Summary Report of SEIA and HCV Assessments on PT Kresna Duta Agroindo

Districts of Kongbeng, Wahau, and Telen of East Kutai Regency,

East Kalimantan Province

Executive Summary

PT Kresna Duta Agroindo (hereinafter referred to as **"PT KDA"**) is located in Districts of Kongbeng, Wahau and Telen of East Kutai Regency, East Kalimantan Province. It has obtained a Location Permit from East Kutai Regent through Decree No. 156/02.188.45/HK/V/2005 dated 30 May 2005, covering an area of ±6,500 hectares and mills having capacity of 15 tonne of FFB per hour (GKMM) and 30 tonne per hour (MWHM). This Location Permit's effective period was then extended in 2007 with the Regent's Decree No. 241/02.188.45/HK/VI/2007 dated 14 June 2007, covering an area of ±4,813 hectares.

PT KDA's Environmental Impact Assessment (**"EIA"**) document was authorised by the East Kutai Regent through Decree No. 120/660.1/BUP-KUTIM/V/2006 dated 8 May 2006 covering a plantation area of 6,500 hectares and mills' capacity of 45 tonnes of FFB per hour in Muara Wahau District of East Kutai Regency, East Kalimantan.

The company already has documents of Social Impact Assessment (**"SIA"**) and social impact management and monitoring. The SIA document was prepared by PT SMART, Tbk.'s internal team, leader of which is already registered under RSPO Approved HCV Assessors. As to the social impact management plan, the document was prepared by PT KDA's management itself to manage social impacts that had been identified.

In its concession PT KDA has performed HCV assessment, aiming at (1) identifying HCV presence within or around the company's oil palm concession containing highly essential social, cultural and/or ecological values; and (2) formulating management and monitoring directives for a management and monitoring system ensuring the HCV conservation and/or improvement. The assessment of HCV and HCV area presence, as well as the management and monitoring efforts are important prerequisites in every oil palm plantation management unit's activities and they serve as an important element in

preparation of Roundtable for Sustainable Palm Oil (RSPO) certification. The HCV assessment states that no primary forests found in PT KDA's concession. According to the assessment five HCVs were found, namely HCV 1.1, HCV 1.3, HCV 4.1, HCV 5 and HCV 6, which together constitute a total HCV area of 721.45 hectares, taking form in riverbanks, protected species, customary forest and sacred burial ground.

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

a. The company's information and contact person

- Company name : PT Kresna Duta Agroindo
- Location : Villages of Sidomulyo, Marga Mulya, Makmur Jaya, Sukamaju, Konbeng Indah, Sri Pantun, Miau Baru, of Kongbeng District; Villages of Jak Luay, Long Wehwa and Wanasari of Wahau District; Villages of Rantau Panjang and Baturedi of Telen District, East Kutai Regency, East Kalimantan Province, Indonesia
- Geographic Location : (116°46'57,845" E- 116°51'52,614" E) and (0°54'38,332' N - 1°2'4,947" N)
- Surrounding Area
  - a. North : PT Basuimex's Forestry Concession (HPH) area and community's lands along Pesab River
  - b. East : PT Basuimex's HPH concession, PT Kiani Lestari's concession, and Nehes Liang Bing Village
  - c. West : East Muara Wahau Transmigration's settlement and plantation, and PT Pratita Laksana Setia's concession
  - d. South : PT Kiani Lestari's HPH concession, PT Pratita Laksana Setia's oil palm plantation
- Concession/Permit :

a. Location Permit: East Kutai Regent No. 156/02.188.45/HK/V/2005 covering an area of ±6,500 hectares, dated 30 May 2005.

b. The Location Permit's effective period extension: East Kutai Regent No. 241/02.188.45/HK/VI/2007 covering an area of ±4,813 hectares, dated 14 June2007.

c. Plantation Business Concession (IUP): East Kutai Regent Decree No. 500/233/EK-VII/2005 covering an area of 6,500 hectares, dated 27 July 2005.

d. Right of Cultivation (HGU):

- HGU Land Certificate No. 112, dated 20 July 2010, covering an area of 6,025 hectares;
- HGU Land Certificate No. 113, dated 20 July 2010, covering an area of 847 hectares; and
- HGU Land Certificate No. 52, dated 25 June 2009, covering an area of 4,753.54 hectares (under Proportional Comparison Value/NPP Process).

- Location Map: Figure 1

Figure 1: Map of PT KDA's location in East Kutai Regency

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

Assessment Process and Procedures

a. SEIA

PT KDA's EIA document has been prepared, as authorised by East Kutai Regent Decree No. 120/660.1/BUP-KUTIM/V/2006 covering an area of 6,500 hectares with mill capacity of 45 tonne of FFB per hour. The document was prepared by Area Development Research Centre of Universitas Mulawarman, Samarinda.

In addition to the EIA document, the company through PT SMART, Tbk.'s internal team also has prepared its SIA document in January 2013. The SIA team leader is registered under RSPO Approved HCV Assessors. This SIA document is also accompanied with social impact management and monitoring and together the two form an integrated document as several findings are mentioned in the SIA document, requiring PT KDA to manage. The assessment outputs and the social impact management plan have been consulted with relevant stakeholders, i.e. village heads, Village Consultative Board (BPD), Community Empowerment Institution (LPM), customary figures, district government staffs, and cooperative. Public consultation was held on 11 April 2013 in JLYE and BSRE's (PT KDA's unit) offices.

Following are members of 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. Having joined PT SMART, Tbk. since 1995, he graduated from Extra-School Education Major of IKIP-Jakarta State University. His carrier started as a Training Officer under Training & Development Department, tasked with training

planning, making training syllabus, delivering training, and evaluation and training. Prior to holding position as Social Impact Assessment & Grievance Section Head, he was tasked with pioneering the company's CSR activities as a CSR Section Head whose main job was planning and implementing the company's CSR activities.

The assessments' methods

a. SIA

Method employed to obtain social, economic and cultural data over the neighbouring villages is inventorying of necessary information through indirect collecting system which was performed through desktop review analysing several reading materials such as EIA document, HCV assessment, and governmental data supporting literature such as those at the local government's 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 KDA'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 performed by PT SMART, Tbk.'s Environment Department staffs that are already registered under RSPO Approved HCV Assessors. Following are the HCV assessment team.

Kunkun Jaka Gurmaya

Born in Bandung on 10 May 1946, he obtained his doctoral degree from Kyoto University, Japan in 1987. He has been involved in natural resources conservation research and a secretary to IUCN and SSC Primate Group for Asia-Australia Region..

Bambang Setyaji

Born in Blitar on 6 December 1982, he is a staff of PT SMART, Tbk.'s Environment Department. His expertise is on Fauna Ecology HCV Assessment. He graduated Bachelor of Forestry from Universitas Kapuas Sintang in 2006 and has been trained with HCV Forest (HCVF). **Nugroho Wahyu W.**

Born in Bogor on 12 April 1985, he is a staff of PT SMART Tbk.'s Environment Department. His expertise is on Environmental Service HCV Assessment. Graduated Bachelor of Forestry from Universitas Gadjah Mada in 2008, he has been involved in HCVF assessment in PT SMART, Tbk.'s concession, which was under cooperation with IPB LPPM and Faculty of Forestry. **Yosaphat Ardhilla R.**

Born in Yogyakarta on 5 February 1987, he is a staff of PT SMART, Tbk.'s Environment Department. He graduated from Universitas Gadjah Mada (UGM) in 2010. His part in the HCV assessment is community socio-cultural field. Having been experienced in SIA activities in several companies, he was trained with Free Prior Informed Consent (FPIC) and Social Need Assessment (SNA).

The HCV assessment phases

The assessment was carried out in February and May 2012. The public consultation was held on 11 April 2013.

Data collecting method

The HCV presence observation employed rapid assessment method according to Landsat 7 Image Map ETM 543, Semi-Detailed Land Survey Map and Final Mapping, followed by information gathering and field data collection.

Process of HCV 1, 2 and 3 data collection

The field data recorded are those relating to general condition of ecosystem and documentation of wildlife and vegetation species. The latter were recorded and then determined by referring to species naming guidebooks in 'binomial nomenclature' manner to discover the species names. As to their conservation status, it refers to lists of

protected species based on IUCN and CITES rules as well as Indonesian Government Regulation No. 7/1999 and other laws and regulations.

Process of HCV 4 data collection

HCV 4 assessment ran by combining several methods. Field survey was performed at areas estimated to have HCV potential, as well as at particular locations onsite such as basin, lake basin, spring areas, riparian ecosystems, wetland ecosystems, and other types of land having high erosion hazard level, areas in which fire had occurred, land clearing locations, nursery area, and location of clean water resources supplying the community and staffs' needs. To obtain relevant data, interviews were done with several respondents from the company staff and community.

Process of HCV 5 data collection

Various methods have been employed to assess HCV 5 areas, i.e. by conducting interviews and focus group discussion (FGD), followed by groundchecking the areas estimated containing HCV 5. An area is deemed important if that area is utilised by one or more its community members to meet their subsistent needs where no other alternatives are available or cannot be replaced by substitution goods.

Process of HCV 6 data collection

HCV 6 assessment is obtained by exploring from the local community as subjects. They are the community figures and the community itself. Other than the community, the assessment was also carried out on information from historic document and other documents available. In-depth information gathering for this HCV 6 area assessment was also carried out through FGD.

Summary of Assessment Findings

a. SEIA

According to SIA implementation objectives, following are conclusions drawn.

1. PT KDA's presence has contributed positive impacts to the neighbouring community's social condition.
2. The positive impacts contributed to the community are, among others, those relating to economy improvement and increase of income. The two in turn bring about positive impact as well to the community's living standards and greater cash circulation, hence significant opportunities to the 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 KDA'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 KDA's social impact analysis and assessment findings are, among others, social apprehension related to its land clearing, difference of perception on the company's management scheme adopting community cultivation scheme, and plasma programme implementation. Other negative impacts are air quality deterioration and noise, which are frequently related to air pollution-caused diseases and heavy equipment mobilisation, and FFB processing in mills.

List of social issues being PT KDA's social impacts

No.	Social Impact	Social Issue
1.	Social Apprehension	Threats to other types of cultivation business sustainability because of replacement by oil palm development.
		Land acquisition activities have opportunity to cause conflict or polemic because of incompliance with procedure and disagreement upon the land compensation

		price with the landowner to whom the compensation payment will be made.
		Certainty over well-planned plasma and CSR programmes.
2.	Air pollution (air quality deterioration and noise)	FFB transporting activities by heavy transporters fly ashes when passing the community's settlement.
		FFB management process in mills causes smoke and settling pond potentially exposing the community with air pollution and disease
3.	Work opportunity	Attention must be paid to local workforce quota which needs to be adjusted with the company's employment demand.
		Provision of facilities supports the staffs' activities and life needs which promote their life quality.
		Transparency of job vacancy information for the neighbouring community members to increase absorption of local workforce.
		Employees' well beings, capacity building programme, protection of their rights through OHS implementation are implemented by the company as its obligation.
4.	Community development and increase of income	The community's knowledge on oil palm cultivation improves and many community members start to cultivate this commodity
		Construction of public facility and infrastructure prioritising use of local contractors and workforce
		The neighbouring community receives social aid from the company in various fields: social and cultural.
		The company prioritises local purchase to meet the

		company's community (employees) as an endeavour to improve the local community's economy.
		Emerge of small kiosks and increase of livelihood resources due to the community's increasing economic activities.

Summary of planning and management (SIA)

General recommendation based on the social impact analysis and assessment

1. Social Apprehension

Based on the socialisation during investment when PT KDA was about to be built in the assessment area provided by the EIA document, the land acquisition and compensation had gone properly through FPIC process and method. This socialisation process is indicated by supporting documents in public consultation on oil palm plantation investment which would be operated by PT KDA. Area determination process in the beginning of land compensation payment by the company under cooperation with the local community 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 KDA on land compensation process.

PT KDA 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, apply 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 KDA's endeavours in managing essential negative impacts, namely social apprehension and the community's health problem.

2. Air pollution (air quality deterioration and noise)

Proactive communication to the stakeholders in the assessment area needs to be made to allow environmental and health management. The company needs to socialise and closely monitor its contractors to ensure that they perform environmental control in their operational activities, apply best practice on management of smoke and ashes coming out from their operational activities, and report social and environmental impact monitoring to the relevant authorities. The company also conduct socialisation to FFB and CPO transporting contractors concerning driver safety and calls upon to reduce speed when passing through settlements, as well as road showering programme. Mills also innovate as to the use of higher smokestack.

3. Increase of employment opportunity

Increase of the community's employment opportunity is performed through several management measures such as provision of workforce demand information to the local government according to the company's needs and qualification to accommodate local workforce to become its staffs. Those already working for the company are secured with OHS as it already applies OHS standards in its every operational activity.

4. Community development and increase of its income

This management increase can be synergised with CSR long term programmes where the programmes and their supporting components are formulated in strategic planning. Efforts that are supposed to be maintained in the strategic planning are, among others, increase of educational activities by accommodating achieving children with scholarship programmes, and promoting several traditional activities including traditional ceremonies in the assessment area. The company's compliance to tax payment indirectly helps or contributes to local development.

Recommendation for management of increase of the community's income is promoting the local community's business growth (kiosks) to meet the company's community (employees). In addition the company can open opportunity for local contractors to forge partnership with the company on the basis of works needed by the company. Also, PT KDA needs to construct plasma plantations having potentials to increase economy of local the community and outgrowers joining that programme.

b. HCV assessment

Result of HCV area presence assessment and analysis in PT KDA's concession states that there are five HCV types identified, i.e. HCV 1.1, HCV 1.3, HCV 4.1, HCV 5 and HCV 6, which together constitute a total HCV area of 721.45 hectares, taking form in riverbanks, protected species, customary forest and sacred burial ground.

Table [?]. Result of HCV assessment in PT KDA's concession

No.	HCV Type	HCV Area Type	Area (hectares)
1.	1.1 and 4.1	Pantun Riverbank	211
			93.24
		Elang Riverbank	159.47
		Long Aji Riverbank	128.71
2.	1.2	Presence of protected/threatened species	-
3.	1.1, 1.3 and 5	Rantau Panjang Customary Forest	129.03
4.	6	Burial ground	-
Total HCV Area			**721.45**

General recommendations applying to all HCV management are as follow.

1. HCV areas in the map need to be verified, bearing in mind that this map is available for onsite reference. However, this survey result can indicate the said locations onsite and is sufficient to management planning.
2. Field assessment result is advisable to the company, taking into account precautionary principles, followed by socialisation of HCV area presence to all estate management unit and staffs.
3. It is advisable to plan the HCV management taking form of management plan document to be made reference to HCV management implementation.

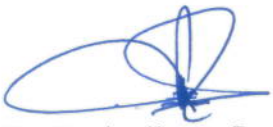
Figure 2: HCV area assessment and project area plan in PT KDA's concession

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

Internal Responsibility

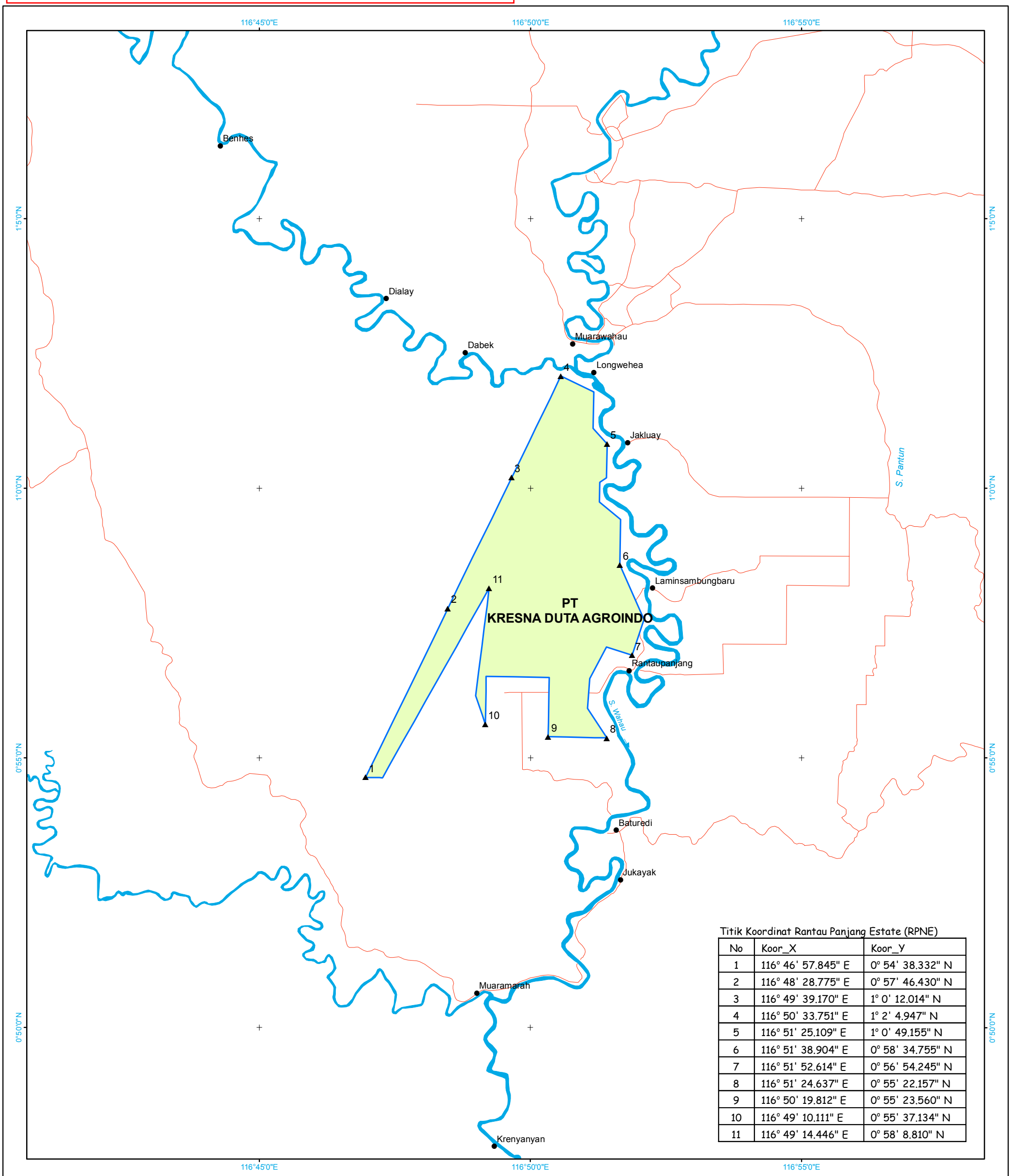
We hereby sign off on the above Summary Report of SEIA and HCV, The above may be amended and clarified for improvement during the development of the plantation but it will remain in accordance with RSPO Standards and Principles.

On behalf of the Management of **PT Kresna Duta Agroindo,**



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

Appendix 1. **Figure 1: Map of PT KDA's location in East Kutai Regency**



Titik Koordinat Rantau Panjang Estate (RPNE)

No	Koor_X	Koor_Y
1	116° 46' 57.845" E	0° 54' 38.332" N
2	116° 48' 28.775" E	0° 57' 46.430" N
3	116° 49' 39.170" E	1° 0' 12.014" N
4	116° 50' 33.751" E	1° 2' 4.947" N
5	116° 51' 25.109" E	1° 0' 49.155" N
6	116° 51' 38.904" E	0° 58' 34.755" N
7	116° 51' 52.614" E	0° 56' 54.245" N
8	116° 51' 24.637" E	0° 55' 22.157" N
9	116° 50' 19.812" E	0° 55' 23.560" N
10	116° 49' 10.111" E	0° 55' 37.134" N
11	116° 49' 14.446" E	0° 58' 8.810" N

PETA
LOKASI DAN TITIK KOORDINAT
AREAL PT. KRESNA DUTA AGROINDO

Kabupaten Kutai Timur,
Propinsi Kalimantan Timur

N
W E
S

0 0.5 1 2 Km

Skala 1:125,000

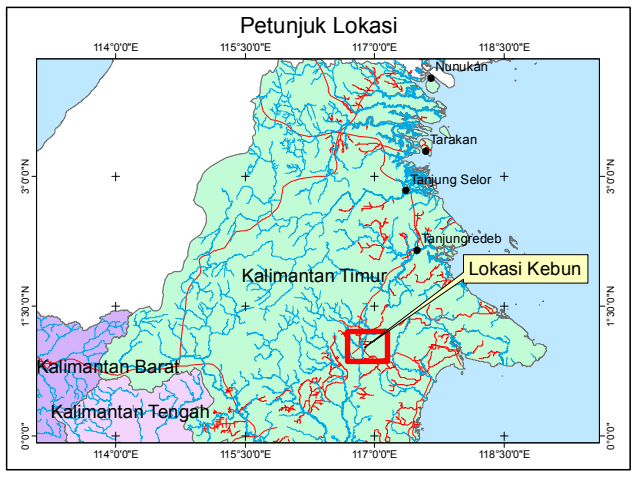
Proyeksi : Universal Transverse Mercator
Sistem Grid : Geographic
Datum : WGS 84

LEGENDA :

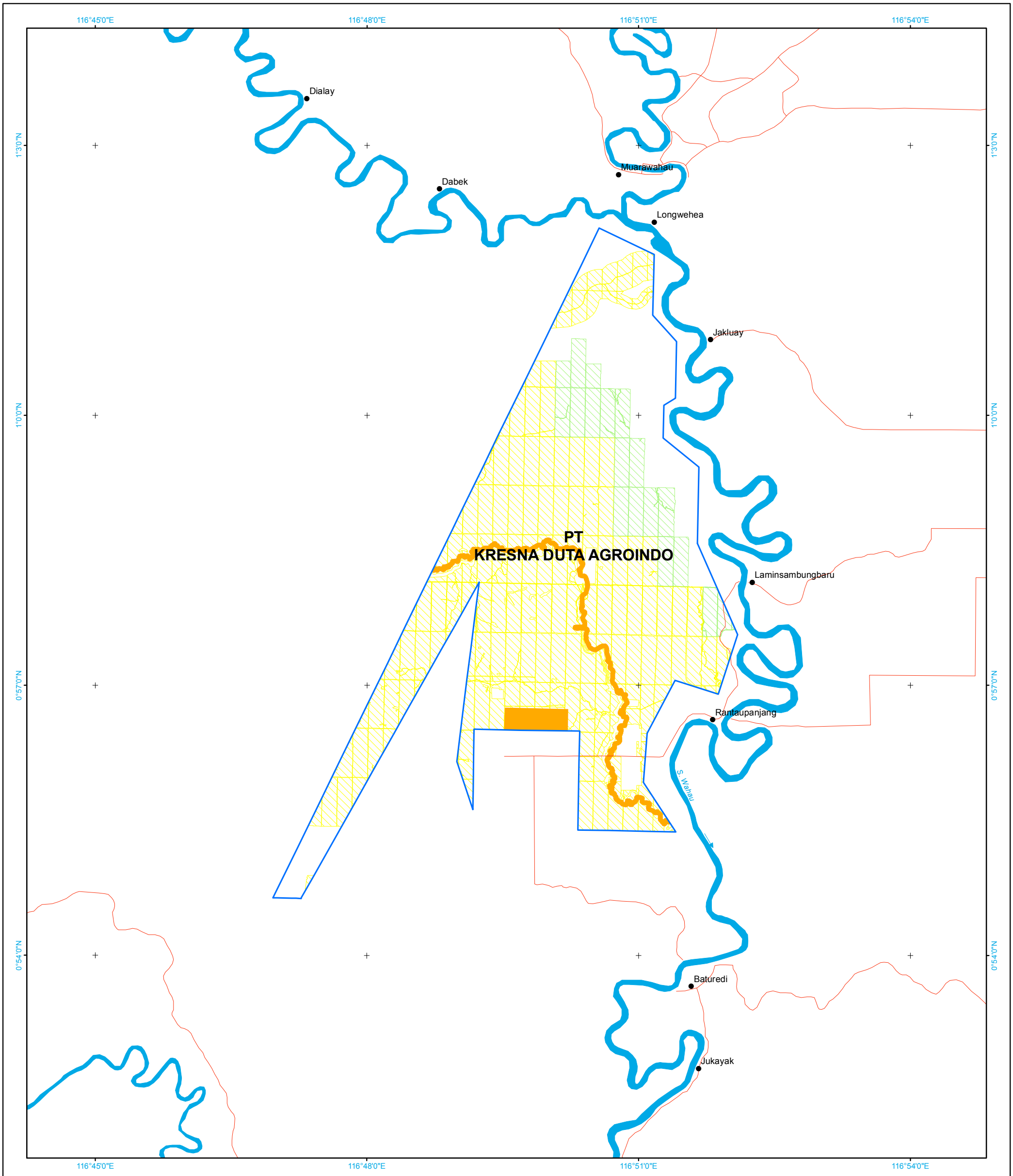
- Desa/ Kota
- Jalan
- Batas HGU
- Titik Koordinat
- Sungai

Sumber :
1. Sertifikat HGU Atas Nama Rantau Panjang seluas 4753,54. No. 52 tanggal 25 Juni 2009.

NoReg : 548/214/PMNP/IV/13



Appendix 1. **Figure 2: HCV area assessment and project area plan in PT KDA's concession**



PETA
SEBARAN NKT DAN AREA STATEMENT
AREAL PT. KRESNA DUTA AGROINDO
Kabupaten Kutai Timur
Propinsi Kalimantan Timur

N
W E
S

0 0.375 0.75 1.5 Km

Skala 1:75,000

Proyeksi : Universal Transverse Mercator
Sistem Grid : Geographic
Zone UTM : 50 N

LEGENDA :

- Desa/Kota
- Batas Administrasi
- Tahun Tanam < 2010
- Sungai
- Batas HGU
- Tahun Tanam ≥ 2010
- NKT

Sumber :
1. Sertifikat HGU Atas Nama Rantau Panjang seluas 4753,54. No. 52 tanggal 25 Juni 2009.
2. Peta Sebaran NKT Areal PT Kresna Duta Agroindo.

NoReg : 766/214/PMNP/V/12