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# PT. Kutai Mitra Sejahtera

## MANAGEMENT PLAN 2011 - 2013

[ 02 May 2011 ]

### **Head Office**

Jalan Ir.H.Juanda 2,  
Block C No.1,  
Samarinda 75124  
East Kalimantan  
Indonesia  
Tel : +62 541 - 732898  
Fax : +62 541 – 737271

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## 1. Executive Summary

PT. Kutai Mitra Sejahtera is located in East Kalimantan in the Republic of Indonesia. And its business is producing and selling of palm products.

Our mission at PT. Kutai Mitra Sejahtera is to change the way we do business in the Oil Palm Plantations by reducing cost through implementation of the latest technology available in the agribusiness.

Our main goals are to ensure that all our operations are sustainable and we can market our produce as CSPO (Certified Sustainable Palm Oil) by 2014. Exclusive buyers will endeavor to purchase the high quality produce from PT. Kutai Mitra Sejahtera and its associated companies with premiums.

Our Business Principles

- To be open and honest in our dealings
- To be objective, consistent and be fair with our shareholders and stakeholders
- To be a good corporate citizen
- To respect the dignity and well being of all our people and those with whom we are involved

To operate professionally in a performance orientated culture and be committed to continuous improvement and sustainable land development.

PT. Kutai Mitra Sejahtera has a total of 7,321.15 hectares located in the Kutai Timur Sub Province of East Kalimantan. The area will be planted with oil palm with clear demarcated boundaries for the conservation belts in 2011 and 2012.

The Plasma component will be located at a suitable site near the vicinity of the development.

The villagers are being organized into co-operatives and training will be provided for the administration of the co-operatives.

Proper housing amenities will be provided as per normal company standards.

### 1.1 Company Summary

PT. Kutai Mitra Sejahtera is a fully owned local company based in East Kalimantan and was established on 22nd March 2007.

KMS objective is to produce high quality Certified Sustainable Palm Oil (CSPO) and Certified Sustainable Palm Kernel Oil (CSPKO) and is committed to recycling all its waste product into useful by-product and we intend to recycle all our empty fruit bunches and palm kernel cake into organic fertilizers thus achieving zero waste.

This will be in line with the current industry requirement and moral obligation towards sustainable palm oil.

## 2. Reference Documents.

### 2.1 SEIA and HCV assessment Reports.

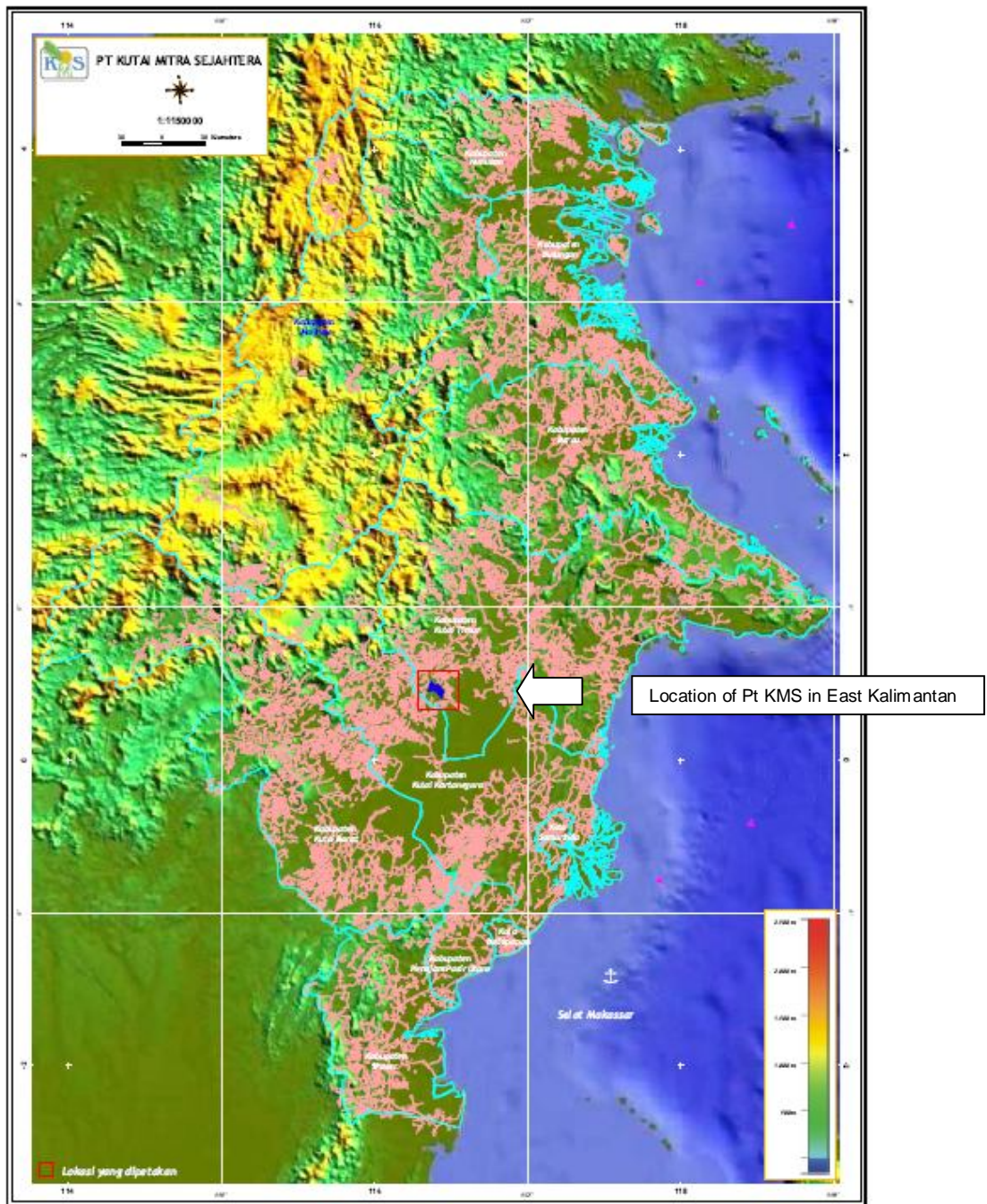
HCV Assessment of PT Kutai Mitra Sejahtera. May 2011.

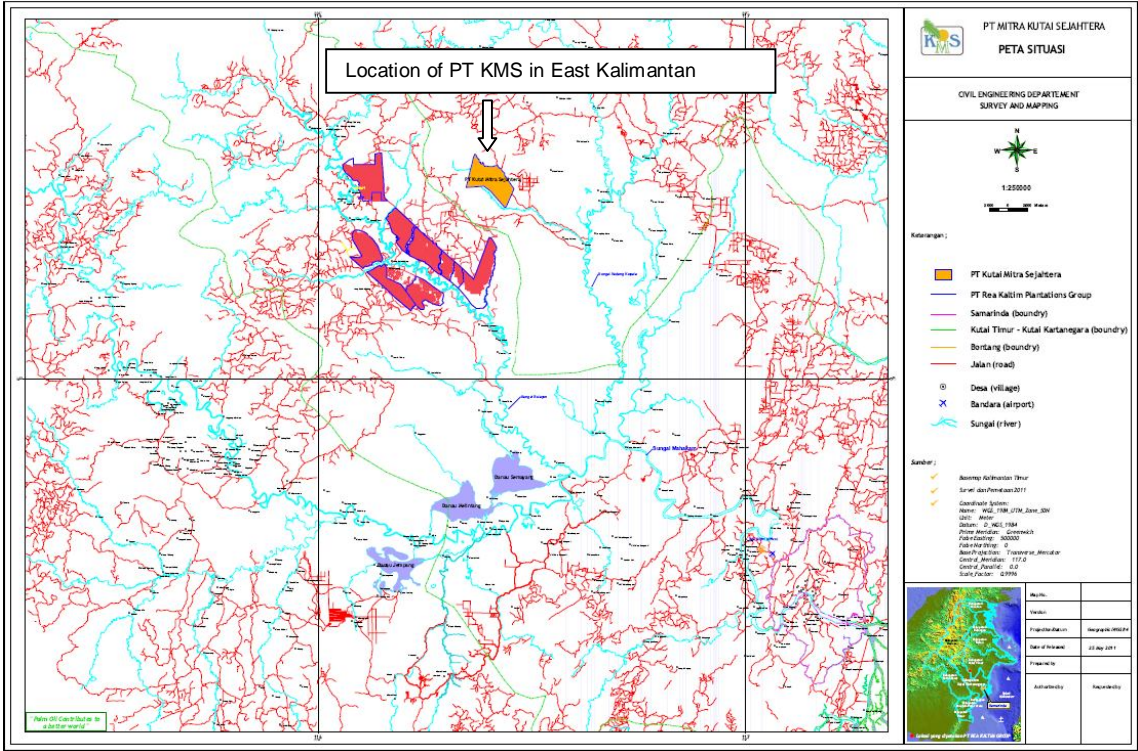
Prepared by, MALAYSIAN ENVIRONMENTAL CONSULTANTS SDN BHD  
82, Jalan Ampang Hilir, 55000 Kuala Lumpur.

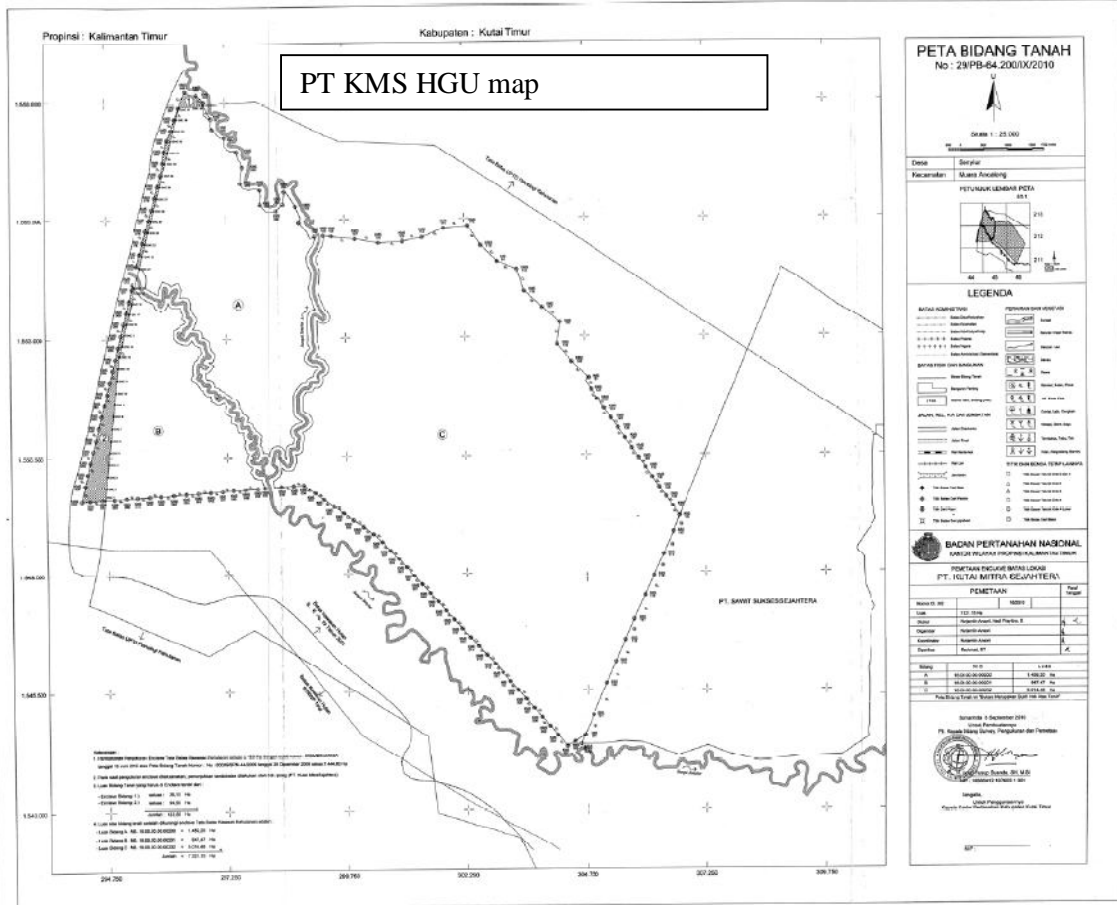
### 2.2 List of Legal Documents and regulatory permits related to the areas assessed

Name of Legal Document	
1.	Deed of Establishment/Articles of Association of PT Kutai Mitra Sejahtera No. 26 dated 22 March 2007 made before Soetati Mochtar, SH, Notary in Jakarta as approved by the Ministry of Law and Human Rights through Decree No. W7- 073210 HT.01.01-TH.2007 dated 2 July 2007 as amended from time to time and the latest is by the Deed of Statement of Shareholders' Decision No. 5 dated 5 March 2008 made before Soetati Mochtar, SH as approved by the Ministry of Law and Human Rights No. AHU-30743.AH.01.02.Tahun 2008 dated 6 June 2008.
2.	Tax-payer Identification Number No. 02.661.391.9-722.000
3.	Company Registration No. 17.01.1.01.03122 dated 6 November 2008.
4.	Decree of the Regent of Kutai Timur No. 500/197/Eko.2-II/2008 dated 28 February 2008 concerning Plantation Business Permit of PT Kutai Mitra Sejahtera
5.	Decree No. 1160/660.1/2/1/LH/XI/2008 dated 27 November 2008 concerning Environmental Impact Analysis of PT Kutai Mitra Sejahtera.
6.	Decree of the Head of National Land Affairs Agency No. 6/HGU/BPN.RI/2011 dated 18 February 2011 concerning Granting of Right to Cultivate (HGU) to PT Kutai Mitra Sejahtera for a total area of 7,321.15Ha.

### 2.3 Location Maps.

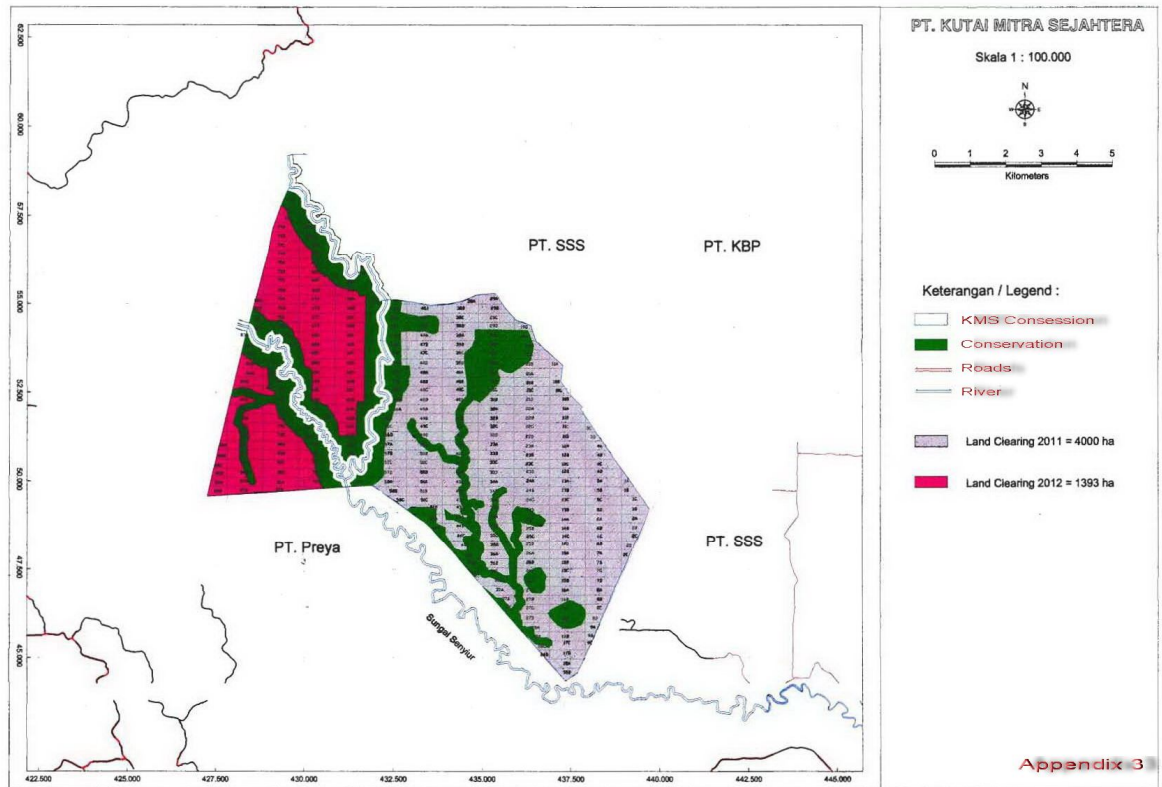






**2.4 Area of new plantings and time-plan for new planting.**

The areas identified in green on the map below are the conservation areas that wholly incorporate all the areas that have been identified in the HCV and SEIA report as either containing HCVs or possibly containing HCVs. The phases of new planting are shown in pink and purple.



Activity 2011	Month												Total ha
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Survey	-	-	-	-	-	-	750	500	750	600	700	700	4,000
Under-brushing	-	-	-	-	-	-	500	300	800	800	800	800	4,000
Felling	-	-	-	-	-	-	500	300	800	800	800	800	4,000
Cincang Prune	-	-	-	-	-	-	400	300	800	800	800	400	3,500
Windrow	-	-	-	-	-	-	400	300	800	800	800	400	3,500
Lining	-	-	-	-	-	-	400	300	800	800	800	400	3,500
Planting 2011	-	-	-	-	-	-	-	200	700	700	700	700	3,000
Plant balance 2012	500	-	-	-	-	-	-	-	-	-	-	-	500

Activity 2012	Month												Total ha
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Survey	690	703	-	-	-	-	-	-	-	-	-	-	1,393
Under-brushing	500	600	293	-	-	-	-	-	-	-	-	-	1,393
Felling	500	600	293	-	-	-	-	-	-	-	-	-	1,393
Cincang Prune	400	600	226	-	-	-	-	-	-	-	-	-	1,226
Windrow	400	600	226	-	-	-	-	-	-	-	-	-	1,226
Lining	400	600	226	-	-	-	-	-	-	-	-	-	1,226
Planting 2012	300	400	400	126	-	-	-	-	-	-	-	-	1,226

### 3. SEIA and HCV Management & Planning Personnel.

#### 3.1 Organizational information and contact persons.

PT KMS has a total of 7.321.15 hectares located in the Kutai Timur Sub Province of East Kalimantan. 4726 hectares will be planted. The balance will be allocated for conservation, roads, drains and buildings. A total of 110 able bodied workers will be required for setting up the nursery in PT. KMS in the current year and an additional 91 workers in 2012 for oil palm planting.

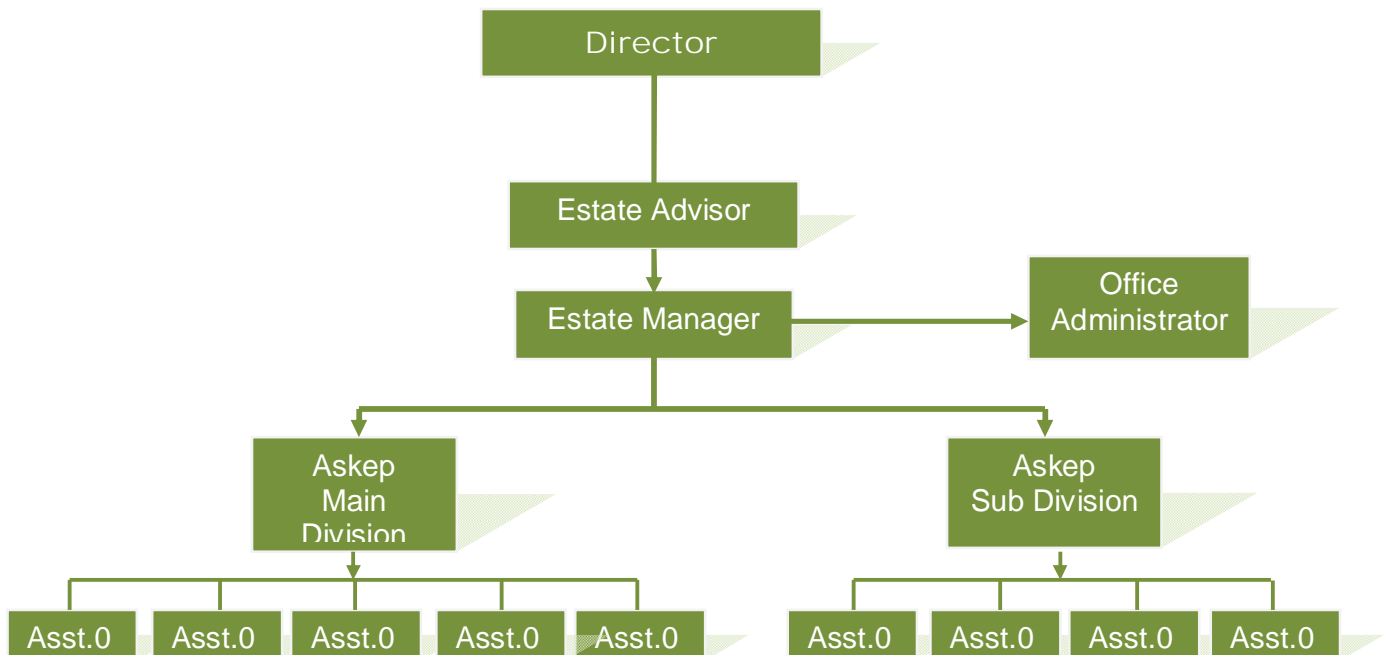
#### 3.2 Personnel involved in planning and implementation.

Contact Person	Position	Entity
Restanti Ratih Diansari	Director	PT Kutai Mitra Sejahtera
Khairul Syam	Estate Advisor	PT Kutai Mitra Sejahtera
Hotnal	Estate Manager	PT Kutai Mitra Sejahtera

The plantation area will be structured as shown in 2.4 above.

The estate operations are divided into a main and sub division. The Director is in charge for all its operations. The Estate Advisor will report to the Director and is in charge for all planning of the operations. The Estate Manager will carry on daily estates operations, assisted by the assistants and the office administrator.

#### Organizational structure.



Role	Responsibility	Entity
Director	Budget approval, corporate affairs	PT Kutai Mitra Sejahtera
Estate Advisor	Planning of various estates operations	PT Kutai Mitra Sejahtera
Estate Manager	Implementation of daily operations	PT Kutai Mitra Sejahtera
Office Administrator	Administrative work	PT Kutai Mitra Sejahtera
Askep Main Division	Overseeing the assistance in the daily operations of their respective divisions	PT Kutai Mitra Sejahtera
Askep Sub Division	Overseeing the assistance in the daily operations of their respective divisions	PT Kutai Mitra Sejahtera
Assistant	Implementing and monitoring various estates operations	PT Kutai Mitra Sejahtera

### 3.3 Stakeholders to be involved.

- Ministry of Agriculture on district level of Kutai Timur (Disbun Kutai Timur).
- Manpower and Transmigration Ministry.
- Agency for Regional Development of East Kalimantan (Bappeda).
- BPN.
- Environmental Regional Agency (BLHD, Badan Lingkungan Hidup Daerah).
- Village Senyuir.
- Muspika (police, military chief and subdistrict head on district level).
- Local Social and Environmental NGOs and Research Institutes.
- WWF, FFI, Mulawarman University.

The culmination of the assessment was to present the findings to an open public consultative forum which took place on the 12th May 2011 in Samarinda and which was attended by over 50 people representing co-operatives, local government, local NGOs and local communities.

## 4. A summary of management and Mitigation Plans. (SEIA).

The SEIA is incorporated into the HCV assessment and no HCV 5 or HCV 6 sites have been identified.

The following points represent some public perception of the development plans of oil palm plantation by PT. Kutai Mitra Sejahtera:

- In general, people do not object to the development of oil palm plantation of PT KMS and hopes that before initiating the development, the company conducts socialization with the community to clarify when the company will start operations and also explain about the compulsory plasma scheme to the public.
- The company is expected not to open (land clearing) in the riverine area, (maintain) 500 m width (buffer) from major rivers and 50 m from the edge of the creeks/small rivers.

Sungai Gedang Kepala (river Gedang Kepala) flows through part of Pt KMS and then on to the south east where Desa Senyuir and other communities are located. It is very important as a means of transportation and as a source of water for daily consumption, bathing and washing and management is designating 500 meters on each side of the river as a conservation area.

### 4.1 Mitigation plans to minimize negative for socio-economic impacts.

There are no communities or social activities taking place within the HGU area and no potential HCV 5 or HCV 6 areas were identified within the PT KMS project site. The nearest village – Desa Senyuir is over 20km to the south east of the HGU boundary but was included in the SEIA assessment to ascertain if there is any dependency by the villagers on forest (or other) products within the HGU. It was found that there is no such dependency. It was also found that the population of Desa Senyuir is 100% Muslim and all beliefs and ancestral heritage seen as un-Islamic have been long since abandoned.

A conservation area extending to 500 meters on both sides of the Sungai Gedang Kepala is to be retained.



**4.2 Management plans to enhance socio-economic contributions.**

Able bodied workers will be employed from local communities and support given in accordance with current company policy. Furthermore PT KMS ensures to consolidate and improve the quality of life of all employees and the local community by having better infrastructure such as good motorable roads, community development plans, better terms and conditions and conducive working environment.

**4.3 Mitigation plans for negative environmental effects.**

Conservation areas are to be established in accordance with the HCV/SEIA assessment.

**4.4 Management plans to promote positive environmental effects.**

Monitoring of the conservation areas for species and water quality.

	Environment	Impact source	Impact	Mitigating plan												
<b>PHYSICAL</b>	Air	Development and operation of access roads to the sites and internal tracks	Emission of greenhouse gas	Vehicle fuel consumption will be verified at regular intervals and speed will be regulated; there will be regular maintenance of vehicles to minimize pollution.												
	Water	Herbicidal inputs	Use of Chemicals	Rational Use of Inputs; chemical application will monitored based on, crop yield and soil and leaf sample analysis, and the recommendation The quality of water will be monitored biannually. Minimal use of chemicals as the company endeavors on 100% leguminous cover, mucuna bracteata, which inhibits weed regeneration												
	Land	Development and operation of access roads to the site and internal tracks; Traffic	Road erosion	Adequate run off points will be provided to ensure that water does not run down the roads. Outlets for run-off water will be provided at regular intervals depending on gradient. Where the road is laid on longer slopes, silt pits will be provided along the waterway at regular intervals to prevent soil wash. mucuna bracteata will be planted on all slopes, which is an excellent ground cover and erosion control.												
		Planting methods (including site preparation and life cycle of palm)	Suppression of natural alleviating capacity of pollution in the area	Land clearing will be completed on a block by block basis, limiting deforestation to only what is necessary. There will be no planting on slopes greater than 25°												
		Operating procedures and maintenance of plantations	Use of chemicals	Chemical usage will be monitored and optimized												
		Management of domestic and industrial waste and sewage wastewater flows	Wastewater drainage leading to an organic pollution of the streams	Wastewater will be channeled and collected away from water bodies; All sewage from houses will be drained and collected in septic tanks, while domestic waste water will be contained within the plantation area.												
			Downward leaching	Establish buffer zones: <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>Type</th> <th>Width</th> <th>Buffer zone (m)</th> </tr> </thead> <tbody> <tr> <td>Small streams</td> <td>&lt;2</td> <td>50 on either side</td> </tr> <tr> <td>Medium stream</td> <td>&gt;2&lt;5m</td> <td>100 on either side</td> </tr> <tr> <td>River</td> <td>&gt;5</td> <td>500 on either side</td> </tr> </tbody> </table> Water will be monitored on an annual basis	Type	Width	Buffer zone (m)	Small streams	<2	50 on either side	Medium stream	>2<5m	100 on either side	River	>5	500 on either side
	Type	Width	Buffer zone (m)													
	Small streams	<2	50 on either side													
	Medium stream	>2<5m	100 on either side													
River	>5	500 on either side														
Soil	Development and operation of access roads	Compaction	Roads will be resurfaced and compacted as development progresses													
	herbicide	Spraying of herbicides	Application of the procedure for handling chemicals													
	Planting methods (including site preparation and life cycle of palm)	Erosion	Slope management Good agricultural practices, such as silt pits will be constructed and mucuna bracteatae will be planted													
	Operating procedures	Erosion loss of	Soil protection against water (water retention, flow													

		and maintenance of plantations	fertility	paths, rub rails and ditches); weeding
		Development and operation of access roads to the site and internal tracks; Traffic	Emission of dust	Restrict speed of vehicles and machines
		Method of producing seedlings	Change of the vegetation cover	Seedlings will be outsourced
		Planting methods (including site preparation and life cycle of palm)	Landscape Alteration and removal of minor vegetation	Windbreaks will be maintained around the site. Terracing, planting cover crop, palms planting
		Management of household and similar waste, industrial waste and sewage wastewater flows	Waste lift	Waste from base camps and other locations will be collected on a regular basis, sorted according to biodegradability and kept in closed bins. Recyclable waste will be sold, while non-biodegradable waste will be disposed suitably
<b>BIOLOGICAL</b>	Terrestrial plant formations	Method of producing seedlings	No nursery	Mainly manual weeding .Rational use of chemicals. Seedling will be outsourced
		Operating procedures and maintenance of plantations	Protection of the crops	Integrated pest management against parasites and mammals may be introduced as the project progresses.
	Fish and wildlife	Establishment and operation of base camps	Fishery and hunting pressure	Barriers will be put up at the entry points into the project area to control movement of people hunting. Sign boards will be put up at strategic points indicating prohibition of hunting. People will be educated on conserving animals and the existing laws on hunting.
		Operating procedures and maintenance of plantations	Pollutions due to the storage of hydrocarbons and machine maintenance	Oils and fuel have to be stored in aboveground tanks with containment wall of more than equal capacity.
				A contingency plan will be established in the case of incidents
				Maintenance of equipment at appropriate places on impermeable ground, waste oil management and all waste oil will be disposed to licensed schedule waste collectors. All waste will be recorded and disposed as scheduled
				Establishment of collection facilities
		Management of household and similar waste, industrial waste and wastewater	Environment pollution by the leachates	Through proper drainage system Dispatch of waste through an adequate treatment process
<b>HUMAN</b>	Employment and local economic development	Planting methods (including site preparation and life cycle of palm)	Loss of wood resources	Conservation zones for villages or compensation in the case of relinquishment through the process of Free, Prior and Informed Consent and setting up of 20% of total planted area as smallholder project for the local community
			Reduction of rural activity zones	Employment policy in favor of local community
		Operating procedures and maintenance of plantations	Creation of jobs	Employment opportunities increase with the growth of the project. All permanent employees will be provided with basic accommodation with electricity and water supply. Clinic, school, religious and recreational facilities will be provided.
			Establishment and operation of base camps	Increase in economic dynamism with better communication
Use of the soil	Planting methods (including site preparation and life cycle of palm)	Land tenure	Villagers will be compensated based on data collected during the agriculture and forest inventory, as well as during the social participatory mapping process.	

			Loss of cultures, ancient villages and cultural places	Employees will have access to healthcare provided by the clinic. Nearby villages will also have access to medical consultancy, but will have to pay for any prescribed medication
	Security / health	Establishment and operation of base camps	Setting up of healthcare facilities in the base camps	Use of individual protective equipment (IPE) will be compulsory, and employees will be trained in the use of chemicals. MSDS will be clearly displayed in the storage area, and labels will remain on chemical contains.
		Operating procedures and maintenance of plantations	Use of chemicals and handling of hydro-carbon	Employees will be properly trained in health and safety prior to the use of machinery as per Standard Operating Procedures.
			Body injury risks related to the use of machines, vehicles, insects and snake bite	Clinic equipped with sufficient medical supplies including Anti-venom serum

## 5. Summary of Management and Mitigation plans (HCV).

### 5.1 Plan for HCV monitoring and regular review of data.

The company employs full time conservation staff who will under-take this work.

### 5.2 Management and mitigation plans for threats to HCV areas.

Conservation areas are to be established in accordance with the HCV assessment.

The conservation areas will also have no hunting notices and education of local communities will take place to discourage hunting.

A total of 4726 hectares will be cleared for planting in 2011 and 2012 giving due consideration to the HCV areas highlighted during the survey carried out by registered RSPO assessor Malaysian Environment Consultant, and also on any relevant environmental and social considerations in the SEIA report conducted by MEC. PT. KMS expects to start the land clearing upon completion of due diligence in early July 2011. The planting will be carried out as soon as weather permits and it is anticipated to be completed by April 2012.

PT KMS ensures the implementation of all best practice management. Suitable standard operating procedures will be established for all the field activities before commencement of the project. Full dedication will be given to monitor HCV areas.

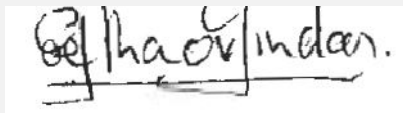
### 5.3 Management plans to enhance or maintain conservation values of identified HCV areas.

Conservation areas are to be established in accordance with the HCV assessment and monitored.

## 6. Formal signing off of management and mitigation plans.

On behalf of the company, I acknowledge the responsibilities of the company to implement the management and mitigation plans which are principally to ensure that the conservation areas are fully identified prior to land clearance and that they are fully monitored and protected after planting.

Signed on behalf of Company:



Geetha Govindan.  
Date: 27<sup>th</sup> May 2011

