 0777
Fax +65 6270 2777
Soon Leong Chia: SoonLeong.Chia@bsigroup.com
www.bsi-asia.com

BSI Services Malaysia Sdn Bhd (Co.Reg. 804473 A)
Suite 19.05 Level 19 Wisma Goldhill
65, Jalan Raja Chulan
50200 Kuala Lumpur
MALAYSIA
Tel +03 2032 2252 (Hunting Line)
Fax +03 2032 2253

TABLE of CONTENTS**Page N^o**

1.0 EXECUTIVE SUMMARY	1
Abbreviations Used	1
2.0 SCOPE OF THE SEIA AND HCV ASSESSMENTS	1
2.1 Organisational Information and Contact Person	1
2.2 List of Legal Documents, Regulatory Permits and Property Deeds Related to the Areas Assessed.....	1
2.3 Location Maps	1
2.4 Area of New Plantings and Time-Plan for New Plantings	1
3.0 ASSESSMENT PROCESS AND PROCEDURES	1-5
3.1 Assessors and their Credentials	1
3.2 Assessment Methods	5
3.3 Stakeholder Consultation	5
3.4 List of Legal, Regulatory and Other Guidance Referenced	5
4a SUMMARY OF ASSESSMENT FINDINGS FOR SEIA	5-6
4a.1 Summary of key findings in respect of Socio-economic impacts to country, region and local communities.....	5
4a.2 Summary of key findings in respect of Socio-economic impact in respect of emergent communities (workers, suppliers, etc).....	6
4a.3 Issues Raised by Stakeholders and Assessors Comments on Each Issue.....	6
4b SUMMARY OF ASSESSMENT FINDINGS FOR HCV ASSESSMENTS	6-7
4b.1 Overall HCV identification and proposed measures to maintain and enhance those identified.....	6
4b.2 Documentation showing the obtained Free, Prior and Informed Consent of any indigenous peoples affected by the development of the concession (part of RSPO requirements).....	7
4b.3 Data Sources and Quality	7
4b.4 HCV Toolkits Employed.....	7
4b.5 Decisions on HCV Status and Related Mapping	7
5.0 INTERNAL RESPONSIBILITY	8
5.1 Statement of Acceptance of Responsibility for Assessments	8
5.2 Formal Sign-off by Assessors and Company.....	8

LIST of FIGURES

1	Project Location.....	2
2	Landcover Map.....	3
3	Location of HCV4.1	4

1.0 EXECUTIVE SUMMARY

PT Hindoli (Hindoli) plans to develop 3,837 ha of land for smallholder oil palm near Mukut and Penuguan Villages, Pulau Rimau Subdistrict, Banyuasin Regency, South Sumatera Province. This development adjoins the Mukut Estate planting that PT Hindoli started in 2008 and is still in progress.

The BSi Assessor has previously visited the Penuguan-Mukut area during RSPO Certification assessments of the adjacent Mukut Estate that is owned by PT Hindoli. The BSi Assessor is familiar with the area and carried out this assessment by desk study.

An Environmental Impact Assessment AMDAL and a High Conservation Value (HCV) Assessment were completed in 2010 and 2011, respectively which recognised the following:

- There was no primary forest identified
- All areas required to maintain or enhance one or more HCV
- There was no peat soil identified
- All local peoples' land

Maps have been prepared and presented in the AMDAL and HCV Reports to identify the above findings.

Abbreviations Used

CITES	Convention on International Trade in Endangered Species
HCV	High Conservation Value
IUCN	International Union for Conservation of Nature
RSPO	Roundtable on Sustainable Palm Oil
SEIA	Social and Environmental Impact Assessment
SIA	Social Impact Assessment
SOP	Standard Operating Procedure

2.0 SCOPE OF THE SEIA AND HCV ASSESSMENTS

2.1 Organisational Information and Contact Person

PT Hindoli is a wholly owned subsidiary of Cargills and is headquartered in Jakarta.

The company contact details are as follows:

PT Hindoli
 Jl Palembang – Jambi
 Desa Teluk Kemang
 Kecamatan Sungai Lilin
 MUBA Sumatera Selatan
 PALEMBANG 30755 INDONESIA

Contact Person:
 Mrs Yunita Widiastuti
 Program Assurance Manager
 Phone: +62 21 52896408
 Fax: +62 21 52896407
 Email: Yunita_Widiastuti@cargill.com

2.2 List of Legal Documents, Regulatory Permits and Property Deeds Related to the Areas Assessed

Fieldwork for an AMDAL was carried out between August and November 2010 and the AMDAL approved by the Bupati Banyuasin on 22 March 2011.

The District Government has issued an IZIN Lokasi for an area of 3,837 ha for planting to oil palm.

The land planning classification of 2,799 ha of the concession is for conversion to agriculture, and the remaining 1,038 ha is under Forest concession. The Governor has approved the application for conversion of the 1,038 ha of land to agriculture and an application has been made to the Ministry of Forestry for release of the land. PT Hindoli will start with the development of the 2,799 ha of land.

2.3 Location Maps

Maps showing the project location, and property level for the new development area are included as Figures 1, 2 and 3 in this Summary Report. The HCV Report includes additional maps showing the topography, drainage and land use.

Preliminary maps have been prepared of the new development and include areas set aside for riparian reserves, roads, and layout of oil palm blocks.

2.4 Area of New Plantings and Time-Plan for New Plantings

The area of the new plantings is 3,837 ha. The new development will commence following the completion of the RSPO public notification period for review by stakeholders and is planned for completion within two years of the commencement date.

3.0 ASSESSMENT PROCESS AND PROCEDURES

3.1 Assessors and their Credentials

The HCV assessment was carried out by the Faculty of Forestry (Bogor Institute of Agriculture), whose team members are approved RSPO Assessors as follows:

Dr Jarwadi Budi Hernowo MSc F – Team Leader with expertise as an expert wildlife, especially ornithology;

Mr Siswoyo MSi, with expertise as an ecologist Flora;

Mr Handian Purwawangsa MSi, an expert in the field of social and cultural;

Mr Heru B Pulonggono MAgr with expertise in hydrology and soil conservation;

Mr Sayidina Ali AMd, with kahlian in the field of GIS



HINDOLI Location



Figure 1: Project Location

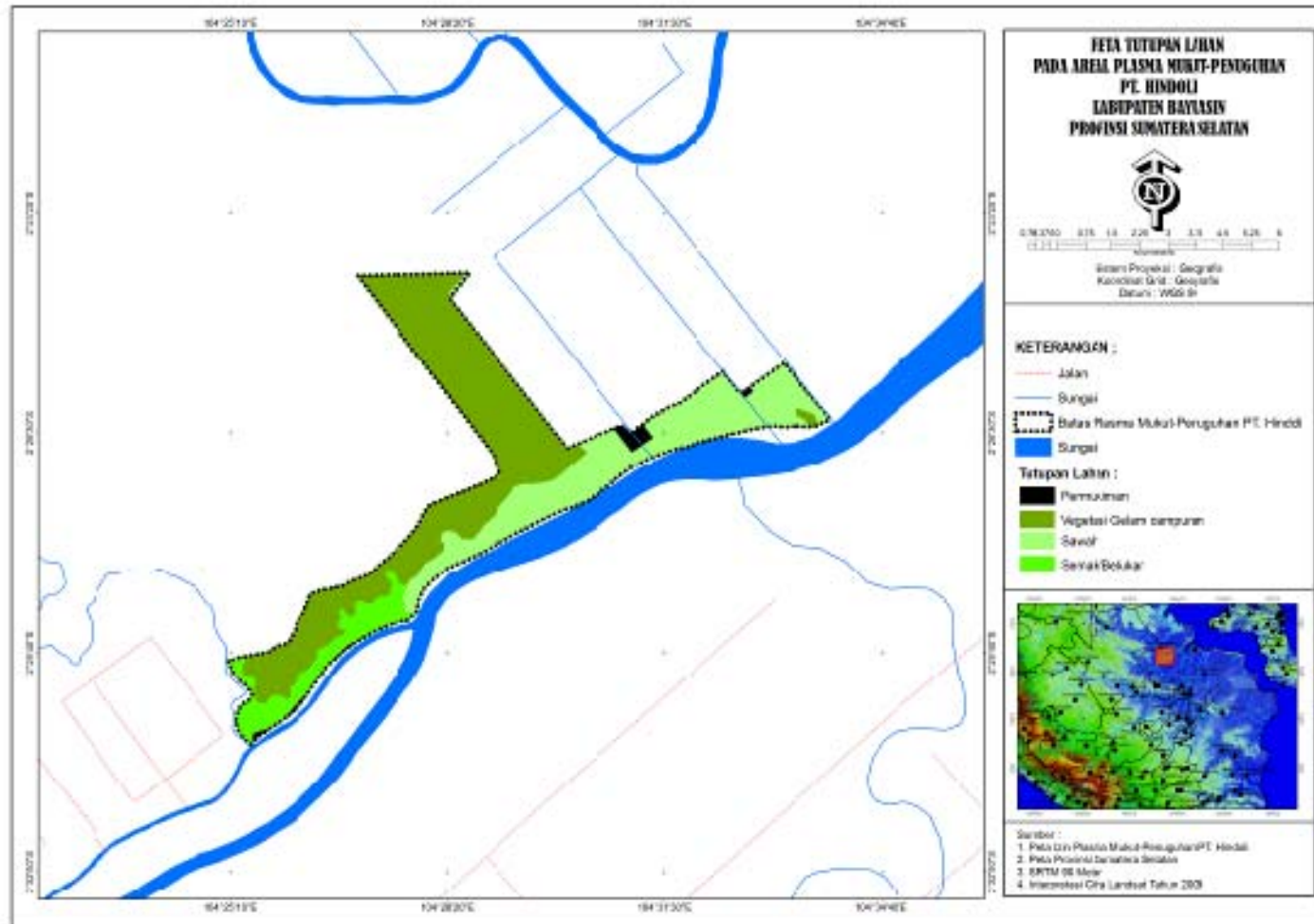


Figure 2: Landcover Map

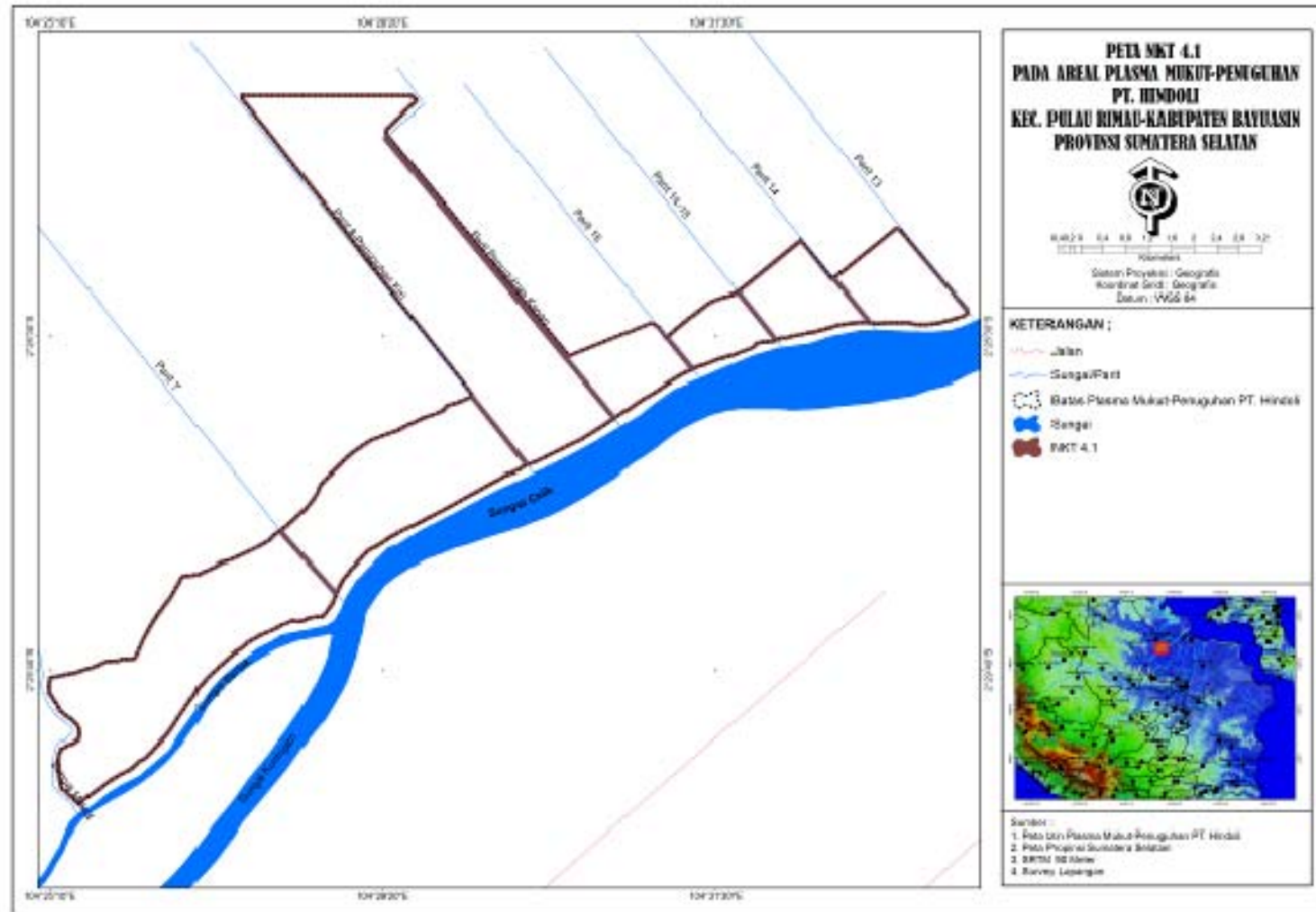


Figure 3: Location of HCV 4.1

3.2 Assessment Methods

The SEIA and HCV assessments were carried out in two stages comprising a documentation review to identify and assess secondary sources of data, followed by a fieldwork survey of the project site. The assessment was carried out between January and March 2011.

Local communities within and next to the project area were visited and the residents consulted. Information on local communities was obtained by means of structured interviews of a sample of residents and households.

The HCV assessment was conducted by a team of ecologists and scientists familiar with the local environment. The review of secondary data sources provided focus for the fieldwork surveys which were based on an HCV decision making chart involving the following steps:

- Identify potential HCV sites (mainly desktop preliminary assessment)
- Identify specific HCV components in the field and through consultation
- Synthesis of field data
- Prepare HCV Report
- Prepare Management & Monitoring Plan

Document Review

Preliminary assessment of the possible presence of HCV attributes within the project site was done by reviewing published information and maps. Published data of protected sites, endangered, rare and threatened species and the various enactments were used wherever appropriate. For the landscape assessment surrounding land use was assessed from a satellite image and the potential flora and fauna determined. Planning was then made to determine the locations of these potential sites within and adjacent to the project area by using GPS. Data were also provided by PT Hindoli. The assessment was done based on the HCV attributes listed in the HCV Toolkit and Guidance.

Ground Survey

Determination of HCV sites within the project area was conducted with an inspection of the area by the Assessment Team. During the ground surveys the presence of species of flora and fauna was recorded by walking through the project area. The occurrence and distribution of all identified HCVs were recorded using the Global Positioning System.

Stakeholders of the Project were identified at local and District level. Data on the importance of the concession area to local community values were collected through interviews with village residents.

3.3 Stakeholder Consultation

Stakeholder consultation was carried out by visiting each of the villages within and adjacent to the new planting area. There following villages were visited and residents interviewed:

- Penuguan
- Mukut
- Purwodadi
- Karang Manunggal
- Ringin Harjo

At the meetings, the consultants described details of the proposed development and the changes that are likely to occur. The consultants recorded details of the meeting discussions, including concerns raised by local people as well as their aspirations such as the opportunity for employment. Details were recorded of the locations and dates of communities visited, list of stakeholders and photographic record of each meeting.

3.4 List of Legal, Regulatory and Other Guidance Referenced

Map of Banyuasin Regency

AMDAL approved by Bupati Banyuasin, 22 March 2011.

4a SUMMARY OF ASSESSMENT FINDINGS FOR SEI

4a.1 Summary of key findings in respect of socio-economic impacts to country, region and local communities

The proposed oil palm development is relatively small in relation to the overall national scale of this industry and will not have a significant socioeconomic impact at the national and provincial levels. However, at the local level, the development is expected to have a significant beneficial outcome.

There are two villages Mukut and Penuguan that adjoin the project area that will be affected by the development of the smallholder scheme. The main economic activities presently are rice farming and fishing. One crop of rice is grown each year and the local people then become involved in other activities, such as fishing or as oil palm workers. Part of the land that is presently used for rice farming potentially could be developed to oil palm and farmers would lose access to this resource. Hindoli has made a commitment not to develop any rice farmland that is in production and is providing a source of food and income to the villagers. The only rice farmland that may be developed would be the land that has been abandoned and is presently overgrown by thick vegetation.

Local people also will lose access to the paperbark tree resource that is harvested and sold to the construction industry. However this was indicated to be of only minor significance to the local economy.

The development of the smallholder scheme will provide an additional source of income to those who are eligible to participate. There is also the opportunity to be

employed as labour on the oil palm, which will provide a regular income. The existing PT Hindoli smallholder scheme is very successful and the same model will be applied at Mukut. If this can be replicated then the Mukut-Penuguan smallholder scheme is likely to realise significant beneficial outcomes for the economy of local communities.

4a.2 Summary of key findings in respect of socio-economic impact in respect of emergent communities (workers, suppliers, etc)

The smallholder oil palm concession shares a border with the existing PT Hindoli Mukut Estate which presently employs a considerable number of local people. The demand for skilled workers should be able to be met from local communities and recruitment from outside the project area should not be necessary. The oil palm development will generate a limited amount of direct employment and spin-off service employment opportunities within the region. However during the operating stage when the palms are producing, income will be generated from the sale of FFB as well as from employment.

PT Hindoli will give preference to employment of local workers, and will apply the training programs that it has used successfully at its other oil palm operations to develop a skilled local workforce and a safe workplace.

The employment and business opportunities are expected to have beneficial outcomes for the local economy and in parallel there will be development infrastructure such as road access.

4a.3 Issues raised by stakeholders and assessors comments on each issue

The SIA component of the AMDAL took into account the requirements of Government and the feedback received from local communities during the consultation process. The stakeholders welcomed the development of the project because they recognized the benefits to individuals participating in the scheme and improvements to infrastructure, such as an access road.

Land for Rice Farming – Some local people presently grow rice along the Calik River and stated that they wish to continue to do so. PT Hindoli has negotiated with the local people to set aside a strip of land 200 m wide for farming. This had to be balanced against the demand for smallholder oil palm blocks. Hindoli will give priority for continued cultivation of rice and conservation of the riparian belt of minimum width 200 metres from Calik River.

Allocation of Smallholder Blocks – Local people complained that persons who do not reside in the Mukut area have been included on the list for allocation of oil palm blocks. This problem does not exist at Mukut Village, but is significant at Penuguan. For this reason, PT Hindoli has not accepted the list approved by the

Bupati and has requested the Kades to revise the list and ensure only permanent residents are included.

Employment - priority for employment will be given to the project host communities. Local people who meet the selection criteria will be given first offer of employment. Where skills are not available locally, initially experienced persons will be recruited from outside the project area.

Training – Training and localization of the workforce are important company priorities. The company will provide training of workers to develop the knowledge and skills required to carry out the various tasks efficiently and safely.

The BSi Assessor has reviewed the PT Hindoli responses to the issues raised by stakeholders and considers that the company has responded appropriately for the early planning stage of the proposed development.

4b SUMMARY OF ASSESSMENT FINDINGS FOR HCV ASSESSMENTS

4b.1 Overall HCV identification and proposed measures to maintain and enhance those identified

The proposed project area covers 3,837 ha and shares a border with Mukut Estate. The land is flat and the forest was cleared between 1986 and 1998. The land was burned by intense fires in 1985 and 1997 and is now dominated by gelam *Melaleuca leucadendron* at pole size.

The land area is unoccupied except for rice farming that is carried out along the banks of the Calik River. Local people reside in the village and travel to the plots of land by canoe each day.

The assessment did not identify sites with significant HCV attributes except for the riparian buffer strips (HCV1.2 and HCV 4.1).

The management practices for maintaining and enhancing the values of HCV sites are the same as those being implemented by PT Hindoli at Mukut Estate. PT Hindoli has advised that it will apply the same standard of land development to the smallholder area as it has implemented at Mukut Estate. This will include the clear demarcation of river buffer zones and regular monitoring to ensure that the HCV values would be maintained. PT Hindoli will maintain regular consultation with stakeholders to keep them informed of the development.

In sites identified to have attributes of HCV 1.2 and HCV 4.1, the existing natural vegetation shall be maintained and excluded from the land development. The process of natural regeneration will encourage introduction of more species. The increase in diversity of plants will also improve the food sources for the animal species and nesting sites.

4b.2 Documentation showing the obtained Free, Prior and Informed Consent of any indigenous peoples affected by the development of the concession (part of RSPO requirements)

The AMDAL Report includes a copy of the record of meetings held at each of the villages of the project area. The meeting record includes a list of attendees, together with their signatures, a photographic record and information on the issues raised and discussed. The meetings were supportive of the proposed smallholder scheme development which will give eligible local people the opportunity to receive an oil palm block. PT Hindoli has maintained records of the meetings held with village representatives over the past two years and these were available for inspection by the HCV assessment team. In addition the HCV assessment team conducted meetings at Mukut and Penuguan Villages and found overwhelming support for the project. The assessors concluded the detailed documentation recorded, demonstrates the principles of “Free Prior and Informed Consent” have been followed.

4b.3 Data sources and quality

In investigating the area to assess the contribution of the project area to conserving ecosystems, the following data sources were consulted:

- Field guide to birds in Java, Bali, Sumatra and Kalimantan
- *Field Guide to the Mammals of Borneo* (Payne et al., 1985)
- International Union on Conservation of Nature (IUCN) Red Data List
- Convention on International Trade in Endangered Species of Wild Fauna and Flora 1973 (CITES)
- The Ramsar Bureau.2002. List of Wetlands of International Importance

No specific ecosystem that had been defined by the sources consulted was recorded in the project site. A recent satellite image showed that the gelam vegetation was relatively uniform across the development site.

Literature research on the possible occurrence of threatened and endangered species was carried out through the IUCN Red List of Threatened Species (www.iucnredlist.org), and search of CITES (www.cites.org/eng/resources/species.html).

Information on the presence of fauna in the project area was also obtained from interview of villagers.

4b.4 HCV toolkits employed

The Indonesian HCV Identification Guidance - version 2 - June 2008 was used for this assessment.

4b.5 Decisions on HCV status and related mapping

HCV 1.1 Protected Areas

There is no declared protected area within or near the project area.

HCV 1.2 Threatened and Endangered Species

There were 115 species of plants identified at the development area, but none of these was classified as endangered or threatened.

Fieldwork confirmed the presence of 3 mammals, 19 birds and three reptiles that were either protected under Indonesian Law or classified by IUCN. None of these was classified as Threatened or Endangered. However, 2 of the mammals were classified as Low Risk; 14 birds were classified as Least Concern; 2 birds (*Mycteria cinerea* and *Leptoptilos javanicus*) were Vulnerable; 3 birds (*Treskiornis melanocephalus*, *Ichthyophaga ichthyaeus*, and *Psittacula longicauda*) as Near Threatened; and the reptiles were Low Risk and Least Concern. The majority of the birds (16 species) and 1 reptile (the crocodile) are protected under Indonesian Law. The habitat bordering the rivers and canals is considered important for wildlife and HCV 1.2 was assigned to the riparian buffer zones.

HCV 1.3 Endemism

This HCV attribute was not identified within the project area as no endemic species of flora or fauna were recorded.

HCV 1.4 Critical Temporal Use

The team concluded from interviews of local informants and fieldwork that the proposed oil palm area did not have habitats that support migratory birds of global significance.

HCV2 Landscape Area that is important for Natural Ecological Dynamics

There are three sub-categories assessed to identify the presence of a landscape-level area:

- HCV 2.1 The area is a large, landscape-level forest of global or regional or national importance
- HCV 2.2 The area is an integral part of a large landscape-level forest
- HCV 2.3 The area maintains viable populations of most naturally occurring wildlife species existing in natural patterns of distribution and abundance.

The concession area does not contain, nor is it part of a large landscape-level forest and was assessed as not having HCV 2 present.

HCV 3 Area with Rare or Endangered Ecosystem

In assessing the contribution of the project area to conserving ecosystems, information from the Board of Forestry Planology was used. HCV3 was not identified at the concession area.

HCV4.1 Watershed Protection

Forests critical to water catchments are the main attribute of this category of HCV as they play an important role in preventing flooding, controlling stream

flow regulation and water quality. Although the vegetation of the concession area represents only a very small proportion of the catchments of the Mukut and Calik Rivers and would have very little influence on flood prevention, the vegetation bordering the rivers and canals are considered important for water quality. HCV4.1 was considered to be present as a riparian buffer zone.

HCV4.2 Erosion Control

Forests are critical in erosion control from steep land. The forest cover maintains terrain stability, by reducing landslides and erosion which will result in downstream sedimentation. The concession area is flat and soil erosion rates were estimated to be low. The concession area was not considered critical for controlling soil erosion and maintaining water quality for domestic purposes.

HCV4.3 Forests providing barriers to destructive fire

The gelam forest does not provide a barrier to fire.

HCV5

Survey of residents of the villages near the concession area found that they were not dependent on the land to meet their basic needs. However, as noted in Section 4.a3, the land bordering Calik River is important for rice farming and an agreed area set aside to allow continuation of farming.

HCV6

Interview of local people concluded the concession area was not important for their cultural or spiritual identity.

5.0 INTERNAL RESPONSIBILITY

5.1 Statement of Acceptance of Responsibility for Assessments

PT Hindoli acknowledges and confirms acceptance of the Assessment Report contents, including assessment findings.

5.2 Formal Sign-off by Assessors and Company

BSI Group Singapore Pte Ltd
 3 Lim Teck Kim Road #10-02
 Genting Centre
 Singapore 088934
 Product Manager: Mr Soon Leong Chia
 Phone: +65 6270 0777 Ext 115
 Fax: +65 6270 2777
 Email: soonleong.chia@bsigroup.com

BSI is a leading global provider of management systems assessment and certification, with more than 70,000 certified locations and clients in over 100 countries. BSI Standards is the UK's National Standards Body. BSI Group Singapore provides independent, third party certification of management systems. BSI has a Regional Office in Singapore and an Office in Kuala Lumpur.

Signed for on behalf of:
PT HINDOLI



Mr Anthony Yeow
 General Manager

Date: 5 September 2011

Signed for on behalf of:
BSi Group Singapore Pte Ltd



Charlie Ross
 Lead Auditor

Date: 5 September 2011