

**Summary Report of SEIA and HCV Assessments on PT Kencana Graha Permai
Marau District of Ketapang Regency,
West Kalimantan Province**

Executive Summary

PT Kencana Graha Permai (hereinafter referred to as “**PT KGP**”) is located at Villages of Rangkung, Randai, Batu Payung Dua, and Belaban of Marau District, Ketapang Regency, West Kalimantan. The company has obtained a Location Permit by virtue of Ketapang Regent Decree No. 176/2005 covering an area of ±10,000 hectares for plantation and with mill capacity of 60 tonne of FFB per hour in Marau District of Ketapang Regency, West Kalimantan, dated 15 June 2005. The permit’s effective period was extended based on Ketapang Regent Decree No. 433/2007 dated 12 December 2007, and lastly based on Ketapang Regent Decree No. 37/2009 covering an area of 11,000 hectares in Marau District of Ketapang Regency.

PT KGP’s already has Environmental Feasibility Permit which was granted by West Kalimantan Governor through Decree No. 546/2008 covering a plantation area of 10,000 hectares and with mill capacity of 60 tonne of FFB per hour in Marau District of Ketapang Regency, West Kalimantan, dated 7 July 2008.

The company already has Social Impact Assessment (“**SIA**”) document, which is accompanied with social impact management and monitoring plan document. They were prepared by PT SMART, Tbk.’s internal team consisting of those already registered under RSPO Approved High Conservation Value (“**HCV**”) Assessors. Based on the SIA document, it is concluded that PT KGP’s presence has contributed positive impacts to the neighbouring community’s social condition. One of them is job and business opportunity. Whereas the negative impacts are social apprehension and the community’s declining health quality.

PT KGP Management Unit has performed HCV assessment activities over its concession. Based on the HCV assessment, there are nine HCV types having been identified in the company’s concession, i.e. HCV 1 (HCV 1.1, HCV 1.2, HCV 1.3 and HCV 1.4), HCV 2 (HCV 2.3), HCV4 (HCV 4.1 and HCV 4.2), HCV 5, and HCV 6

which jointly constitute a total area of 639.91 hectares. This activity took 13 months, from June 2010 to June 2011. The field survey took six days from 11 to 16 June 2010. The public consultation was held on 16 June 2010. The HCV assessment report document, along with its HCV area management and monitoring plan, was reviewed by Resit Sozer (independent consultant) in May 2011, output of which was made input to the report document rectification.

Scope of Social and Environmental Impact Assessment (SEIA) and HCV Assessment

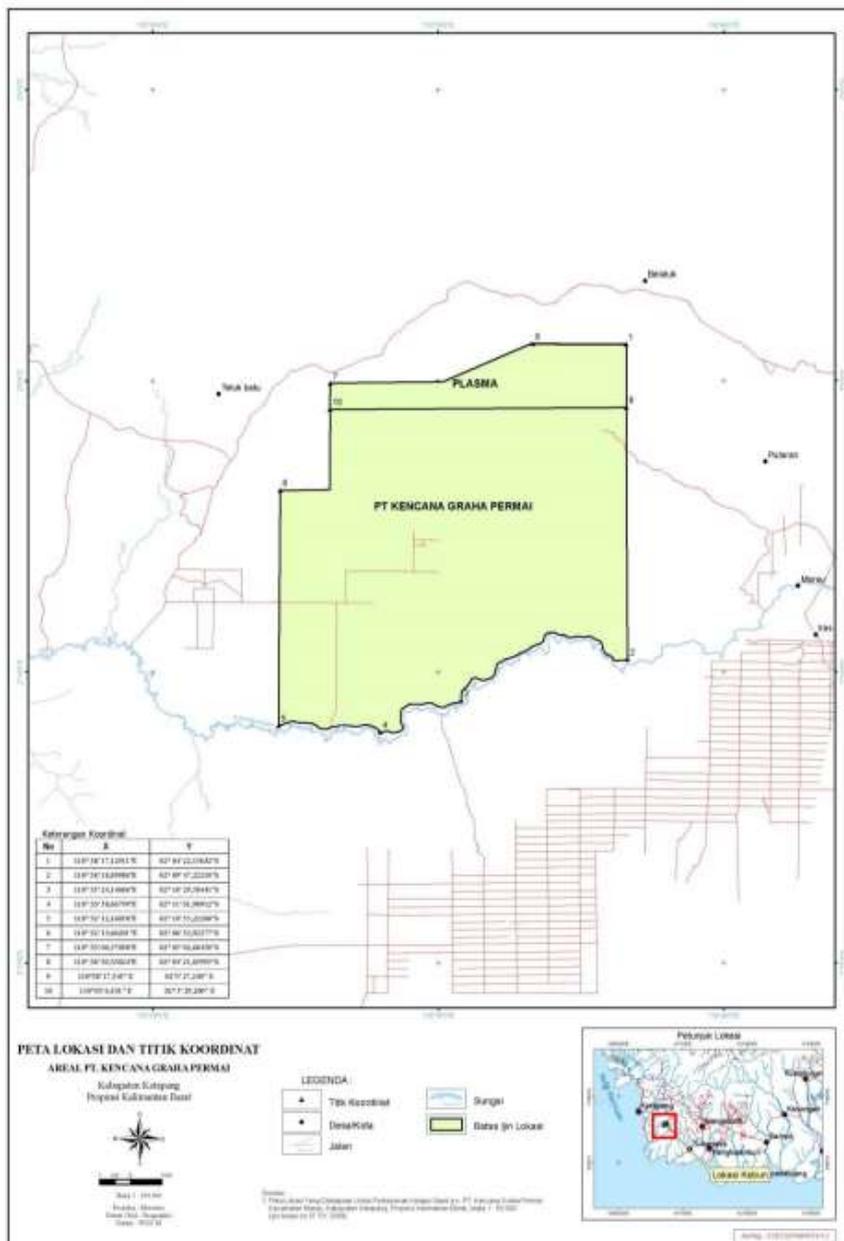
- Company Name : PT Kencana Graha Permai
- Location : Rangkung, Randai, Batu Payung Dua, and Belaban Villages of Marau District, Ketapang Regency, West Kalimantan.
- Geographic Location : (110°32'12,16058" – 110°38'18,69986 E) and (2°4'22,15632" – 2°11'1,98912" S)
- Bordering Areas
 - a. North : Gunung Raya Protected Forest and PT Agriplus oil palm plantation
 - b. East : PT Budidaya Agro Lestari oil palm plantation
 - c. West : PT Cahaya Nusa Gemilang oil palm plantation
 - d. South : PT Karya Bhakti Agro Sejahtera oil palm plantation
- Permits/Concessions :
 - a. Location Permit by virtue of Ketapang Regent Decree No. 176/2005 on Granting of Location Permit for PT Kencana Graha Permai Oil Palm Plantation in an area of ±10,000, dated 15 June 2005 and with effective period of three years (with only one extension applicable).
 - b. The last extension of the location permit is based on Ketapang Regent Decree No. 37/2009 for permit over an area of 11,000

hectares in Marau District of Ketapang Regency, dated 6 February 2009. This permit was effective for only 12 months and no longer applicable for another extension.

- c. Plantation Business Concession for Cultivation (IUP-B) based on Ketapang Regent Decree No. 223/DISBUN-D/2012 dated 1 May 2012 which granted PT KGP with a total area of 10,000 hectares and with FFB processing unit capacity of 60 tonne per hour, in Marau District of Ketapang Regency.

- Location Map : Figure 1

Figure 1: Map of PT KGP location in Ketapang Regency



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

The Assessment Process and Procedures

a. Social and Environmental Impact Assessment (SEIA)

PT KGP's Environmental Impact Assessment ("EIA") was prepared by an external consultant, namely Environmental Research Centre of Universitas Tanjung Pura (PPLH-Untan), which in this activity was led by Head of PPLH-Untan. The EIA document has been authorised by West Kalimantan Governor with Decree No. 546/2008 dated 7 July 2008 covering a plantation area of 10,000 hectares and mill

with capacity of 60 tonne of FFB per hour in Marau District of Ketapang Regency, West Kalimantan.

PT KGP already has SIA document in its possession, along with its social impact management and monitoring plan document, which was prepared by PT SMART, Tbk.'s internal team whose team leader is already registered under RSPO Approved HCV Assessors. Based on the SIA document, it is concluded that PT KGP's presence has contributed positive impacts to the neighbouring community's social condition. One of them is job and business opportunity. Whereas the negative impacts are social apprehension and the community's declining health quality. The method employed to obtain the social, economic and cultural data in the villages neighbouring PT KGP plantation/mill is data collecting method by inventorying necessary information using indirect system (indirect collecting system). This system ran through desktop review using reading material such as EIA review as its input, as well as HCV assessment, and other supporting literature such as government data found at local government website. Following is the SIA team.

SIA Team Leader:

Yosaphat Ardhilla Renato, S.Ant.

Born in Yogyakarta on 5 February 1987, he is a Corporate Social Responsibility ("CSR") Officer to PT SMART, Tbk. Being an expert in social and cultural anthropology, he graduated bachelor of anthropology from Anthropology Department, Universitas Gadjah Mada (UGM) in 2010. He also joined HCV Resources Network and registered as a Social Discipline Specialist (participatory rural assessment; socio-economic or cultural studies; participatory mapping; conflict resolution) to RSPO Approved HCV Assessors.

SIA Team Members:

Laurentius Vita Baskara, S.Sos.

Born in Yogyakarta on 29 April 1987, he is a staff to CSR Department with expertise on social development and welfare. He graduated bachelor of social from

Social and Politics Faculty in 2010. His experience in surveying and assessing social impact includes his works in a number of PT SMART, Tbk.'s plantations and mills, such as social impact survey and analysis in North Sumatera, Jambi, Belitung, etc. In addition, he has also been trained on Free, Prior and Informed Consent (FPIC) and Social Mapping.

Veranita Mei Pratiwi, S.Ant.

Born in Magelang on 16 May 1987, she is a staff to CSR Department with expertise on socio-cultural anthropology. Graduated bachelor of anthropology from Cultural Anthropology of Universitas Gadjah Mada (UGM) in 2010, she has been involved in several SIA surveys in a number of PT SMART, Tbk.'s plantation areas and mill.

Suma Nugraha, S.E.

Born in Garut on 7 July 1984, he is a staff to CSR Department with expertise on socio-economy and politics. He graduated bachelor of economy from Economy and Management Faculty of Bogor Agricultural University (“IPB”) in 2008, and once worked for World Bank Survey Project as a supervisor. He also worked for Bravo Media Center and held position of special staff to the 2009 elected Vice President. He has experience as supervisor of media relation and monitoring when working for PT FOX Indonesia Politic and Strategic Consulting. He has been involved in activities of social data collection and social impact management in PT SMART, Tbk.'s several plantation areas and mills.

Widodo C. Yuwono

He currently holds position of Social Impact Assessment & Grievance Section Head. Prior to holding this position, he was entrusted with CSR section head where he pioneered the company's CSR activities, and was tasked with identifying, planning and implementing the company's CSR activities.

The Assessment Methods

a. SIA

Method employed to obtain data on social, economic and cultural situation of the neighbouring villages is data collecting method by inventorying necessary information using indirect system (indirect collecting system). This system ran through desktop review using reading material such as EIA review as its input, as well as HCV assessment, and other supporting literature such as government data found at local government website.

Primary data collecting ran through desktop study over items which had been collected and which were capable of representing necessary data. The collected secondary data, in addition the mentioned documents and literatures, also included PT KGP's CSR programme implementation and local map. The literature data was analysed against RSPO principles relevant to sustainable social aspects.

b. HCV Assessment

The HCV assessment was carried out by IPB Faculty of Forestry. The team of seven personnel from different disciplines and expertise, which were already registered under RSPO Approved HCV Assessor, was led by Ir. H. Nyoto Santoso, MS.

Ir. Nyoto Santoso, M.Si. (Team Leader)

Born in Banyuwangi, 15 March 1962, he is team leader to HCV Team of IPB Faculty of Forestry. Being expert on Biodiversity Management and Conservation, he completed his Master of Science in IPB Study Programme for Natural and Environmental Resources Management in 1992. His experience as an expert in environment and biodiversity fields started in 1987 with a study on Environmental Impact Assessment (EIA), Mangrove Ecosystem Management Inventorying of Flora and Fauna of Mangrove, Peat, and Tropical Rainforest Ecosystem, as well as Planning of Biodiversity Management in Industrial Forest, and Planning of Conservation Forest Management.

Ir. Siswoyo, M.Si.

Born in Purbalingga, 8 February 1965, he is a member of HCV Team of IPB Faculty of Forestry, with expertise on Flora Ecology. He completed his Master of

Science in IPB Study Programme for Forest Management. He took IPB post-graduate course in 1999. His experience in HCV assessment field, particularly Flora Ecology, has started since year 2000. He also lectures Bioresources Conservation, Medicine Plant Conservation, Ethnobiology, and Ex-Situ Biodiversity Conservation subjects at the Faculty of Forestry.

Ahmad Faisal Siregar, S.Hut.

Born in South Tapanuli, 9 April 1975, he is a member of HCV Team of IPB Faculty of Forestry, with expertise on socio-cultural matters. Graduated Bachelor of Forestry from IPB in 1998, he continued with master degree from major of Tropical Biodiversity Conservation, IPB Postgraduate School. His experience in social assessment debuted in 1997. He also works for LPP Mangrove NGO.

Eko Adhiyanto, S.Hut.

Born in Batang, 3 June 1978, he is now member of HCV Team of IPB Faculty of Forestry, particularly as a flora expert. He graduated Bachelor of Forestry at Study Programme of Forest Resources Conservation and Ecotourism, IPB, in 2001 and started his debut of flora assessment in year 2000.

Febia Arisnegara, S.Hut

Born in Bondowoso on 7 February 1985, he is a staff of PT SMART, Tbk.'s Environment Department. He graduated Bachelor of Forestry from Bogor Agricultural University (IPB) in 2009, with thesis 'Utilisation of Reptile as Medicine and Food in Jakarta'.

Aep Hidayat, B.Sc.F

Born in Bandung on 29 April 1963, he is a member of HCV Team of IPB Faculty of Forestry with expertise on mapping. With associate degree from Study Programme of Forestry year 1987, he has been an expert in the field of environment since that year and mapping since 1990. His experience in HCV assessment, especially flora ecology, has started since 2009. He currently works as lab-assistant for LMGC-IPB.

The HCV Assessment Phases

Series of stages in the HCV assessment starts with document collecting, followed by document review and the final document is HCV assessment report and identified HCV area management and monitoring plan. The HCV assessment process flow is depicted by diagram on the side. HCV assessment activities combined several research methods, i.e. rapid assessment based on Landsat 7 ETM 543 Image Map, Semi-Detailed Soil Survey Map and Final Mapping, field survey, Focus Group Discussion (FGD) and key informant interview. ‘HCV Toolkit Indonesia’, along with RSPO Principles and Criteria (P&C), were employed and made guideline to this assessment. Therefore, the HCV assessment process and its employed methodology were adjusted to each HCV type.

Summary of the Assessment Findings

Based on the SIA implementation objectives, following are the conclusions drawn.

1. PT KGP’s presence has brought about positive impacts to the neighbouring community’s social condition.
2. The positive conditions are those relating to job and business opportunities, increase to the community members’ income, improvement of the community’s prosperity, and local development. This economy improvement and income increase contribute positive impacts to the community’s living standard and generate increasing cash circulation so that it opens significant opportunities to area development.
3. Land acquisition and compensation was implemented with prior information to, and then followed by making of mutual agreement with, the community members to whom the compensation payment was made. This compensation process was adjusted to PT KGP’s procedure in place.
4. The company’s policy in relation to Occupational Health and Safety (“OHS”) management has been implemented. This increases the positive impacts to the company staffs as their occupational safety is secured.

5. Negative impacts in PT KGP's SIA findings are the community's stance and perception, social apprehension relating to land clearing activities and local workforce demand quota, as well as the community's deteriorating health quality which frequently is related to water declining quality, air pollution-caused diseases and poor sanitation quality.

List of Social Issues Being PT KGP's Social Impacts

No.	Social Impact	Social Issue
1.	Increase to employment opportunities and the community's income	Increase of the community's income compared to before construction of the company's infrastructure, the community gain its fixed income through the company's operational activities.
		Provision of facilities supports the staffs' activities and life needs which promote their life quality.
		The company sustainably engages certain contractors according to their normally-performed work proportion.
		Employees' well beings, capacity building programme, protection of their rights through OHS implementation are implemented by the company as its obligation.
		Emerge of small kiosks and increase of livelihood resources due to the community's increasing economic activities.
		Plasma programme implemented under partnership scheme by the company and the local community

2.	Social Apprehension	<p>Attention must be paid to local workforce quota which needs to be adjusted with the company's employment demand.</p>
		<p>Uncertainty on who the landowners were in the beginning becomes a problem when land compensation is about to be carried out and in the future. This can be minimised with proactive efforts to socialise compensation conditions to forge mutual agreement with the community members to whom the compensation payment is made. In addition, determination of both the company's definitive area and lands it will potentially compensate will be necessary. Should there be any community members/individuals unwilling to relinquish their own lands despite of compensation, 'enclaving' may be applicable, provided that access must be maintained for the individuals.</p>
		<p>Water quality management and monitoring will be necessary as water is the main resource to the community in the assessment area.</p>
3.	The Community's Health Problem	<p>Waste coming out from the company's operation is reused in responsible manner to support its operational activities. Toxic and hazardous waste management is managed by engaging third parties.</p>
		<p>Poor sanitation in the community's environment is often a cause to disease outbreak. The company can deliver counselling and socialisation to the community concerning the poor sanitation. Through the company's OHS management it is</p>

		<p>expected that internal disease outbreak can be controlled and coordination can be arranged with health facilities and infrastructures in the assessment area to enable preventive measures against the disease outbreak.</p>
		<p>FFB transporting activities often flies ashes and make pollution. The company also makes efforts to reduce level of pollution responsible for Under Respiratory Infection (URI) diseases.</p>
4.	Improvement of the Community Prosperity and Contribution to Local Development	<p>In each operational activity, the company undertakes to comply with prevailing laws and regulations. Example of such compliance is tax payment.</p>
		<p>Number of college education graduate keeps climbing in the assessment area. High education level impacts on the company's contribution getting more prominent to the community.</p>
		<p>The neighbouring village community benefits from the company's social aids in various fields, such as social and traditional matters which, in turn, tighten relationship among the community members.</p>

General Recommendation based on the Social Impact Analysis and Assessment

1. Increase of job opportunity and income for the community

Improvement of local economy through several management actions, such as provision of information to local governments on the company's workforce demand according to its needs and qualifications, employment remuneration equal to or above minimum standard, community development through local

partnership and purchase, application of OHS policies, trainings for employees to build their capacity, and support to local businesses and partnerships. In addition to those internal endeavours, PT KGP also develops plasma plantations having potentials to increase local economic condition of the community members and outgrowers joining the programme.

2. The Community's Social Apprehension and Health Problems

According to the socialisation when PT KGP investment was about to be built in the EIA area, land clearing and compensation have gone through FPIC process and method. This socialisation process can be seen from supporting documents in public consultation on investment of oil palm plantation which would be run by PT KGP. Area determination process in the beginning of land compensation payment by the company is a crucial process which may be useful to anticipate future problems over the land already compensated. This is according to the procedure already applied by PT KGP on land compensation process.

PT KGP needs to socialise its workforce demand according to the current quota and availability and its most recent update to the village/local government. Proactive communication to its stakeholders in the assessment area, socialisation and strict monitoring over its contractors in order to perform environmental control in their operational activities, application of best practice on oil palm residue/waste and hazardous and toxic waste materials (B3), and report social and environmental impact monitoring to relevant institution. These are a series of the PT KGP's endeavours in managing essential negative impacts, namely social apprehension and the community's health problem.

3. Increase of the Community Prosperity and Contribution to Local Development

This management programme can be synergised with CSR long-term programmes where the programmes and their supporting components are

elaborated in strategic plan. Endeavours that should be contained in this strategic plan are: increase of educational activities by accommodating achieving children with scholarship, support to several traditional activities including traditional ceremonies in the assessment area. PT KGP's compliance indirectly helps or contributes to local development.

4. Social Envy

PT KGP needs to socialise its workforce demand according to the current quota and availability and its most recent update to the village/local government. The company needs to deliver entrepreneurship trainings to the community to prevent it from depending on only one single livelihood. This can be liaised with relevant government office.

5. Increase of the Community Prosperity and Contribution to Local Development

This management programme can be synergised with CSR long-term programmes where the programmes and their supporting components are elaborated in strategic plan. Endeavours that should be contained in this strategic plan are: increase of educational activities by accommodating achieving children with scholarship, support to several traditional activities including traditional ceremonies in the assessment area. PT KGP's compliance indirectly helps or contributes to local development.

a. HCV Assessment

There are nine HCV types identified in PT KGP's concession, i.e. HCV 1 (HCV 1.1, HCV 1.2, HCV 1.3 and HCV 1.4), HCV 2 (HCV 2.3), HCV4 (HCV 4.1 and HCV 4.2), HCV 5, and HCV 6 which jointly constitute a total area of 639.91 hectares. Following is the detail.

1. HCV 1.1 (Areas that contain or provide biodiversity support function to protection or conservation areas). In PT KGP's concession there are protected areas in the form of riverbank, spring surrounding area, and areas with inclination of more than 40% (hills), all of which is still in forested condition. Total HCV 1.1 area is 289.81 hectares.
2. HCV 1.2 (Critically endangered species) in the form of plant species belonging to CR class (Critically Endangered) under IUCN Red List, i.e. *Hopea ferruginea* Parijs, Red Balau (*Shorea balangeran* (Korth.) Bruck), and *Dipterocarpus grandiflorus* Blanco.
3. HCV 1.3 (Areas that contain habitat for viable populations of endangered, restricted range or protected species) is found at riverbank, lake bank, spring area and *tembawang*. Those areas contain flora and fauna protected by Government Regulation No. 7/1999 and/or belonging to Appendix II of CITES List and/or to VU (Vulnerable) or CR (Critically Endangered) classes under IUCN Red List. The species are Agarwood (*Aquilaria malaccensis* Lamk.), Red Balau (*Shorea balangeran* (Korth.) Bruck), *Pekawai* (*Durio kutejensis* (Hassk.) Beccari), Ironwood/*Belian* (*Eusideroxylon zwageri* T. & B.), Sambar Deer (*Rusa unicolor*), Black Hornbill (*Anthracoceros malayanus*), Brahminy Kite (*Haliastur indus*), Grey-headed Fish Eagle (*Ichthyophaga ichthyaetus*), Black Eagle (*Ictinaetus malayensis*), and Common Hill Myna (*Gracula religiosa*). Total HCV 1.3 area is 232.05 hectares.
4. HCV 1.4 (Areas that contain habitat of temporary use by species or congregations of species) is found in Langsat riparian area.
5. HCV 2.3 (Areas that contain representative populations of most naturally occurring species). Area containing HCV 2.3 is found in area proven to contain apex predator population which keeps reproducing and is likely to be viable.
6. HCV 4.1 (Areas or ecosystems important for the provision of water and prevention of floods for downstream communities) in the form of riparian area and spring surroundings.

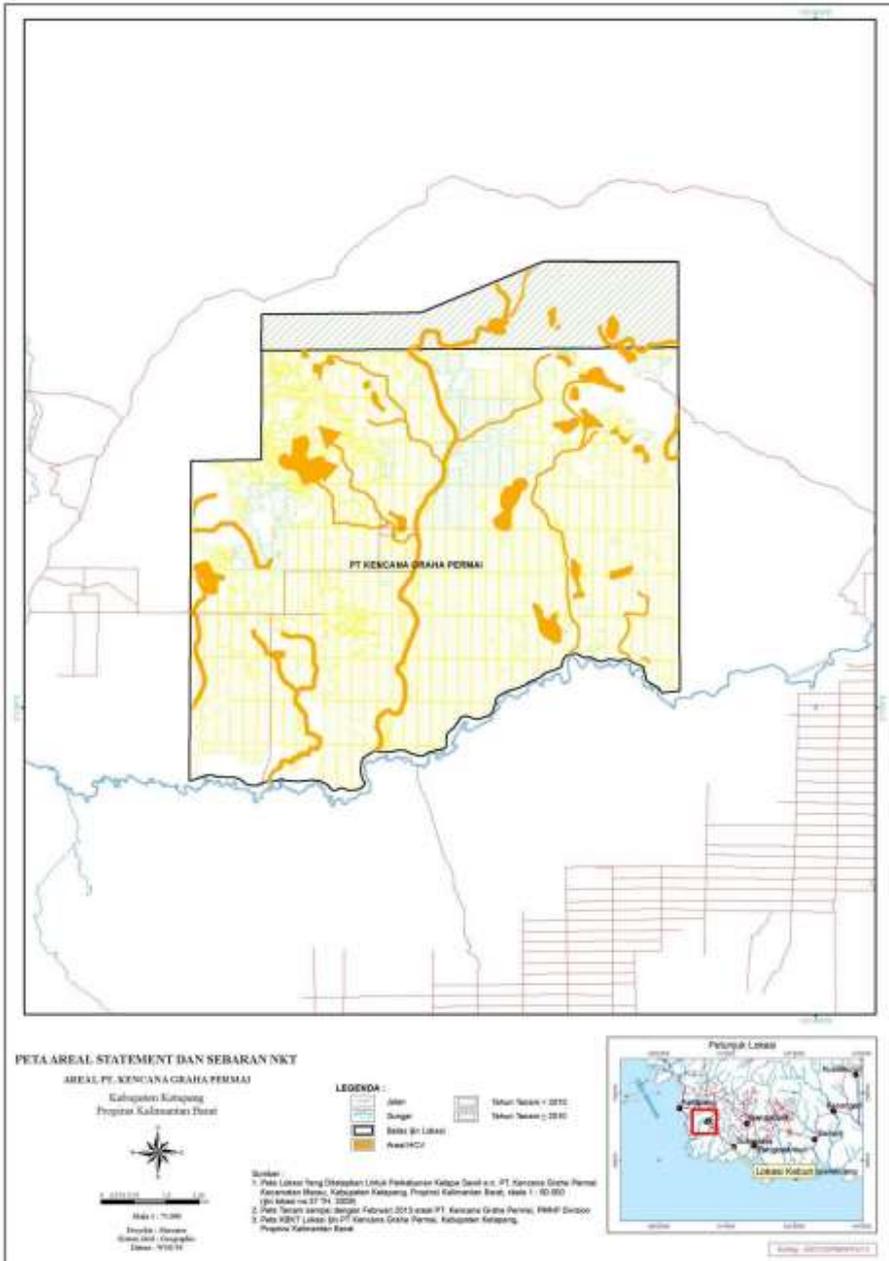
7. HCV 4.2 (Areas important for the prevention of erosion and sedimentation) is found in area having inclination of more than 40%, i.e. Big Hill.
8. HCV 5 (Natural areas critical for meeting the basic needs of local people). Within forested area or natural ecosystems in PT KGP's concession there are areas considered essential to meet the local community's basic needs, i.e. resource for drinking water and other needs.
9. HCV 6 (Areas critical for maintaining the cultural identity of local communities). There is a sacred burial ground and enclave areas (*tembawang*) found within PT KGP's concession. They are the local community's cultural identity).

Recommendation

- It is advisable to PT KGP's concession management to immediately plan for management and monitoring to the assessed/identified HCV areas.
- Once the HCV area management monitoring plan is prepared, the concession management must immediately manage and monitor the identified HCV areas.
- The management needs to establish an assisting institution to implement HCV area management and monitoring plan which has been prepared.

Being held in 16 June 2010, PT KGP's public consultation was attended by approximately 26 participants consisting of the company staffs representatives, the HCV assessment teams, and stakeholder representatives from the neighbouring areas (village/sub-village heads and secretaries, public figures and local government staffs).

Figure 2. Map of PK KGP's HCV assessment and project plan area

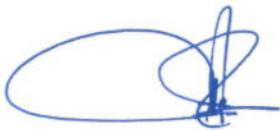


Note: Maps with higher resolution have been attached in appendix 1.

Internal Responsibility

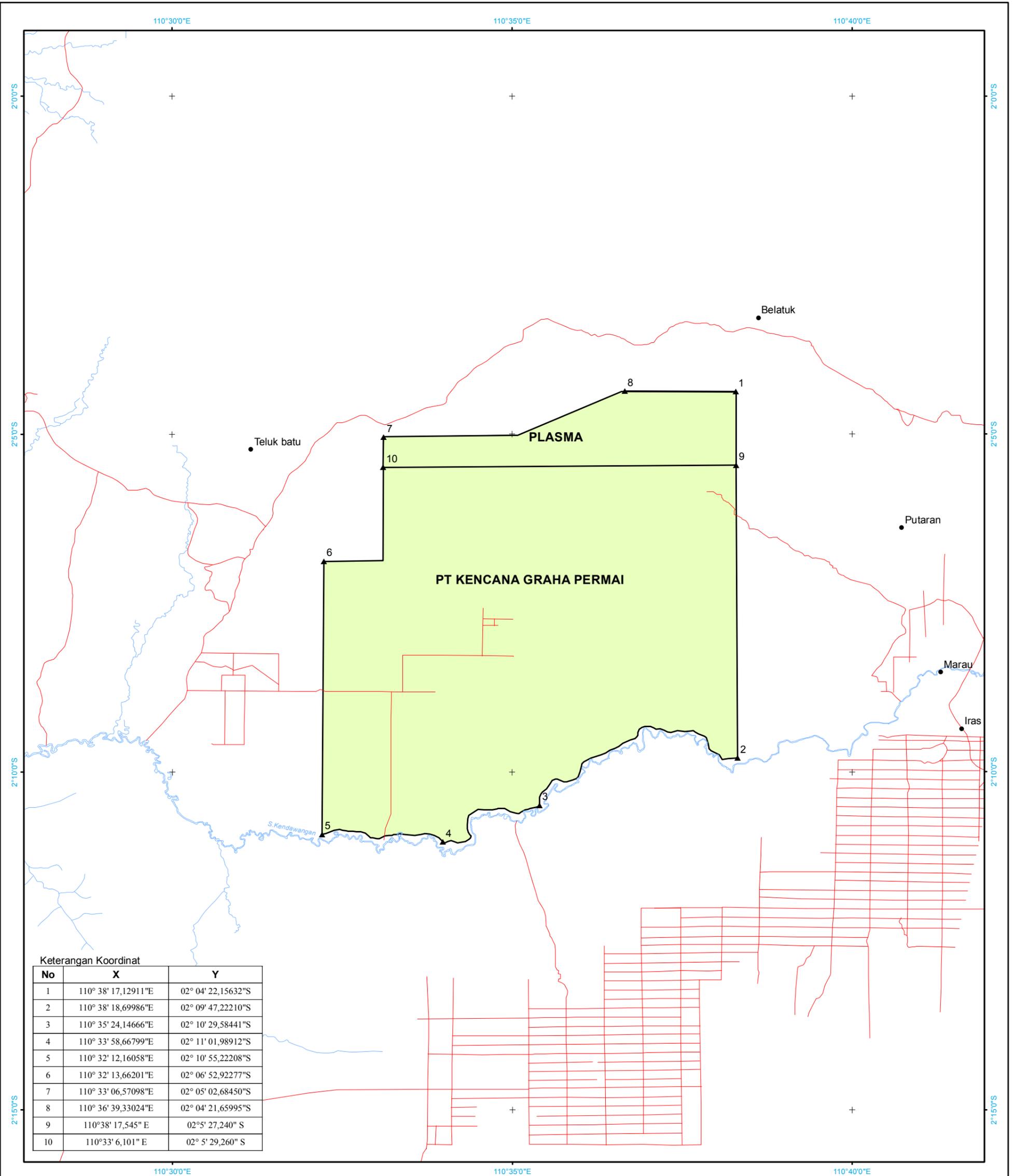
We hereby sign off on the above Summary Report of SEIA and HCV, The above may be amended and clarified for improvement during the development of the plantation but it will remain in accordance with RSPO Standards and Principles.

On behalf of the Management of **PT Kencana Graha Permai**,

A handwritten signature in blue ink, consisting of a large, stylized loop followed by a vertical stroke and a horizontal base.

Dr. Haskarlianus Pasang
Head of Sustainability Division
Date: June 4th, 2013

Appendix 1. **Figure 1: Map of PT KGP location in Ketapang Regency**



Keterangan Koordinat

No	X	Y
1	110° 38' 17,12911"E	02° 04' 22,15632"S
2	110° 38' 18,69986"E	02° 09' 47,22210"S
3	110° 35' 24,14666"E	02° 10' 29,58441"S
4	110° 33' 58,66799"E	02° 11' 01,98912"S
5	110° 32' 12,16058"E	02° 10' 55,22208"S
6	110° 32' 13,66201"E	02° 06' 52,92277"S
7	110° 33' 06,57098"E	02° 05' 02,68450"S
8	110° 36' 39,33024"E	02° 04' 21,65995"S
9	110°38' 17,545" E	02°5' 27,240" S
10	110°33' 6,101" E	02° 5' 29,260" S

PETA LOKASI DAN TITIK KOORDINAT

AREAL PT. KENCANA GRAHA PERMAI

Kabupaten Ketapang
Propinsi Kalimantan Barat



Skala 1 : 100.000

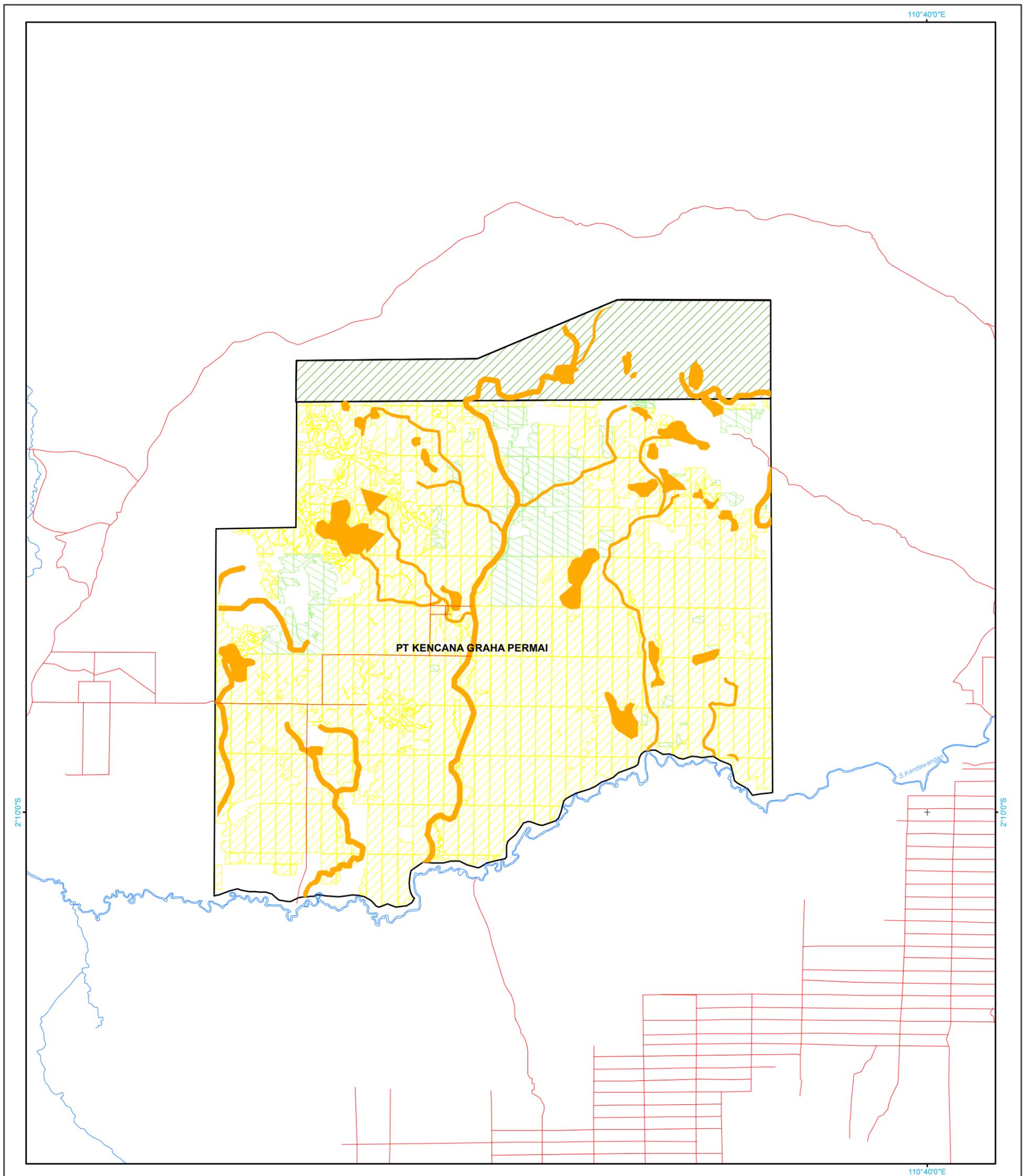
Proyeksi : Mercator
Sistem Grid : Geographic
Datum : WGS 84

LEGENDA :

- Titik Koordinat
- Desa/Kota
- Jalan
- Sungai
- Batas Ijin Lokasi

Sumber :
1. Peta Lokasi Yang Ditetapkan Untuk Perkebunan Kelapa Sawit a.n. PT. Kencana Graha Permai Kecamatan Marau, Kabupaten Ketapang, Propinsi Kalimantan Barat, skala 1 : 50.000 (ijin lokasi no.37 TH. 2009)





PETA AREAL STATEMENT DAN SEBARAN NKT

AREAL PT. KENCANA GRAHA PERMAI

Kabupaten Ketapang
Propinsi Kalimantan Barat



0 0,375 0,75 1,5 2,25 Km

Skala 1 : 75.000

Proyeksi : Mercator
Sistem Grid : Geographic
Datum : WGS 84

LEGENDA :

- | | |
|-------------------|--------------------|
| Jalan | Tahun Tanam < 2010 |
| Sungai | Tahun Tanam ≥ 2010 |
| Batas Ijin Lokasi | |
| Areal HCV | |

Sumber :

1. Peta Lokasi Yang Ditetapkan Untuk Perkebunan Kelapa Sawit a.n. PT. Kencana Graha Permai Kecamatan Marau, Kabupaten Ketapang, Propinsi Kalimantan Barat, skala 1 : 50.000 (ijin lokasi no.37 TH. 2009)
2. Peta Tanam sampai dengan Februari 2013 areal PT. Kencana Graha Permai, PMNP Division
3. Peta KBKT Lokasi Ijin PT Kencana Graha Permai, Kabupaten Ketapang, Propinsi Kalimantan Barat

