

NPP SUMMARY REPORT FOR ESIA AND HCV

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NPP Summary Report of ESIA Study

Section 1.0 Executive Summary

In-order to comply with the RSPO Requirements on New Planting Procedure (NPP), Mong Reththy Investment Cambodia Oil Palm Co., Ltd (MRICOP) will undertake the necessary procedures to make a Public Notification of its on-going land expansion to its oil palm plantation project both on MRICOP New Land (Division B4 on Estate B) and on MTSI New Freehold Land (MTSI NFL) in Cambodia.

This report provides a Public Summary of the Environmental and Social Impact Assessment (ESIA) conducted in April 2014 by Green Consultancy Group Co. Ltd. carried out on MTSI NFL. It also provides a summary of the HCV assessment conducted on Block C which is part of the MRICOP New Land in Division B4 on Estate B.

All existing social and environmental issues including HCV matters are handled by a Sustainability Team headed by Mr Sumate Pratumswan, Vice President Agriculture/Oil Palm

Section 2.0 Scope of the ESIA Study

Section 2.1 Organizational Information and Contact Persons

- 1) Name: Mr Sumate Pratumswan
Designation: Vice President Agriculture / Head of Sustainability

- 2) Name: Mr It Nop
Designation: General Manager, Plantations

- 3) Name: Mr Graeme Cox
Designation: President MRT-TCC JV

Section 2.2 Location Maps

Figure I: Map showing Location MRICOP / MTSI area including new land in Cambodia

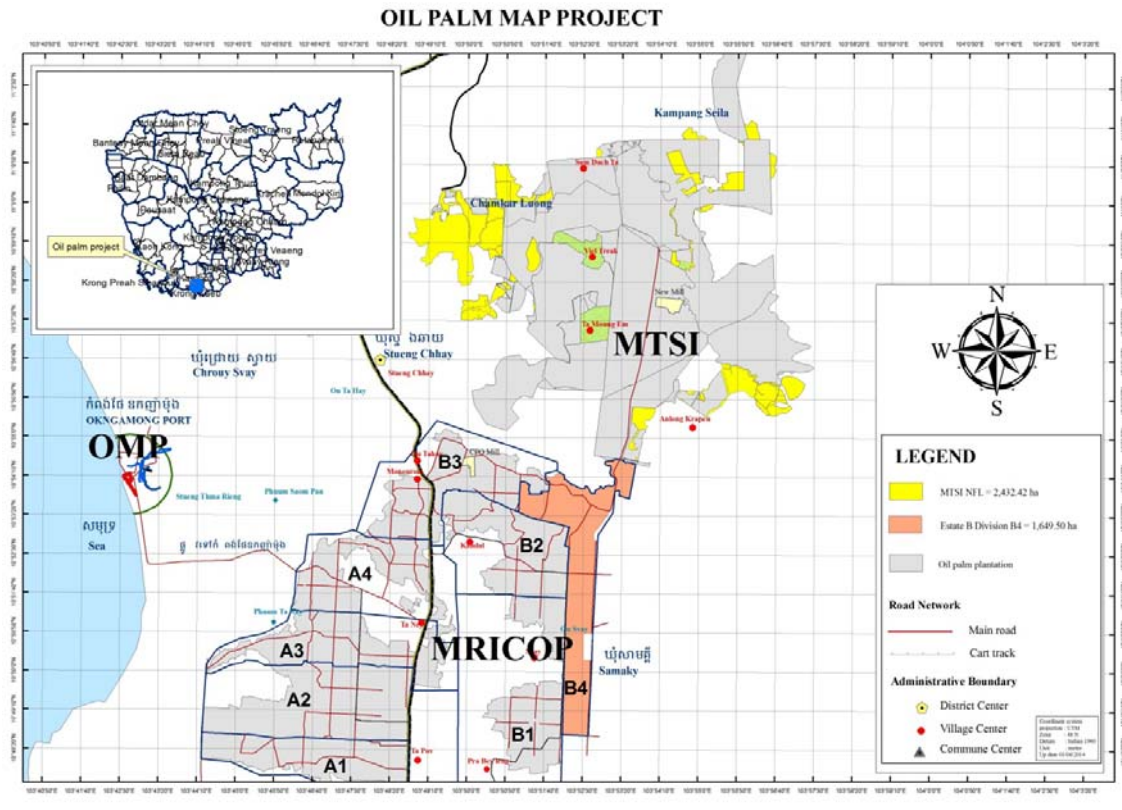


Figure II: Project Map Estate B showing the newly acquired land (now Division B4)

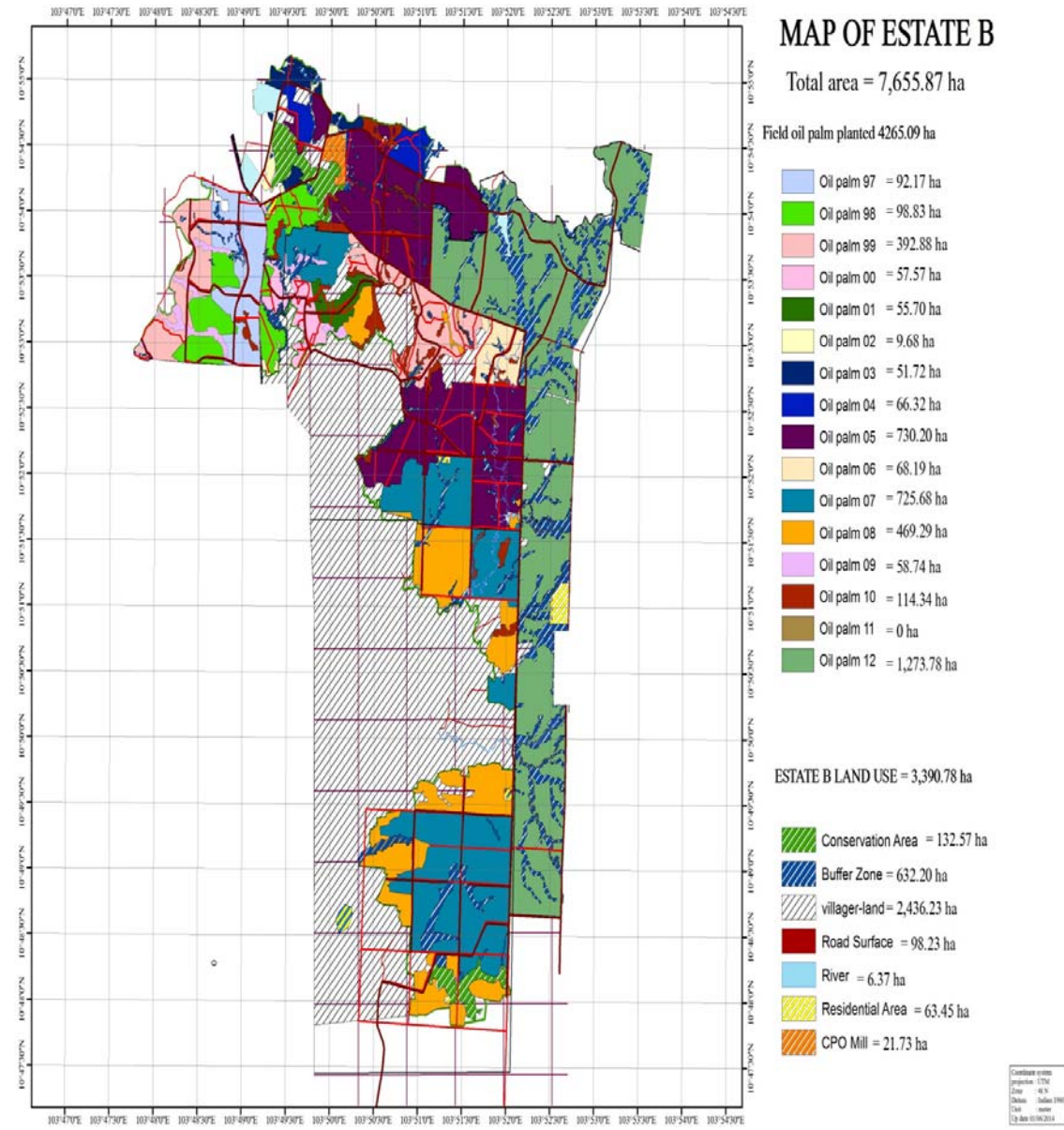
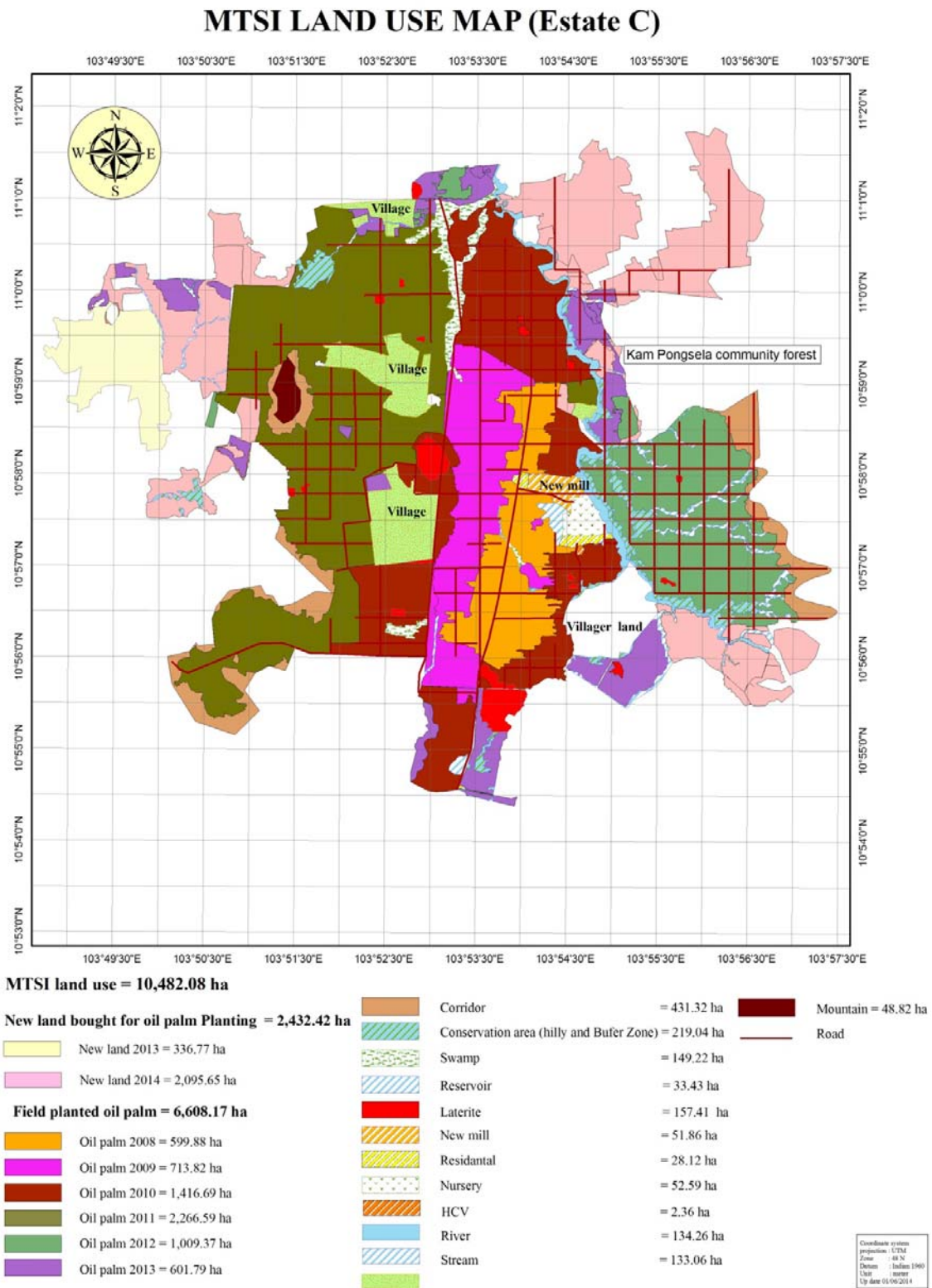


Figure III: Project Map (MTSI Land use Map showing the newly acquired MTSI NFL)



Section 2.3 Area of New Planting and Phasing Plan

For the MRICOP new land (Division B4) the project area is located in an area with secondary forests that have been subjected to repeated logging and seasonal burning. The project area which is now planted up with oil palm was formerly dominated by acacia plantation, grassland, residual swamp forests and scrub forests.

There are neither known land tenure conflicts as a result of overlapping licence area, nor any claims by local people over the operational licence boundaries of the plantation.

The new MTSI NFL project site is located next to and connected to MTSI's existing oil palm plantation project of 8287.58 Ha. In addition, it will be close to the new palm oil mill that is under construction on MTSI land. The primary function and land-use objective of the MTSI's NFL is the creation of a sustainable oil palm plantation.

Section 2.4 Timeline for New Planting and Land Use Planning

In December Year 2010 MRICOP commenced negotiations for the purchase of more than 2,000 ha of land situated next to Estate B from Mong Reththy Group Co. Ltd, a private limited company duly incorporated and existing under the laws of the Kingdom of Cambodia, represented by Oknha Mong Reththy, President.

MRICOP commenced and completed planting of the area in Y2012 on the assumption that the land transfer process will be completed. However, the process of official transfer of the land to the company was not completed until middle of last year. As such, the management made an official decision not to include this land under the asset for Y 2012/2013. All matters pertaining to the land acquisition was completed in mid-2013.

On completion of planting, the official survey and GPS measurements conducted showed that the actual area is 1,649.50 ha out of which 1,273.78 ha is planted with oil palm while the balance of 365.72 ha consist of roads, conservation area, buffer zone and some residential area. Clearing and planting was completed in Y 2012. The total of 1,649.50 ha is included for public notification in this NPP submission. The uncertainty in knowing exactly when and how much of the area could be acquired was the reason why MRICOP could not adhere strictly to the RSPO's New Planting Procedure (NPP) earlier.

The MTSI' NFL has already started to plant oil palm in 2013 in Block-A and Block-C. The total planted area was 319.38Ha, of which 228.98Ha in Block-A and 90.40Ha in Block-C from the total of MTSI's NFL of 2,432.42Ha

As per the understanding, land clearing works commenced only after the first down payment was completed. The uncertainty in knowing exactly when and how much of the area could be acquired was the reason why MRICOP could not adhere strictly to the RSPO's New Planting Procedure (NPP) earlier. In addition, with the uncertainty it may not be practical to engage an external expert to carry out an ESIA study on the parcels that were

being planned to be acquired. Under the top management’s directive felling, land clearing and land preparation was undertaken on the new land as and when the parcels were acquired. The decision to commence early felling and clearing was because of the timing constraints and the limitations on the availability of heavy equipment. The targeted plan to complete felling and clearing during the dry weather and to prepare the land in time to commence new planting during the oncoming rainy weather in the month of May would be upset, if the program was delayed.

MTSI’ NFL Annual Planning

No	Block	Area (m ²)	Area (ha)	Area (%)
2013 Planted Areas				
1	Block-A (2013)	2,289,800.00	228.98	43.69
2	Block-B (2013)	0.00	0.00	0.00
3	Block-C (2013)	904,000.00	90.40	8.64
Total Planted Area		3,193,800.00	319.38	13.13
2014 Planting Areas				
1	Block-A (2014)	2,951,500.00	295.15	56.31
2	Block-B (2014)	8,622,200.00	862.22	100.00
3	Block-C (2014)	9,556,700.00	955.67	91.36
Total Planted Area		21,130,400.00	2113.04	86.87

Section 3.0 Assessment Process and Procedures

Section 3.1 Assessors and Credentials

The HCV Assessment for Block C (812 ha) situated on MRICOP New Land (Division B4) on Estate B was carried out in January 2012 by Envirologic Consulting from Malaysia. It assembled a team with expertise in ecology and social science to conduct the HCV assessment. The team’s specialization covered habitat and species ecology in tropical forestry and the socioeconomics of village communities.

For MTSI NFL the Team from Green Consultancy Group Co. Ltd. that conducted the ESIA study consisted of one Team Leader, one Co-Leader, two Team Members, four Field Guides and six Security Guides named as follows:

No	Position	Name	Duty
1	Team Leader	Dr. LY Sopoim-Mony	D.V.M., Post Ph.D,
2	Team Co-Leader	Msc. Kim Sobun	Forester and M.Sc. in NRM
3	Team Member	Mr. SrengBunthoeun	Under graduate, Forestry Science
4	Team Member	Mr. Soy Sokdom	Socio-Economic Survey
5	Team Member	Mr. Lao Savunn	Senior Field Surveyor
6	Team Member	Mr. Khaol Many	Senior Field Surveyor
7	Team Member	Mr. Em Kao Eang	Field Assistant
8	Team Member	Mr. PhanChanna	Field Assistant
	2 field guides and security guides provided by MTSI		

Section 3.2 Assessment Methods

For MRICOP, for the HCV assessment on Block C, in the absence of a national HCV toolkit, the assessment was carried out using the High Conservation Value Forest Toolkit (ProForest, December 2003) for the Identification of High Conservation Values in the project site and its adjacent land area. The findings of the HCV assessment were used as a guideline in the development of the land on Division B4 on Estate B.

For MTSI NFL, the Environmental & Social Impact Assessment (ESIA) covered the whole lifecycle of plantation development. It involved environmental sampling, aquatic studies, terrestrial studies, land use studies and socio-economic studies. The assessment was based on field inspections and surveys, consultations with stakeholders and desktop literature studies. Primary data collection was done in a participatory manner using structured and semi-structured interviews. Summaries and findings of the interviews and public consultation meetings are included in the ESIA report. The assessment enabled the team to identify the positive and negative impacts of the project. The findings provided a basis for an Environmental and Social Management and Monitoring Plan.

The objectives of this EIA are:

- ❑ To assess the current floral ecology (trees, shrubs, and herbaceous growth) along with forest inventory;
- ❑ To assess the current fauna ecology (mammals, birds, and reptiles) and aquatic life (mainly fish) along the main streams;
- ❑ To calculate the net natural carbon stocks pre-operation;
- ❑ To assess the potential use of buffer zones, including riparian forest along tributaries, swampy areas and water bodies;
- ❑ To identify potential causes and contributing factors to adverse impacts of the MTSI's NFL plantation project on the local environment;
- ❑ To identify appropriate mitigating measures to remove and/or reduce adverse impacts of this MTSI's NFL plantation project.

The methodology employed included study on Biophysical characteristics, Land Use and Forest Cover changes, Forest Inventory and Carbon Survey, Flora Survey , Fauna Survey, Aquatic Biology and Identification of Potential Impact and Mitigation Measures.

The objectives of SIA are as follows:

- ❑ To assess the existing socio-economic conditions in which the local communities live, and their dependence on the nearby forest and other resources;
- ❑ To identify potential causes and contributing factors to adverse impacts of the Palm Oil Plantation Project on the local communities, be it socially or economically;
- ❑ To identify appropriate mitigating measures to remove or reduce adverse impacts of the Palm Oil Plantation.

The Methodology employed included identification of Assessment Areas, Household selection, Field survey to assess Demographic Condition, Housing Condition and Household Assets, identification or allocation of Forest resources for community benefits, impact identification and assessment and recommendations for mitigation and to reduce adverse impacts.

Section 3.3 Stakeholder Consultation

For MRICOP New Land, Division B4 borders the existing Estate B on the economic concession land located towards the East. There are 3 settlements and two neighbouring villages (Svay and PreahKraga).

There are three communes concerned with MTSI' NFL oil palm investment project, known as Kompong Seila (Kompong Seila District), Steung Chhay and Cheung Kou Communes, located in Prey Nop District.

The ESIA team met with commune and village heads and also held Focussed Group Discussion (FGD) at the 3 communes from 7-10 April 2014.

This Project covered an area of about 2,432.42Ha, and is further divided into three different blocks named as Block-A (524.13Ha), Block-B (862.22Ha) and Block-C (1046.07Ha). The number of families selected for this social impact assessment was approximately **9.43%** of the total villagers who may have concerns over land use and land tenures with the project proponent.

Section 3.4 List of Legal, Regulatory and Guidance consulted

Relevant forest and land laws, as well as environmental protection legislation, need to be included as part of the ESIA study. The changes in legislation and regulations to ensure environmental and social stability are listed below:

- i. Sub-Decree No-NorSor/RorKorMor/1296/36 Dated on 24 December 1996 on the Environmental Protection and Management of Natural Resources (Chapter-III, Article: 6,7);
- ii. Sub-Decree No-NorSor/RorKorMor/0802/36 Dated on 30 July 2002 on the Forestry Law (Article: 1,3,4,37,39 and 94);
- iii. Sub Decree No-72 OrNorKror.BorKor Dated on 11 August 1999 on the Environmental Impact Assessment
- iv. Sub Decree No-27 OrNorKror.BorKor Dated on 06 April 1999 on the Water Waste Pollution Control (Annexes:1-5);
- v. Sub Decree No-36 OrNorKror.BorKor Dated on 27 April 1999 on the Solid Waste Pollution Control (Annexes:1-5);
- vi. Sub Decree No-42 OrNorKror.BorKor Dated on 10 July 2000 on the Air and Noise Pollution Control (Annexes:1-8); and
- vii. Sub Decree No-146 OrNorKror.BorKor Dated on 27 December 2005 on the Economic Land Concession.

Section 4.0 Summary of the ESI assesment

Section 4.1 Summary of Key Environmental Findings

At the present state of the land, the forest had deteriorated because of unregulated felling in the past. Presently, the value of existing forest resources are rather low, as the commercial stands have been totally removed and there is no observation of mother trees left in surveyed areas of 12,419 square meters. Instead of exposing these to the risks of conservation, the replacement of these areas into another alternative and reversible land-use is presumed to be economically more viable.

On this context, it appears that the project area is best used for palm oil production under sustainable land-use planning and management, incorporating adequate protection and/or conservation measures and community considerations.

The environmental impacts of the project can be reduced by proper planning and implementation of the recommended monitoring and mitigating measures

The habitat loss and impact on wildlife is minimal. The loss is compensated by the establishment of buffer zones which will provide habitat for mammals, water birds and amphibians.

The most important part of the project design is land-use planning. Based on the systematic development concept, MTSI has divided the total area into used and unused land. The used land refers to land for the oil palm estate, residential, primary, and secondary roads, and the unused land refers to rivers, corridors along river tributaries (riparian forest and water bodies).

It is noteworthy that there are no endangered species (MAFF Classification) among the 6 mammals, 30 species of birds and 10 species of reptiles.

Table I: Summary of Potential Environmental Impacts

Project Activity	Potential Environmental Impact
Impact Pre-Project Operation or during Planning Process	
Project Design	Improper land use planning (if any)
Land Acquisition	Loss and / or changes of landholding patterns
Construction of supportive infrastructure	<ul style="list-style-type: none"> - Plant residues stacked at ground surface and impede surface drainage
	<ul style="list-style-type: none"> - Surface run-off will cause silt build-up in tributary beds. Turbidity will affect water quality, aquatic life and its habitat
	<ul style="list-style-type: none"> - Settling of dust clouds on palm leaves will interfere with photosynthetic process
	<ul style="list-style-type: none"> a. Felling of trees near the riparian buffer zone along the rivers PreakAnlongKropeu and OuTreb Da will result in erosion and siltation.
Impacts during Planting Operation	
Forest Clearance Land Preparation Palm Oil Plantation	Soil erosion and sediment pollution
Forest Clearance Land Preparation Palm Oil Plantation	Air Pollution
Forest Clearance Land Preparation Palm Oil Plantation	Land and water Pollution
Forest Clearance Land Preparation Palm Oil Plantation	Noise Pollution
Forest Clearance Land Preparation Palm Oil Plantation	Habitat loss and impact on wildlife

Section 4.2 Summary of Key Social Findings

On this context, it appears that the project area is best used for palm oil production under sustainable land-use planning and management, incorporating adequate protection and/or conservation measures and community considerations.

The local people appear to welcome the oil palm project as they see it as an opportunity to bring development to the area and for improvement to their livelihood through employment. Most of the villagers have land for settlement and for some agriculture. There are some reservations on the access to resources e.g. wood

Table II: Summary of Social Impacts –Positive and Negative Impacts

No.	Project Activity	Potential Issues	Negative Issues	Stakeholder Responsibility
1.	Land Ownership	Land was acquired through a process of Free, Prior and Informed Consent. The 3 land owners have mutually agreed on sale price and payments have been made accordingly.		Top Management
2.	Availability of Resources (firewood, food, NTFP, water)	MRICOP / MTSI do not restrict villagers from having free access to plantation land for fishing, collection of wood etc. No illegal fishing and hunting is allowed on the concession land.		
			Villagers claim that access to resources like firewood and food (fishing) have been limited which has been partly affected by the development of the land for oil palm plantation in the concession and also due to encroachment deforestation	INTERNAL (Top Management-VP Agriculture/Palm)
			Some villagers claim that they do not have access to clean drinking water	INTERNAL (GM Plantation)
3.	Employment Opportunity and wages	Opening up of plantation land has created job opportunities	Villagers claim that MRICOP does not offer sufficient employment opportunities	INTERNAL(GM Plantation)

TABLE III: Summary of Social Impacts –Positive and Negative Impacts

No.	Project Activity	Positive Issues	Negative Issues	Stakeholder Responsibility
			Villagers claim that wages for the plantation workers are low.	INTERNAL & EXTERNAL (VP Agriculture/Palm, GM Plantation, HR Department)
			Villagers request for opportunities to improve their earnings through better farming activities.	INTERNAL (VP Agriculture/Palm, GM Plantation)
4.	Contributions to the Community		Some Villagers claim that MRICOP's contributions to CSR for the area is not sufficient	EVP Agriculture / Palm, GM Plantation
5.	Human Asset / Health Issues	Direct benefit. Creation of Employment Opportunities on the plantation. Improvement in household income.		
			Awareness to Safety and Health procedures both at work and to avert traffic accidents are poor.	RSPO Core Team & Estate Management
		Availability of better education facilities- government schools have been supported by MRICOP within the plantation.		
			Lack of availability of Senior High School in the locality. Students have to travel long distance.	Top management
		Responsible consideration of employees by MRICOP management-gender appreciation. No discrimination.		

TABLE III: Summary of Social Impacts – Positive and Negative Impacts

No.	Key Assets	Positive Issues	Negative Issues	Stakeholder Responsibility
			Lack of health centres in 2 of the communes. Severely ill cases have to be transported to hospitals located far away	Top Management, HR
		Improved Health Services and Assurance for workers. Better and more responsible health dispensary in Estate B. Specific groups of workers are sent for annual check-up		
			There is a high risk to diseases e.g. malaria, typhoid, dengue in the villages, due to poor upkeep, poor sanitary facilities and poor availability of good drinking water	Estate Management and Public Health authorities
6.	Physical Asset	The villages are located adjacent to the main highway Road No. 4. Plantation management has provided good laterite roads for connection between villages. Availability of road system and free access		
			Laterite roads are dusty during dry season and slippery during wet season	Estate Management
		Religious facilities e.g. temples are available at locations in proximity to the estates		Top Management, HR
			Some of the villages do not have electricity supply. Access to information e.g. television, radio and internet is limited.	Top management, Ministry of Rural development

TABLE IV: Summary of Social Impacts – Positive and Negative Issues

No.	Key Assets	Positive Issues	Negative Issues	Stakeholder Responsibility
7.	Social Assets	MRICOP is committed to compensating land acquisition. It practices the policy of Free, Prior and Informed Consent. Villagers are not forced to sell their land.		
		Company hires workers / employees of various ethics, religions, gender and education background and skills		
		Company participates actively in various projects which brings about positive contributions to the local communities		
			Poor availability of external communication channels to socialize the positive efforts that are being undertaken by the company as a result of the oil palm development project.	MRICOP Top Management, Estate Management
8.	Financial Asset	Increased financial source diversification by providing an important base for employment and an opportunity to open up the concession area in this remote Prey Nop District		TOP Management, GM Plantation
		Growing village economy due to better opportunities		

Section 4.2 Issues Raised by stakeholders

Generally, the villagers are pleased with the oil palm plantation project in the location.

However, there were a number of issues raised which is not directly related to the project. Issues brought up are include matters which is outside the jurisdiction of MRICOP. However, the management has assured them that would take the initiative to bring up these matters to the responsible government authorities.

The issues raised by the villagers are shown in the Table I-IV above.

Section 5.0 Summary of HCV Assessment

In the case of MRICOP new land (Division B4) on Estate B, the HCV assessment was conducted on Block C (812 ha) in Y 2012. The findings indicate that adjacent to Block C land area, to the east, is the Phnom Bokor National Park, which is a significant large landscape level Forests. Therefore, HCV 2 is present.

Management & Monitoring Action

Regular patrolling of the area to ensure no encroachment of the forests must be carried out. Records of patrolling and reports of peculiar activities (e.g. removal of timber, poaching, etc) must be followed by strict actions by the management.

The ESIA Study on MTSI NFL did not identify any potential HCVs in the new project site. No HCV Assessment was undertaken for the project.

Section 6.0 Internal Responsibility

The independent ESIA Report for MTSI NFL was prepared by Dr Ly Sopoïr-Mony, Director of Green Consultancy Group Co. Ltd. and this report provides a fair and comprehensive summary of the findings made.

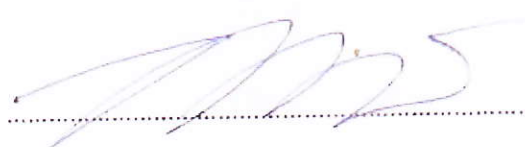
This summary report of the Environmental and Social Impact Assessment has been approved by MRICOP and the following undersigned will assume responsibility of the report recommendations including overseeing the management and monitoring plans.



.....
Name: Mr Sumate Pratumswan

Designation: Vice President Agriculture / Head of Sustainability


Date: 04/06/2014



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Name: Mr It Nop

Designation: General Manager, Plantations

Date: 04/06/14



.....
Name: Mr Graeme Cox

Designation: President MRT-TCC JV

Date: