

Korindo ESG 2020

Environment, Social and Governance Commitments

February, 2020

Jakarta, Indonesia

Korindo Group

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2. Precis

This Report states Korindo's Environment, Social and Governance programme. The report spells out our commitments as well as our unique approach to the sustainable growth of all Korindo enterprises including but not limited to those related to palm oil, forestry and plywood, and windmill towers.

Korindo's ESG Programme Implementation Schedule and Milestones as well as the Moratorium Schedule are included and discussed in this document.

This document explains in detail and in definitive terms the Conservation programmes that Korindo will implement to restore forests and natural habitats in order to remedy any damage caused by Conversion that may seem significant to the Forest Stewardship Council (FSC).

The Conservation programmes include the preservation of some 60,000 hectares of natural forest in Papua despite the Indonesian Government mandate to develop them and with the risk of incurring in punitive measures. Korindo will use every effort it can to find a timely solution.

As Development License (HGU) has already been issued, Korindo must develop palm plantations in the area according to the terms and conditions in the License. But Korindo will try to preserve this 60,000-hectare area with the support of residents, stakeholders, FSC and the Indonesian Government. It needs to be understood that preservation is not consistent with Indonesian regulation. If the Indonesian government revokes the Development License, the management of the forests will go back to the Government, and, in all likelihood, will be given to a new operator that will develop the area fully, which will result in massive deforestation that neither Korindo nor FSC nor residents want.

We will establish The Korindo Animal Shelter and Hospital in Papua to protect the vulnerable biodiversity, such as pig-nosed turtles and tree kangaroos. The facility will create job opportunities as well as serve as a possible tourist attraction. To achieve this Project, we will rely on our experience. We have built and manage several clinics including a mobile clinic (speed boat) and a full-service hospital in the area and will use this experience and knowhow to build a new Shelter Hospital. We have identified some in need of prompt protection such as pig-nosed turtles that are being hunted down and smuggled to China in massive numbers, and some that seem to need protection such as tree kangaroos albeit there are not that many in the area for natural reasons. We have just initiated this Project and are in the process of solidifying cooperation and support from the local Government.

We will elaborate and adhere to our Group-wide Moratorium on new land clearing commitments in clear, detailed, and definitive terms.

In terms of Social Contribution, we will transfer 4,450 hectares of fully developed oil palm farm to residents. The contribution is expected to benefit indigenous people of about 1,300 households in Papua and North Maluku. This will result in significant economic development and will play a major role in the long-term economic independence of indigenous people in the area.

We have agreed with the local governments of Buru Island, Maluku Province, to support residents with the construction of approximately 8,000 hectares of rubber plantations to supply rubber to Korindo's processing plant, the only one in the area. This will greatly help the local economy and job situation in the region. It should be noted that the area to be planted has been deforested and, as such, it would not constitute a violation of our Moratorium.

About 2.8 billion people, more than a third of the world's population, rely on open fires or inefficient stoves to cook. They use solid fuels, such as charcoal, wood, animal dung, and coal all of which produce toxic smoke that pollutes the air inside and outside their homes. The World Health Organization (WHO) estimates that exposure to smoke from the simple act of cooking constitutes the fourth leading risk factor for disease in developing countries and causes over 4 million premature deaths per year – exceeding deaths attributable to malaria or tuberculosis. In addition, tens of millions more fall sick with illnesses that could readily be prevented with improved adoption of clean and efficient cookstoves and fuels.

We initiated the Clean Cookstove campaign in 2019 by undertaking a pilot in the Asiki region in Papua. Our goal is to combat Household Air Pollution (HAP), responsible for the deaths of no less than 160,000 people in Indonesia per year according to the WHO. This Initiative will save many lives in our project's area and will replace the use of firewood in cooking thus reducing carbon emissions. More importantly, it will reduce the workload for women and children who bear the most responsibility for collecting firewood and cooking. This will allow them to spend more time on other work and in school respectively.

Along with the Clean Cookstove initiative, we will start a Compost Toilet campaign for hygiene and environmental reasons. This campaign will also start as a pilot in Asiki, to then be expanded into other areas.

Although these two campaigns will challenge the lifestyle of people in the communities and despite households holding the final decision on whether clean cookstoves and compost toilets are installed, we are cautiously optimistic about their implementation. As a company that has been operating for 51 years in Indonesia, since 1969, we have become familiar with Indonesian culture, language, customs, and social hierarchy. Moreover, we have the engineering capabilities, the financial strength and members with extensive experience working with the World Bank on clean cookstoves projects.

Mighty Earth filed a complaint to Forest Stewardship Council (FSC) accusing Korindo of violating the FSC Policy of Association, and requesting that Korindo be dissociated from FSC.

On November 1, 2017, FSC initiated an investigation on alleged violations of the Policy for the Association of Organizations with FSC. There can be only two outcomes of the FSC investigation, "remain associated" or "be dissociated".

FSC commissioned three Panels to conduct the investigation, and on July 15, 2019, the FSC Board of Directors concluded and made a public announcement that the Korindo Group is not to be dissociated from FSC, and is to remain associated with FSC. The Panels rejected an accusation by Mighty Earth that Korindo was responsible for setting fires.

3. Korindo ESG

3.1 The Importance of Sustainable Development

Korindo has dedicated itself for many decades to the basic principles of Sustainable Development (SD) which are essential to long term economic and social development. All long-term development dependent on renewable resources has a common denominator, namely, sustainability.

The term Sustainable Development was defined in the Brundtland Commission Report published in 1987 as follows:

“Sustainable development (SD) is the kind of development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.

To the credit of the Commission which produced the Brundtland Report entitled “Our Common Future”, the definition has never been seriously challenged in over 30 years.

Much of the arguments against forestry development in general, and palm oil production in specific, have focused on its contribution to greenhouse gas emissions (GHG) and their impacts on climate change. Negative publicity across the globe was focused more on the carbon dioxide escaping from exposing peat through clearing tropical forests in Indonesia than on the amount of conversion of the forest itself. Clearly, both are of critical importance in ensuring the SD of the palm oil industry and respecting ESG imperatives.

“Meeting the needs of the present without compromising the ability of future generations to meet their own needs” requires an international consensus on how much of the earth’s forest cover can be removed before losing the critical battle against global warming and climate change. But the focus has to be global. It cannot rely on a small number of countries such as Indonesia or Brazil if global SD is to be maintained and ESG requirements are to be respected.

However, Indonesia offers an opportunity to establish SD practices and ESG requirements which could become the world standard.

Faced with scurrilous accusations by an NGO, Korindo invited the Honourable Donald Johnston, a former Secretary General of the OECD and senior Minister in the Canadian Federal Government, to lead an independent commission to objectively examine the accusations and the initial report of the FSC. His letter in accepting this mandate reads as follows:

May 19, 2019

Mr. Robert Seung
Deputy Chairman
Korindo Group

Dear Mr. Seung,

Thank you for the invitation of May 1st to participate in the independent commission process with respect to the allegations made by Mighty Earth against the Korindo Group concerning your palm oil operations in Indonesia.

I will carefully read again both the report of Mighty Earth and the report of the FSC Complaints Panel of which I now have copies.

I have been a big supporter of the roles which can be played by responsible NGOs who join with us to prevent environmental deterioration in general and fight climate change in particular.

However, some lose credibility when they distort facts or are selective in suppressing facts which are in conflict with their goals which can sometimes be more ideological than objective. I hope this does not prove to be the case here but the "illegal burning" allegation raises serious questions about the integrity of the whole report.

I am prepared to play a lead role in an Independent Commission provided it is recognized that the Commission must have the independence necessary to present conclusions supported by facts and not conjecture. It should also present recommendations to improve both the development and application of your ESG policies where we believe improvements could be made.

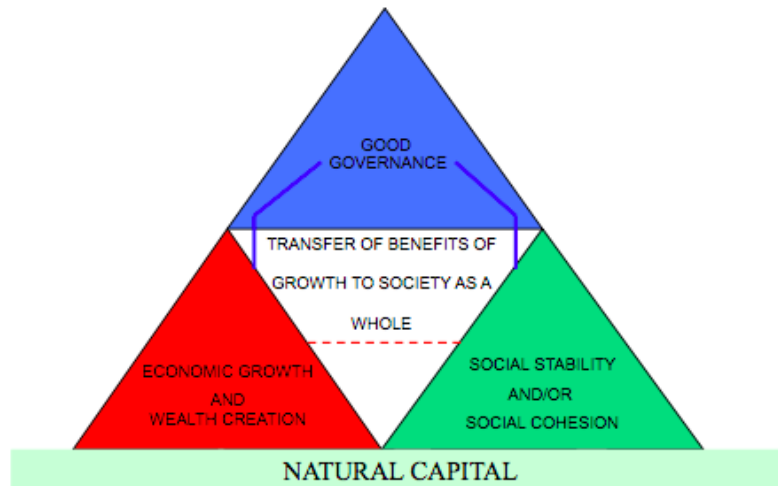
In that regard, you mention that I introduced "Sustainable Development" to the OECD work program as well as creating a very high-level OECD round table on Sustainable Development which brought together Ministers as well as industry leaders from across the globe.

You refer to ESG in your invitation to me which comprises robust policies on the environment, social issues and governance. While these are critical, there is an important omission, namely economic considerations which is the fourth pillar of Sustainable Development. In the absence of economic growth and rising prosperity the other three pillars are not meaningful.

When I taught Sustainable Development, I illustrated the challenge with the following diagram.

Natural capital is a healthy biosphere, namely the environment consisting of healthy air, water, soils and biodiversity.

One can see that if economic growth and wealth creation are not achieved, there can be no social stability element and all development is frustrated. They are to be achieved without a deterioration of natural capital.



Some NGOs appear to be against all forest conversion. A World Growth institute report in 2011 said:

Restrictions on the conversion of forest area will negatively impact economic growth and food security in Indonesia and directly impact those living in poverty. For this reason, developing countries refused to include “no conversion” in the approach to forestry and REDD at the UN Climate Change conference in Cancun in December 2010.

I see the role of this proposed Independent Commission as verifying the four pillars referred to and making recommendations for their strengthening, if desirable, provided the palm oil industry in Indonesia, so important to the economy, operates on a competitive but level playing field.

I look forward to hearing from you.

Sincerely

Honourable Donald Johnston, PC OC QC

The World Growth Institute statement referred to in Mr. Johnston’s letter supports the idea that forest conversion is needed. However, there must be appropriate forest protection from over exploitation by human activities. That is where the Forest Stewardship Council comes in, establishing rules that serve as a standard for forest management.

Palm oil farming is often proclaimed to be a villain because forest removal reduces the amount of carbon dioxide absorbed from the atmosphere. But it is an ingredient in much of the food which humans consume.

It should be noted that palm oil can provide developing nations a path out of poverty. Expanding efficient and sustainable palm oil plantations provides workers with a means to improve their standard of living.

Because of the climatic and soil requirements for palm oil trees, the production of palm oil is destined to come from tropical countries which are, in most cases, developing countries. Consequently, SD must take into account the social dimensions, namely the added value of such production to local indigenous populations and to the domestic economy through tax and other government revenues. It must also ensure the recognition of the established rights of indigenous peoples and communities where such conversions take place. (5.3 Korindo and Communities in this document outlines some of the important measures taken by Korindo in health and social areas to benefit local Indonesians.)

SD in the palm oil sector must contribute to meeting the identified global demand while ensuring that its exploitation is within agreed upon limits which ensure that needs of the future will also be met.

Note the following quote from the referenced edition of New Scientist:

<https://www.newscientist.com/article/mg23831764-400-the-real-palm-oil-problem-its-not-just-in-your-food/>

“Half of all the palm oil imported by Europe is turned into biodiesel and conventional fuel to power cars and trucks. This misguided attempt to “green” fuels is actually tripling carbon emissions, not reducing them. What’s more, the practice is subsidized by the European Union. In other words, taxpayers are paying to destroy rainforests and accelerate climate change...

And yet, while palm oil has acquired a reputation as a villain, the plant itself, called oil palm, is something of a hero. It is up to nine times as productive per hectare as other sources of vegetable oils such as rapeseed (canola) and soybeans, meaning it requires less land.

Palm oil is also very versatile. It can be turned into liquid oils or solid butter-like blocks used in everything from ice cream and biscuits to soap and shampoo. As such, it is found in around half of all supermarket products.”

In the case of Indonesia, there appears to be efforts by some NGOs to stop the development of the palm oil sector on the grounds that it harms the environment. These NGOs seem to disregard the impact that the palm oil sector has on the well-being of local and indigenous populations as well as the revenue it provides to the national treasury of Indonesia.

In the past, western countries engaged in massive “conversion” of forests for agricultural purposes, as well as to develop infrastructure. As climate change has become an increasing threat, NGOs now expect developing countries to do what western countries didn’t, that is to preserve nature and reduce GHG (Green House Gas) emissions at the cost of their well-being.

The problem is that palm oil is one of the most important exports of Indonesia, providing some 20 billion dollars of income and hundreds of thousands of jobs to Indonesians, including indigenous peoples.

Developing nations such as Indonesia must be allowed to grow and develop without political intervention by environmental groups which often have their own agendas.

3.2 Governance

The commitment to good corporate governance is a fundamental building block for multinational companies in general and the Korindo Group in particular with regard to its activities in Indonesia. Korindo has adopted and followed the principles of the WBCSD (World Business Council Sustainable Development).

WBCSD's messages by which to operate;

[Business](#) is good for sustainable development and sustainable development is good for business. Business is part of the sustainable development solution, while sustainable development is an effective long-term business growth strategy.

Business cannot succeed in societies that fail. There is no future for successful business if the societies that surround it are not working. Governments and business must create partnerships to deliver essential societal services like energy, water, health care and infrastructure.

[Poverty](#) is a key enemy to stable societies. Poverty creates political and economic instability, a big threat to business and sustainable development. By contrast, businesses can lift living standards and eradicate poverty.

Access to markets for all supports sustainable development. Sustainable development is best achieved through open, transparent and competitive global markets.

[Good governance](#) is needed to make business a part of the solution. Supportive frameworks and regulations are needed for business to contribute fully to sustainable development.

Business has to earn its license to operate, innovate and grow. The way business acts and is perceived is crucial to its success. Accountability, ethics, transparency, social and environmental responsibility and trust are basic prerequisites for successful business and sustainable development.

[Innovation](#) and [technology development](#) are crucial to sustainable development. They provide key solutions to many of the problems that threaten sustainable development. Business has always been, and will continue to be, the main contributor to technological development.

[Eco-efficiency](#) – doing more with less - is at the core of the business case for sustainable development. Combining environmental and economic operational excellence to deliver goods and services with lower external impacts and higher quality-of-life benefits is a key sustainable development strategy for business.

Ecosystems in balance – a prerequisite for business. Business cannot function if ecosystems and the services they deliver, such as water, biodiversity, food, fiber and climate, are degraded.

Cooperation beats confrontation. Sustainable development challenges are huge and require contributions from all parties — governments, business, civil societies and international bodies. Confrontation puts the solutions at risk. Cooperation and creative partnerships foster sustainable development.

The ESG commitments of Korindo set out below represent concrete measures giving effect to these WBCSD messages.

3.3 Korindo ESG

Korindo is committed to sustainable palm oil and timber production and sourcing. We have dedicated ourselves to the conservation of nature, the absolute and unconditional respect of human rights, and to sustainable economic development and growth for 50 years in Indonesia and we're always exploring new ways in which we can advance our environmental and social responsibility standards to uphold our commitments.

We are committed to implementing practical solutions that will be beneficial to the environment and to the communities in which we live and work. These solutions will require innovation, dedication, determination and creativity.

The situation in Papua, Indonesia, is unique and fragile, and requires thorough and effective engagement. We will work with communities, different levels of governments, and domestic and international NGOs to ensure that we meet our social and environmental commitments.

Scope:

This scope of policy applies to all current and future holdings, subsidiary companies, joint ventures, companies over which we have management control, and any third-party suppliers. For third-party suppliers, we will work with relevant stakeholders to help them apply the policy and associated commitments.

Implementation, enforcement, monitoring and reporting procedures in cooperation with the third-party verifiers (similar to DOEs under the UNFCCC Clean Development Mechanism or VVBs under the VCS/VERRA) will ensure compliance for all aspects of the policy and commitments. The new Korindo ESG Progress monitoring report will be open to the public and will include up to date information.

Environmental Commitments

We will ensure that all our services and operations are performed and managed with the highest levels of integrity to enhance and protect the environment and surrounding communities. We will ascertain protection and enhancement of forest and its biodiversity as well as other characteristics of forest such as flood prevention, employment generation, and recreational value provision. We will minimize carbon emissions and commit to the following:

- To utilize land that has been zoned for development by different layers of the Indonesian Governments to produce timber, plywood, or palm oil;
- To making the operation of timber harvesting and palm oil production consistent with the guidelines of the Forest Stewardship Council.
- To making the operation of plywood manufacturing consistent with the guidelines of the Forest Stewardship Council.

- To cease development on areas deemed to be High Conservation Value (HCV) or High Carbon Stock (HCS). Since February 2017, all natural forest clearance has been suspended while assessments were being conducted;
- To continuing with our zero burning policy and no burning to clear land in any of the company's operations;
- To continuing the Korindo belief and practice of not developing peat lands under any circumstances;
- To continuing our efforts, through measurements and initiatives, to reduce greenhouse gas emissions;
- To establish conservation plans

Social Development and Community Commitments

We conduct our business in a manner that respects the rights and dignity of individuals and communities. We are committed to aligning our community actions with global priorities linked to poverty reduction, health, education, climate change prevention, and environmental degradation. We are committed to improving our procedures with regards to respecting the customary rights of communities and recognizing the need for food security in new developments. We also seek to improve the living conditions of everyone in the communities. We will do the following:

- Proactively engage with communities and undertake robust free, prior and informed consent (FPIC) processes through sustained engagement to ensure that customary and cultural land rights are respected;
- Establish effective and transparent conflict resolution frameworks, which are communicated to all relevant stakeholders and community members, including effective access to advocates and to remedy with a resolution;
- Establishing participatory mapping prior to any new development to establish stakeholder boundaries and land uses;
- Establish plasma plantations that promote sustainable livelihoods and contribute to the economic growth of the local community;
- Implementing effective Corporate Social Responsibility (CSR) activities and programs, which include development of infrastructure, healthcare, education, and other social empowerment programs.

Labor and Human Rights Commitments

We will ensure that the rights of all people working in any operation in our supply chain are respected according to local, national and international laws. We also commit to ensuring international standards including the International Labour Organization. We will do the following:

- Ensure that the people employed in our operations understand their rights and work responsibilities.

- Provision of fair and equal employment opportunities for all employees regardless of race, nationality, religion, linguistic background, gender or sexual orientation and ensuring ethical and lawful recruitment;
- Establishing fair working conditions, including fair wages that meet or exceed legal requirements, taking into account reasonable and lawful production targets and working hours. Other focus areas include workplace accident insurance and documented employment contracts;
- Protection of minors and children under any and all circumstances. We will not employ anyone under the age of 18, unless in vocational and/or formal and structured apprenticeship, educational or training programmes and only with modified work requirements that protect young workers' health and safety.
- Implementation of zero tolerance policy on harassment and abuse;
- Provision of accommodations that are suitable and exceed the regulations;
- Provision of healthy and safe work environment, which includes accident prevention and risk minimization, with special emphasis on the handling of hazardous chemicals;
- Provision of free and adequate protective equipment and tools to undertake their tasks safely.

Stakeholder Engagement

We commit to resolving complaints and conflicts through an open, transparent and effective process. We seek to engage and collaborate with the local, regional and national governments, certification bodies, regional projects, and NGOs to help better manage our operations. We will do the following:

- Working with key stakeholders and independent verification bodies to implement sustainable growth and promote industry transformation;
- Maintaining a monitoring and assessment program to communicate information, progress toward policy compliance, complaints resolution, and supplier engagement and verification;
- Publishing of progress reports on implementation of sustainable growth;
- Resolving grievances promptly, responsibly, responsively, and proactively.

4. Implementation and Moratorium

Schedule and Milestone

Korindo Group has announced its new Environment, Social and Governance policy in 2019. In order to achieve the goals set out in this policy, we will implement the following plans.

- Group-wide Moratorium on new land clearing
- Sustainable Forest Management
- Conservation Program
- Social Contribution
- Carbon Stock Management

Milestone I. Group-wide Moratorium

The five palm oil companies of the Korindo Group have suspended new land clearing as of February 21, 2017. We have expanded this practice into our entire operations starting February 2019.

Milestone II. Cessation of IPK Timber use for Plywood Production

Korindo Group's three plywood companies have reduced the use of logs acquired from the development process of palm oil plantations (IPK timber) as the raw material of plywood production in 2019. From October of 2020, we will only use timbers produced through sustainable forest management for plywood production.

Milestone III. Sustainable Forest Management

As of 2019, the Korindo Group has operated four natural forest concessions and one industrial timber concession in accordance with Indonesia's sustainable forest management standards (PHPL). For a higher level of sustainable forest management, Korindo will manage all of its existing forests in the future based on FSC standards. We will obtain the FSC certification for total of some 630,000 ha by 2023.

Milestone IV. Conservation Program

We will conduct conservation programs in several Indonesian regions to preserve forests, ecosystem and biodiversity.

First, we will preserve some 60,000 hectares of undeveloped forests in our palm oil concessions in Papua and North Maluku.

Second, we will establish wildlife conservation programmes in Merauke, Papua, in cooperation with stakeholders to identify important species and their habitats. Implementation will start in 2020.

Third, we will try to plant trees in some 20,000 hectares of devastated land in Indonesia and manage them in a sustainable way.

Milestone V. Social Contribution

Since its establishment in Indonesia in 1969, Korindo Group has contributed and provided jobs for many communities. Based on these activities, Korindo Group seeks to undertake “shared value” business that is created and developed for and with local communities.

We will support the development of Plasma plantation for indigenous people in the area where our plantations are located. 4,450 hectares of the company’s developed palm plantation will be turned over to local residents (indigenous people) by the end of 2020. In addition, for the residents in high forest landscape, we will help them draw social consensus for plasma plantation development among stakeholders at various levels by the end of 2020. We will continue to assist indigenous people to develop, operate, and manage their own plasma plantation by 2023.

We will help the residents near the Korindo Rubber Plantation in Buru Island acquire operation and management skills of rubber plantation. We will help them establish 8,000 hectares of rubber plantation of their own by 2025.

Milestone VI. Transparency and Grievance

The Korindo Group will fully disclose the progress of implementing the new ESG policy and the milestones described above. To this end, we will create ESG dashboard by the end of 2019 that tracks the progress of each milestone quarterly and publish annual ESG report in cooperation with independent third-party institutions. In addition, we will create Grievance Apparatus that receives opinions and issues raised by stakeholders and will disclose to the stakeholders the position of the company, the preparation of improvement measures, and results.

4.1 Milestone I. Group-wide land clearing moratorium

From August to December 2016, the Korindo Group phased in a moratorium to stop new land clearing at five palm oil companies. We announced the extension of the moratorium on February 21, 2017. The moratorium is in full force.

No	Company	Period	Description
1	PT. Tunas Sawaerma	2016/08/01 ~ 2016/10/31	● Sustainable Palm Oil Policy was publicly announced at TSE's homepage as of October 30, 2016 (http://www.en.tse.co.id/sustainability-policy)
2	PT. Tunas Sawaerma PT. Berkat Cipta Abadi PT. Dongin Prabhawa	2016/11/10 ~ 2016/12/14	● Moratorium was extended to PT. Tunas Sawaerma Group and its affiliates (PT. Berkat Cipta Abadi, PT. Dongin Prabhawa)
3	PT. Papua Agro Lestari PT. Gelora Mandiri Membangun	2016/12/01 ~ 2016/12/31	● Sustainable Palm Oil Policy was publicly announced at PAL and GMM's homepage respectively as of December 31, 2016 (http://www.en.pal-id.co.id/policy , http://www.en.gmm-id.co.id/policy)
4	PT. Tunas Sawaerma PT. Berkat Cipta Abadi PT. Dongin Prabhawa PT. Papua Agro Lestari PT. Gelora Mandiri Membangun	2017/02/21 ~ In progress	● Palm oil moratorium extended until HCV and HCS assessments go through entire review.

While maintaining the moratorium from 2016 to 2018, Korindo has published Sustainable Palm Oil Policy and has implemented the principles of protecting HCV / HCS forests, protecting peatlands, and ensuring the rights of residents.

4.2 Milestone II. Cessation of IPK timber use for Plywood Production

The SVLK system, the Timber Legality Assurance System of Indonesia, stipulates that trees suitable for harvesting should be surveyed in the forest and approved by the Ministry of Environment and Forestry of Indonesia. It is also required to attach barcodes which can trace products from harvesting to production and sales. The Indonesian government has banned illegal logging through the system, which is why the SVLK system is fully recognized in Europe.

Korindo produced 271,347 m³ of plywood in 2018 and has used only Indonesia SVLK certified timber. As a measure to strengthen the sustainable management of forests, we will gradually reduce the use of timbers produced from the process of converting forests to palm plantations (IPK logs) and use only timber from natural forest concessions or industrial timber plantations beginning in September 2020.

4.3 Milestone III. Sustainable Forest Management

As of the end of December 2018, Korindo has approximately 514,000 hectares of natural forest concession and 116,000 hectares of forest plantation. These concessions have earned the PHPL certification, the sustainable forest management standard of the Indonesian government, and have been operating according to this standard.



Figure 1 Korindo's natural forest concession and timber plantation concession in Indonesia

However, PHPL is not as well known to the international community yet as FSC or PEFC. As such, Korindo plans to be certified FSC-FM for natural forest and FSC-CW for industrial timber plantation over the next five years according to the schedule in the table below.

Company	Task	'19	'20	'21	'22	'23
Balikpapan Wana Lestari	Gap Analysis					
	Operation Improvement					
	FSC-FM Assessment					
Tunas Timber Lestari	Gap Analysis					
	Operation Improvement					
	FSC-FM Assessment					
Inocin Abadi	Gap Analysis					
	Operation Improvement					
	FSC-FM Assessment					
Trisetia Intiga	Gap Analysis					
	Operation Improvement					
	FSC-FM Assessment					
Belantar Subur	Gap Analysis					
	Operation Improvement					
	FSC-CW Assessment					

This **MEMORANDUM OF UNDERSTANDING (MOU)** is entered into by and between **PT. BALIKPAPAN WANA LESTARI** an Indonesian limited liability company, and **THE NATURE CONSERVANCY (TNC)**, a USA based non-profit organization, on the basis of the following facts and circumstances:

NOTA KESEPAKATAN ini disepakati oleh dan antara **PT BALIKPAPAN WANA LESTARI (PT BWL)** sebuah perseroan terbatas Indonesia, dan **THE NATURE CONSERVANCY (TNC)**, sebuah organisasi nirlaba berpusat di Amerika Serikat, atas fakta dan keadaan sebagai berikut:

Figure 2 MOU between The Nature Conservancy (TNC) and PT. Balikpapan Wana Lestari. (BWL)

- | | |
|---|---|
| <ul style="list-style-type: none"> • Reduced impact logging • Identification of High Conservation Value Forest (HCVF) • Collaborative management with local communities (participatory rural appraisal, conflict resolution, social mapping, benefit contribution) • Research and management of biodiversity (management plan of HCVF) • Company's Standard Operational Procedures (SOP) arrangement • Preparation of mandatory and voluntary SFM certification | <ul style="list-style-type: none"> • Pembalakan hutan ramah lingkungan (Reduced Impact Logging - RIL) • Identifikasi areal Hutan Bernilai iKonservasi Tinggi • Kerja sama dengan masyarakat lokal (<i>participatory rural appraisal</i>, resolusi konflik, pemetaan sosial, kontribusi manfaat) • Riset dan pengelolaan keanekaragaman hayati (rencana pengelolaan HCVF) • Penyusunan Prosedur Standar Operasional perusahaan • Mempersiapkan langkah sertifikasi SFM, baik skema <i>mandatory</i> dan <i>voluntary</i> |
|---|---|

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Figure 3 TNC and BWL will work together to improve forest management in BWL's concession and prepare voluntary Sustainable Forest Management Certification

4.4 Milestone IV. Conservation Program

A. Conservation of undeveloped palm plantation concession

Since Korindo started its first palm oil concession in Merauke, Papua, at the request of the provincial government, approximately 121,000 hectares of HGU permission (license to cultivate) for palm plantation have been granted to Korindo in Papua and Northern Maluku.

We have developed approximately 62,400 ha of palm plantation. The remaining 58,600 ha have not been developed.



Figure 4 Korindo's palm oil concessions in Papua which remain fully undeveloped

Korindo has an obligation to develop 10,000 hectares of oil palm farm and transfer it to residents under a programme known as Plasma.

Korindo Commitment

If we are to proceed with preservation of 58,600 hectares of natural forest in Papua, this act of preservation could be considered a direct violation of the Indonesian Government rule as well as a breach of agreement with residents who are rightfully expecting and demanding 10,000 hectares of oil palm under their direct ownership. No development will result in the punitive measures being taken against Korindo by the Indonesian Government unless we reach an agreement with the Indonesian Government with support from FSC.

If we do not develop this area, it is likely that the Indonesian government will revoke the Development License (HGU). We have no authority to challenge or prevent it and the management of these areas will go back to the government, and be given to another operator, which in all likelihood will result in total destruction and deforestation of all 58,600 hectares.

To this end, we propose a tripartite task force comprising Korindo, FSC, and the Indonesian Government to ascertain that 10,000 hectares be given to residents as it is their right and that 50,000 hectares be preserved.

We commit no development for commercial gain, and all 10,000 hectares will be transferred to residents, and the rest will be protected by Korindo as long as we have legal control.

We will prepare the case by establishing a monitoring plan for 58,600 ha of undeveloped areas with a professional consultancy and conduct conservation activities based on this plan from 2021.

The actual license and its terms and conditions such as forfeiture of the license in Supporting Document 6.5.

B. Papua Wildlife Conservation Program

Korindo has conducted Environmental Assessments (AMDAL) prior to acquiring permission for palm plantations in Papua and North Maluku. In 2016, we commissioned the Bogor Agriculture University to conduct High Conservation Value studies and High Carbon Stock studies. Based on these study results, we have been preserving ecologically important areas within our concessions.

As mentioned above, Korindo plans to protect the remaining some 60,000 ha of forest by not developing the land. To this end, we will establish a monitoring plan for preservation of the ecosystem by the end of 2020 with the support of the Indonesian government and globally recognized environmental organizations with expertise in flora and fauna conservation.

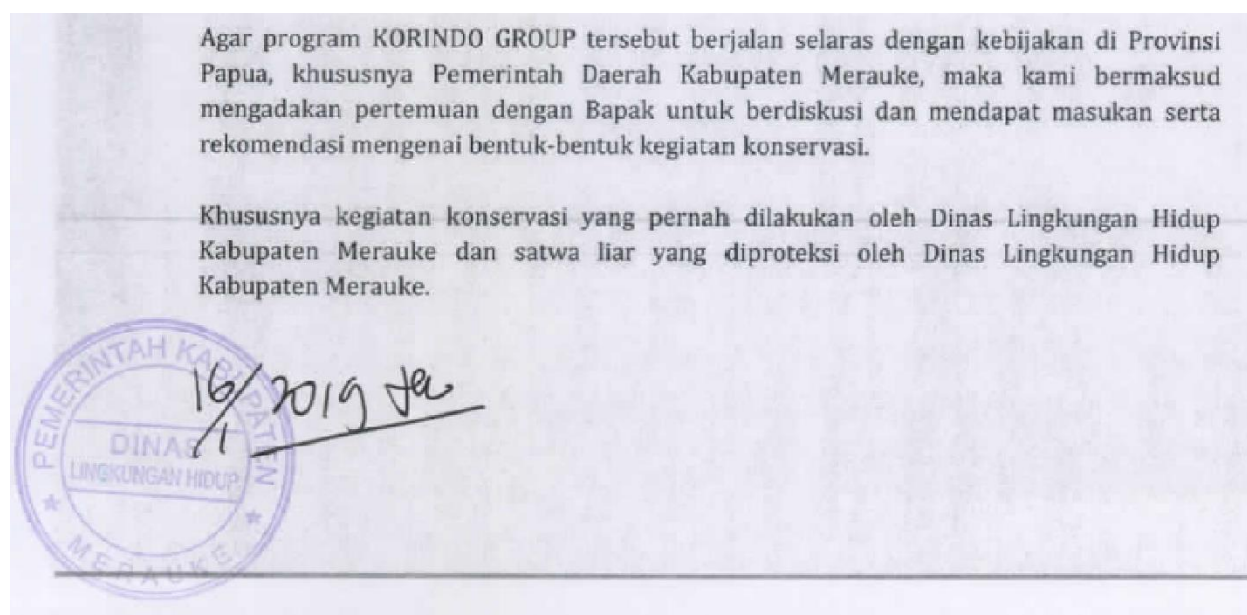


Figure 5 Korindo's letter to Environment Protection Service of Merauke Regency, Papua and confirmation of receipt by the organization

In particular, we will build a wildlife rehabilitation and protection center and implement and execute programmes to protect animals that are ecologically important but may lose their habitat due to future development in Merauke and Boven Digoel.

Preliminary research indicates that pig-nosed turtles (see www.iucnredlist.org/species/3898/2884984) are endangered due to massive indiscriminate illegal exports to China where these turtles are considered aphrodisiac with medicinal values. Another species that could be the potential target of wildlife conservation program is tree kangaroo.

We have experience in building and managing medical clinics and full-service hospitals in this area. We will use that experience to build this Centre which will create many direct jobs for local residents to protect the environment and to prevent illegal activities and may also bring in tourists such that it will further enhance local economies as well as job creation.

C. Afforestation and Reforestation

Buru Island is one of the nine regencies in Maluku province, Indonesia, and was first designated as regency in 1999. Looking at the natural environment, the total area is about 7,600 km² and the average annual temperature is between 25°C and 28.5°C, based on statistics in 2015, which is part of the oceanic climate with strong southerly winds from July to October every year.

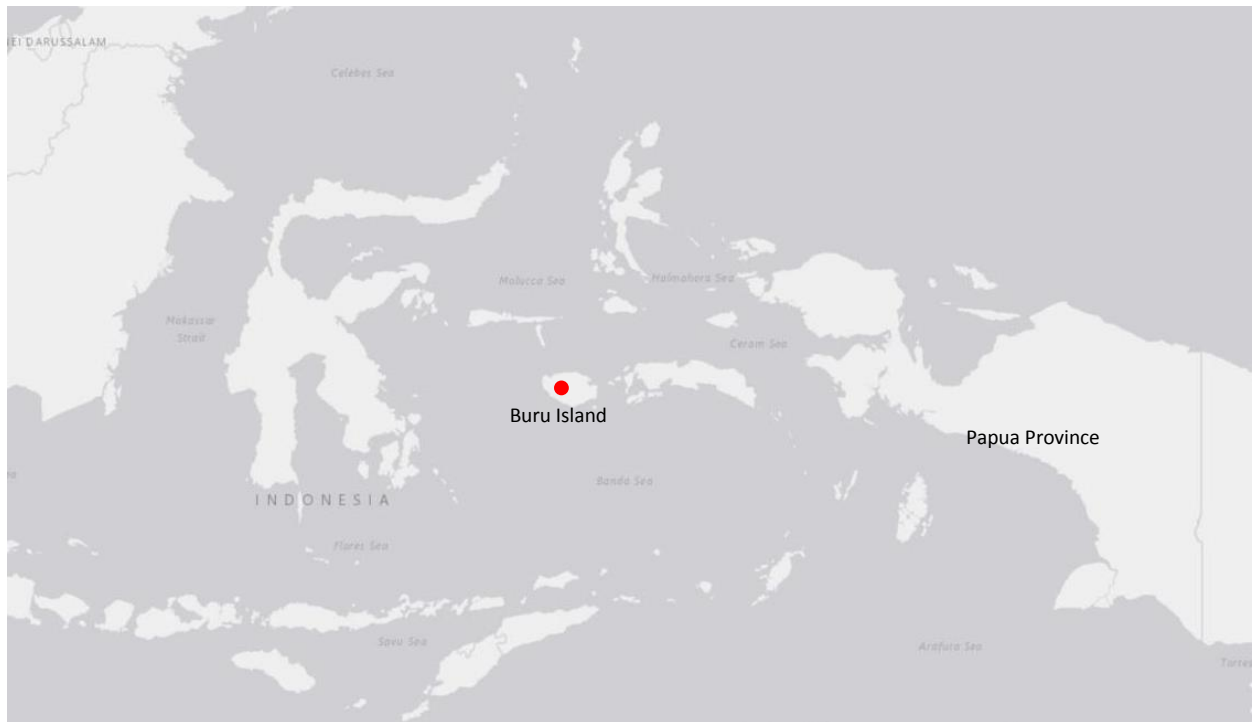


Figure 6 Location of Buru Island, Maluku Province

Per the Global Forest Watch site below, there is a large area of deforested and degenerated land around the Korindo's rubber plantation in Buru Island. This is presumed to be due to indiscriminate logging of natural forests in the area and fires that have occurred frequently in the process of building villages and farmland for residents.

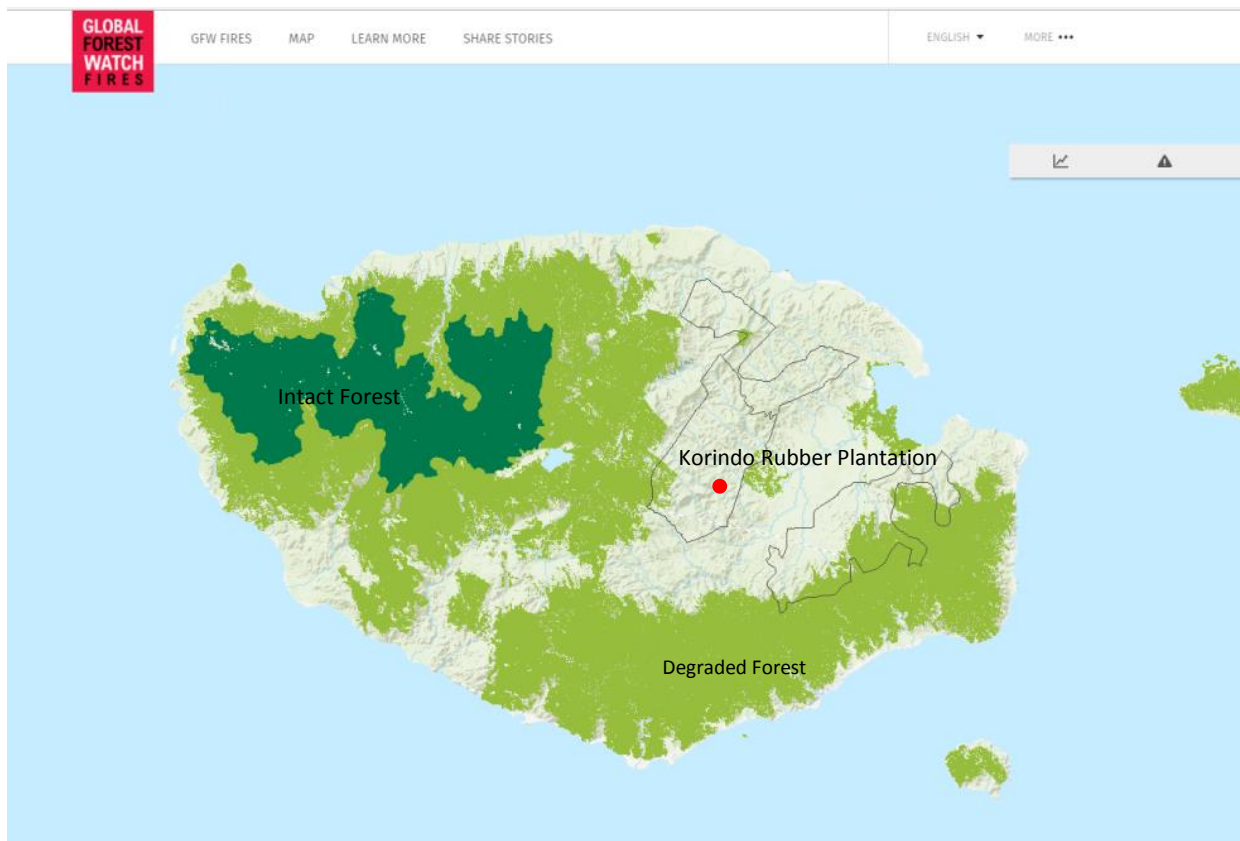


Figure 7 Vegetation Map of Buru Island, accessed at <https://www.globalforestwatch.org/map>

Korindo will restore 20,000 hectares of deforested and degraded land to forests in the area as shown in the satellite image below and implement sustainable forest management in accordance with the FSC principles in the next 10 years. In addition, about 10,000 hectares of degraded forests will be protected through a REDD ++ programmes to prevent further deforestation and degradation.

Korindo has accumulated thorough experience and technical knowhow in planting *Acacia mangium* and *Eucalyptus pellita* in Indonesia for over 20 years. In particular, Korindo is the first company in Indonesia to successfully establish commercialized *E. pellita* plantation. Applying this expertise and knowhow, we will be able to sequester substantive amount of carbon by planting *E. pellita* in 20,000 ha in Buru Island.

Our experience in *E. pellita* plantation shows 292 cubic meters of growth per hectare can be achieved in 10 years. Using a weight density of 0.63, a carbon factor of 0.47, and biomass expansion factor of 1.3, we get 112.4 tons of carbon per hectare. Carbon has to be converted to carbon dioxide, as CO₂ is the unit that is used in carbon capture process according to the UNFCCC. Atomic weight of carbon is 12 and oxygen 16, as such $12 + 12 + 16 / 12 = 3.67$ is carbon to carbon dioxide conversion coefficient. As a result, 412 tons per hectare is sequestered in 10 years. Since 10-year cycle harvesting is assumed, 1/10 of the forest will be planted every year, and after 10 years, 1/10 will be harvested every year such that each hectare's carbon sequestration remains at about 370 tons. If we can plant 20,000 hectares, total accumulation is about 7.4 million tons of CO₂. This is a simple estimation using the above assumptions. The real numbers will be different from this simple scenario.

Carbon stock sequestration estimation by Reforestation in Buru Island

1. Assumption

1,000 hectare of planting per yer, total of 10,000 hectares

10 yr Vol 292 m³

Wood Density 0.63 g/cm³

Carbon Content 0.47

BEF 1.3

2. Biomass estimation

Year	1	2	3	4	5	6	7	8	9	10
Volume (m ³)	29.2	58.4	87.6	116.8	146	175.2	204.4	233.6	262.8	292
Carbon (t/ha)	11.24	22.48	33.72	44.96	56.20	67.44	78.68	89.92	101.16	112.40

3. Carbon sequestration

Planting (ha)	Year	1	2	3	4	5	6	7	8	9	10
1000	1	11,240	22,480	33,720	44,960	56,200	67,440	78,680	89,920	101,160	112,400
1000	2		11,240	22,480	33,720	44,960	56,200	67,440	78,680	89,920	101,160
1000	3			11,240	22,480	33,720	44,960	56,200	67,440	78,680	89,920
1000	4				11,240	22,480	33,720	44,960	56,200	67,440	78,680
1000	5					11,240	22,480	33,720	44,960	56,200	67,440
1000	6						11,240	22,480	33,720	44,960	56,200
1000	7							11,240	22,480	33,720	44,960
1000	8								11,240	22,480	33,720
1000	9									11,240	22,480
1000	10										11,240
Cumulative C Stock (Ton)		11,240	33,720	67,440	112,400	168,599	236,039	314,719	404,638	505,798	618,198
Planting (ha)	Year	11	12	13	14	15	16	17	18	19	20
1000	1	11,240	22,480	33,720	44,960	56,200	67,440	78,680	89,920	101,160	112,400
1000	2	112,400	11,240	22,480	33,720	44,960	56,200	67,440	78,680	89,920	101,160
1000	3	101,160	112,400	11,240	22,480	33,720	44,960	56,200	67,440	78,680	89,920
1000	4	89,920	101,160	112,400	11,240	22,480	33,720	44,960	56,200	67,440	78,680
1000	5	78,680	89,920	101,160	112,400	11,240	22,480	33,720	44,960	56,200	67,440
1000	6	67,440	78,680	89,920	101,160	112,400	11,240	22,480	33,720	44,960	56,200
1000	7	56,200	67,440	78,680	89,920	101,160	112,400	11,240	22,480	33,720	44,960
1000	8	44,960	56,200	67,440	78,680	89,920	101,160	112,400	11,240	22,480	33,720
1000	9	33,720	44,960	56,200	67,440	78,680	89,920	101,160	112,400	11,240	22,480
1000	10	22,480	33,720	44,960	56,200	67,440	78,680	89,920	101,160	112,400	11,240
Cumulative C Stock (Ton)		618,198	618,198	618,198	618,198	618,198	618,198	618,198	618,198	618,198	618,198
Planting (ha)	Year	21	22	23	24	25	26	27	28	29	30
1000	1	11,240	22,480	33,720	44,960	56,200	67,440	78,680	89,920	101,160	112,400
1000	2	112,400	11,240	22,480	33,720	44,960	56,200	67,440	78,680	89,920	101,160
1000	3	101,160	112,400	11,240	22,480	33,720	44,960	56,200	67,440	78,680	89,920
1000	4	89,920	101,160	112,400	11,240	22,480	33,720	44,960	56,200	67,440	78,680
1000	5	78,680	89,920	101,160	112,400	11,240	22,480	33,720	44,960	56,200	67,440
1000	6	67,440	78,680	89,920	101,160	112,400	11,240	22,480	33,720	44,960	56,200
1000	7	56,200	67,440	78,680	89,920	101,160	112,400	11,240	22,480	33,720	44,960
1000	8	44,960	56,200	67,440	78,680	89,920	101,160	112,400	11,240	22,480	33,720
1000	9	33,720	44,960	56,200	67,440	78,680	89,920	101,160	112,400	11,240	22,480
1000	10	22,480	33,720	44,960	56,200	67,440	78,680	89,920	101,160	112,400	11,240
Cumulative C Stock (Ton)		618,198	618,198	618,198	618,198	618,198	618,198	618,198	618,198	618,198	618,198

Total CO₂ 45,375,733 tons

Figure 8 Proposed site of reforestation project in Buru Island

D. ESG Forest Carbon Delay

We wish to ascertain that Korindo forest carbons fulfill the necessary and sufficient conditions of measurability, verifiability, permanence, enforceability and additionality, as such, UNFCCC Clean Development Mechanism (CDM) Afforestation/Reforestation (A/R) methodologies will be applied. We will know exactly how many tons of carbon will be sequestered by following the precise CDM process.

There are, however, two uncertainties that we need to clarify before we can initiate planting and the CDM carbon process.

As is the case with everyone else, we felt that there would be an agreement on article 6 that defines and establishes the global carbon market mechanism during COP 25 in Madrid in 2019. But the talk collapsed. As such, we need to see the outcome of article 6 during COP 26 in Scotland in 2020 before proceeding with our carbon programme.

We are hopeful that the new carbon market mechanism that will replace the CDM, be it SDM or something else, will be agreed upon and that Korindo forest carbon project will follow the new carbon market paradigm. But we have seen too many failures at COP to commit ourselves now, and will wait till we see a definitive agreement on carbon market mechanism.

There is another uncertainty.

Indonesia and Norway had agreed on a bilateral forest carbon deal in 2010 for US\$ 1 billion, and the first payment was made in 2019. The agreement comes nearly a decade after the deal was signed in 2010, with the delay attributed largely to the need for legislation and policy frameworks to be put in place.

Norway has insisted that all Indonesian forest carbons fall under this bilateral agreement. Indonesia does not share the Norwegian view. For the moment, all forest carbon projects have come to a halt in Indonesia as the Indonesian Government has not made a formal decision on this matter. We need to wait until this issue is cleared.

All in all, we cannot decide at this point if and when we can start the carbon programme. It should be noted that it is not possible to start to plant trees first without the carbon mechanism defined as it will be a violation of the additionality principle. We cannot help but wait for the moment.

4.5 Milestone V. Sharing and Cooperation

A. Conversion of developed palm plantation to plasma plantation

Korindo has a total of 121,000 hectares of palm plantation license as of August 31, 2019, based on the Indonesian government issued HGU (License to Cultivate). Since the first planting by PT. Tunas Sawa Erma in 1998, the plantation has been expanded to about 62,400 ha by the end of 2019.

The Indonesian government has mandated palm oil companies to establish Plasma plantations in the nearby area outside the company plantation for indigenous peoples with traditional land rights. Plasma plantations are to be owned and managed by the residents, indigenous people. According to these regulations, palm oil companies are required to provide all necessary support to indigenous people to establish a co-operative, secure funding, and manage the entire process from planting to raising to harvesting. Korindo has been involved in the establishment of plasma co-operative and permits with indigenous people and governments as required by the Indonesian government regulations.

However, with the opposition campaign from environmental NGOs on the development of palm plantation in Papua, Indonesia, Korindo has declared moratorium and stopped development of new plantations including plasma. It should be noted that the plasma plantation is a program that can bring substantial and continuous income to indigenous people and achieve economic independence with their own operation in their own land.

Korindo is already in the process of transferring about 4,450 hectares of palm plantation developed by Tunas Sawaerma, Berkart Cipta Abdi, and Gelora Mandiri Membangun to indigenous people of about 1,300 households in Papua and North Maluku. It will play a major role in the long-term economic independence of the indigenous people.

In the case of Dongin Prabahwa and Papua Agro Lestari, the land owned by the indigenous people consists of dense forests. To develop this area as plasma plantation for the indigenous people, social consensus from various stakeholders is needed even if indigenous people have already agreed and the government has granted permission. Korindo intends to draw up a social agreement by facilitating a multi-stakeholder forum to support the development of plasma plantation accordingly.

Company	Task	'16	'17	'18	'19	'20	'21	'22
Tunas Sawaerma (1,741 ha)	Cooperative establishment							
	HGU application							
	Harvesting/Sales							
Berkart Cipta Abadi (2,278 ha)	Cooperative establishment							
	HGU application							
	Harvesting/Sales							
Gelora Mandiri Membangun (430 ha)	Cooperative establishment							
	Multi-stakeholder forum							
	HGU application							
	Harvesting/Sales							
Dongin Prabahwa	Cooperative establishment							
	Multi-stakeholder forum							
	HGU application							
	Plantation development							

Papua Agro Lestari	Cooperative establishment							
	Multi-stakeholder forum							
	HGU application							
	Plantation development							

B. Creating and Sharing, Rubber Plantations

The aforementioned Buru Island in Maluku, Indonesia, has a population of approximately 128,000 people, based on 2015 statistics. The industry that occupies the largest share in the Buru Island is agriculture, accounting for 34.14% of the economy. However, the only company that has invested in Buru Island is Korindo with its rubber plantation.

Korindo began rubber planting in the region in 2012, and as of the end of 2018, it has developed a rubber plantation of about 1,200 ha and plans to expand its own rubber plantation gradually. As mentioned above, Korindo's rubber plantation is the only processing industry in the Buru Island, receiving much attention from local governments and residents. In particular, residents hope to raise their income by planting rubber trees on their own land. Korindo agreed with the Buru Regency to support the construction of about 8,000 hectares of rubber plantation to be owned by local residents in the future, and to purchase the rubber from their operations which will greatly help the local economy.

4.6 Milestone VI. Transparency and Grievance

Korindo will fully disclose the progress of implementing the new ESG policy and the milestones described above. To this end, we have created the ESG dashboard that tracks the progress of each milestone quarterly and publish annual ESG report by collaborating with independent third-party entities. In addition, we will create Grievance System that receives opinions and issues raised by stakeholders, and will disclose to the stakeholders our position, the preparation of improvement measures, and results. This Grievance System should be operational in the first half of 2020.

5. Social Contribution

5.1 Cookstoves and Household Air Pollution (HAP)

There has been much progress in introducing clean cookstoves to Indonesia by many international organizations including the UN Foundation, Clean Cooking Alliance in Washington DC led by Mr. Antonio Guterres, Secretary General of the UN, and former US Secretary of State, Ms. Hillary Clinton.

Clean Stove Initiative (CSI) was launched in 2012 as a joint-effort between the World Bank and the Indonesian Government, and many aid agencies have all executed numerous projects to combat Household Air Pollution (HAP) and gender inequality. But none in Papua, because Papua is too remote and the population too small.

Grant Miller of Stanford University and A. Mushfiq Mobarak of Yale University studied two commonly cited reasons for the failure of clean cookstoves in SE Asia, intra-household externalities and tradition-based aversion¹. On the former, they found that women who bear a disproportionate share of cooking responsibilities have a strong preference for improved stoves, especially health-saving stoves, but lack the authority to make the purchase. On the latter, they found that respected community leaders and members influence purchasing decisions. Overall, their findings suggest that if women cannot make independent choices, public policy may not be able to exploit gender differences in preferences to promote technology adoption absent broader social change, and that marketing and persuasion techniques may only increase adoption temporarily and may be less effective for technologies that households can evaluate for themselves.

Korindo has conducted many difficult and complex negotiations with village elders. We know how to communicate with elders and community leaders. We have persuaded them the benefits of and need for, clean cookstoves. Korindo has also built and continues to manage medical clinics and hospitals, as such, residents fully realize the power of modern science and medicine.

It must be clearly underscored that Papuan women are not submissive to men. This is particularly helpful because the need for clean cookstoves is a gender issue as well as that of children. That is, we can help women make decisions to acquire and use clean cookstoves even if some community elders try to oppose the idea on the grounds that it is not traditional, or that it is women's work and that women don't really need new cookstoves, the very arguments that one encounters in many places over and over.

Exposure to smoke from traditional cookstoves and open fires, the primary means of cooking and heating for nearly three billion people in the developing world.

¹ Gender Differences in Preferences, Intra-Household Externalities, and Low Demand for Improved Cookstoves, 13 Apr 2013
[Grant Miller](#), Stanford University, School of Medicine; National Bureau of Economic Research (NBER)
[Ahmed Mushfiq Mobarak](#), Yale School of Management; Yale University - Cowles Foundation

Daily exposure to toxic smoke from traditional cooking practices is one of the world's biggest but least known killers. HAP, smoke, causes a range of deadly chronic and acute health effects such as child pneumonia, lung cancer, chronic obstructive pulmonary disease, and heart disease, as well as low birthweights in children born to mothers whose pregnancies are spent breathing toxic fumes from traditional cookstoves.

The World Health Organization (WHO) estimates that exposure to smoke from the simple act of cooking constitutes the fourth leading risk factor for disease in developing countries and causes over 4 million premature deaths per year – exceeding deaths attributable to malaria or tuberculosis. In addition, tens of millions more fall sick with illnesses that could readily be prevented with improved adoption of clean and efficient cookstoves and fuels.

Exposure to these toxic fumes is greatest among women and young children, who spend a disproportionate period of time near open fires or traditional cookstoves tending to the family meal, or schoolchildren who may study by the weak light of an open flame. Typical wood-fired cookstoves and open fires emit small particles, carbon monoxide, and other noxious fumes that are up to 100 times higher than the recommended limits set by WHO, and in some settings, considerably higher.

In Indonesia, out of population of 250 million, an estimate of 116 million people and 26 million households are affected by HAP. The number of deaths per year from HAP is approximately 160,000. A detailed study done by Accenture on the situation in Indonesia regarding HAP can be found at <http://cleancookingalliance.org/resources/164.html>.

The sustained use of clean cookstoves and fuels can dramatically reduce smoke emissions, and resulting exposure, which can reduce the burden of disease associated with household air pollution.

There has been much progress in designing and manufacturing clean cookstoves by many international organizations including the Clean Cooking Alliance in Washington DC led by Mr António Guterres, Secretary General of the UN, and former US Secretary of State, Ms. Hillary Clinton.

Korindo has introduced clean cookstoves in Papua first, and in the process of expanding to other regions. We initiated the programme in 2019, by undertaking a pilot project in the Asiki region in Papua. The progress of this project will be made public via the Korindo Dashboard.



Figure 9 The typical cookstove in Papua is in the kitchen which is inside the house such that all smokes and toxic pollutants are trapped inside the house

5.2 Compost Toilet

2.3 billion people still do not have basic sanitation facilities such as toilets or latrines. Of these, some 900 million still defecate in the open, in gutters, behind bushes or into open bodies of water.

Papua is no exception, as most residents use no toilet or at best flush down to local waterways via quasi-sewage pipes. There are no regular toilets or septic tanks in any village in regions close to our oil palm operations in Papua. We want to introduce and provide compost toilets.

A composting toilet treats [human excreta](#) by a biological process of [decomposition](#) of [organic matter](#) and turns human excreta into compost. It is carried out by [bacteria](#) and [fungi](#) under controlled [aerobic](#) conditions. As such, most composting toilets use no water for flushing, and have [urine diversion](#) systems in the toilet bowl to collect the urine separately and control excess moisture.

Carbon additives such as [sawdust](#), [coconut coir](#), or [peat moss](#) are added after each use or agitated by stirring and mixing to promote aerobic decomposition. Fans can be attached to promote desiccation which also eliminates or reduces [odour](#). Most composting toilet systems rely on [mesophilic](#) composting which also facilitates [pathogen](#) die off. The end product can be moved to another composting step or simply used in gardens or forests to enrich the soil.

Composting toilets do not require connection to [septic tanks](#) or [sewer systems](#) unlike [flush toilets](#). Common applications include [national parks](#), remote holiday cottages, resorts near waterways, [off-grid homes](#), and rural areas in [developing countries](#).

It will not be easy to introduce a new practice, but it will be worthwhile for both hygiene and environmental reasons. We will try several different designs to test the acceptability, and zero in on the most popular (least-resisted) design.

5.3 Korindo and Communities

5.3.1 Education Programme

- Scholarship for some 10,000 students.
- Provision of teaching and sporting equipment to over 100 schools.
- School building construction for 28 schools.
- Extra financial support for some 200 teachers.
- Provision and on-going operation of school.
- Buses for about 40 schools.



5.3.2 Employment and Economy

- Responsible for 40% of local economies (GDP) of Boven Digoel and Merauke Regency in Papua
- Support and Training Programme for about 500 aspiring entrepreneurs of Kalimantan, Papua, Java and Jakarta.
- Some 25,000 employees (12,300 in Papua alone).
- Some 20,000 employed indirectly (excluding subcontractors).
- Economic support for some 200,000 Indonesians.



5.3.3 Health Programme

- Provision of over 200,000 food packages for victims of earthquake, flood, tsunami.
- Donation of building material valued at US \$ 500,000 for Palu earthquake victims.
- Medical packages for Jakarta flood victims.
- Food supplements for malnourished children in 72 clinics.
- Financial support for Dharmais National Cancer Hospital.



5.3.4 Social Programme

- Built and continues to support 66 masjids (mosques) and churches.
- Provision of clean water to residents of Asiki, Papua.
- Built and maintains public roads of some 550 Km and 80 bridges.
- Provision of free electricity to residents of Asiki, Papua.



5.4 Korindo Free Hospital and Medical Service

Korindo has established and operated clinics in Papua and North Maluku immediately after the start of our business in the region in 1993. The clinic has provided free medical care to Korindo's employees as well as residents. Korindo Clinics in Asiki, Papua, have been in operation since 1993 and on September 2, 2017, the new full service Asiki Hospital was opened with the latest medical facilities, providing medical services to the community members. In 2018 alone, the Hospital provided medical services comprising pediatrics, obstetrics and gynecology, dentistry, emergency treatment, inter alia, to 37,515 patients.



Indonesia's national health insurance recognized Asiki Hospital and awarded "the Top Medical Hospital" citation. Asiki Hospital was the only hospital not based in a major urban centre that won the citation.

Press Coverage of Korindo Hospital, Republika, September 6, 2017

Even though it was officially opened only recently, Korindo Clinic has received a prestigious award from BPJS Kesehatan as the Best Primary Clinical Clinic in Papua and West Papua and has been chosen to participate in the

national competition in Jakarta. This award was received by Korindo in Jayapura, Papua on August 26, 2017.

The award was given to Korindo Clinic as it has the best statistics in three indicators of BPJS Health assessment. Among other things, the number of contacts is quite high which indicates adequate service and having a reliable disease management program.

"We are not complacent, will continue to provide the best service for our patients," said Dr. Firman Jayawijaya, Asiki clinic manager.



Figure 10 Citation of 'Top Medical Hospital' by Indonesia National Health Insurance

He also hopes that the clinic managed by Korindo will win at the national level.

Dr Firman explained, initially the clinic was called Klinik Korindo which had been operating since 1994.

"But over time, where health needs are increasing, Korindo has succeeded in building larger and more representative clinics," said Dr Firman.

The construction process itself began on February 23, 2016.

According to him, Korindo Group always strives to bring health services closer to the community. So far, it has established eight clinics in several places in the interior of Papua. This is expected to reduce the burden of difficulties for local people who want to get health services.

Understandably, before the clinics that Korindo built, to get health services, local people had to go to Tanah Merah in Boven Digoel or hospitals in Merauke, which could take 3-12 hours of travel time.

Dr Firman explained that the Asiki Clinic focuses on eight priority programs. That is to reduce the mortality rate of pregnant women, mothers and newborns through improving maternal, toddler and family planning (KB) health services. Then, improvement of community nutrition status and control of infectious diseases and non-communicable diseases followed by environmental health.

The clinic will also develop the National Health Insurance System (JKN), community empowerment and disaster management and health crises, improve primary health care, improve a safe and comfortable work environment, and finally focus on improving professional human resources.

The Asiki Clinic stands on an area of 2,929 square meters. The clinic has complete facilities such as outpatient room, inpatient care, delivery room, baby / perinatology care, emergency room, minor surgery room, USG, pharmacy, and other facilities to provide ambulance vehicles.

<https://www.republika.co.id/berita/ekonomi/korporasi/17/09/05/ovt2t2423-klinik-modern-korindo-untuk-masyarakat-pedalaman-papua>

In addition, Korindo has provided mobile clinic services to reach remote villages with no roads. Medical boat (picture below) is the only way for the villages to receive this service. These mobile clinics with specially trained doctors and nurses provided basic and advanced medical services to some 4,200 residents in 2018 who would otherwise have no access to any modern medical care.





Figure 11 Mobile clinic services to remote villages

The free medical assistance program along with many clinics and Asiki Hospital is the leading example of working with and helping the community members. Korindo will continue to provide free high-quality medical services to the local residents.

Number of treatments

Location	2016	2017	2018
Asiki Clinic	34,023	34,704	37,515
Mobile Clinic	-	1,364	4,190
Poly clinics in Camp			
- Tunas Sawaerma A	38,367	34,427	34,434
- Tunas Sawaerma B	18,562	18,892	18,472
- Berkat Cipta Abadi	14,009	12,784	14,028
- Dongin Prabhawa	29,454	28,878	32,406
- Papua Agro Lestari	-	4,731	4,744
- Tunas Timber Lestari	8,380	6,277	4,626
- Inocin Abadi	7,754	7,870	7,174
Total	150,549	149,927	157,589

Budget for health service

Location	2016	2017	2018	2019	2020
Asiki Clinic	3,069,893,730	3,758,550,876	4,666,777,006	5,133,000,000	5,646,000,000
Mobile Clinic	-	273,356,000	660,576,000	726,000,000	799,000,000
Poly clinics in Camp					
- Tunas Sawaerma A	2,157,080,302	3,455,541,511	2,679,212,978	2,947,000,000	3,241,000,000
- Tunas Sawaerma B	1,247,432,274	1,347,739,796	1,296,525,565	1,426,000,000	1,568,000,000
- Berkat Cipta Abadi	664,198,193	919,614,085	905,707,928	996,000,000	1,095,000,000
- Dongin Prabhawa	1,634,173,005	1,542,143,880	2,008,645,562	2,209,000,000	2,430,000,000
- Papua Agro Lestari	74,501,657	291,809,576	260,553,467	286,000,000	315,000,000
- Tunas Timber Lestari	341,271,630	270,177,254	287,943,496	316,000,000	348,000,000
- Inocin Abadi	406,656,168	260,651,318	537,013,882	590,000,000	649,000,000
Total	9,595,206,959	12,119,584,296	13,302,955,884	14,629,000,000	16,091,000,000

5.5 Glossary of Terms

Additionality: According to the Kyoto Protocol, gas emission reductions generated by Clean Development Mechanism and Joint Implementation project activities must be additional to those that otherwise would occur. Additionality is established when there is a positive difference between the emissions that occur in the baseline scenario, and the emissions that occur in the proposed project.

Afforestation: The process of establishing and growing forests on bare or cultivated land, which has not been forested in recent history.

Baseline: The emission of greenhouse gases that would occur without the contemplated policy intervention or project activity.

Biomass Fuel: Combustible fuel composed of a biological material, for example, wood or wood by-products, rice husks, or cow dung.

Carbon Asset: The potential of greenhouse gas emission reductions that a project is able to generate and sell.

Carbon Finance: Resources provided to projects generating (or expected to generate) greenhouse gas (or carbon) emission reductions in the form of the purchase of such emission reductions.

Carbon Dioxide Equivalent (CO₂e): The universal unit of measurement used to indicate the global warming potential of each of the six greenhouse gases. Carbon dioxide— a naturally occurring gas that is a byproduct of burning fossil fuels and biomass, land-use changes, and other industrial processes— is the reference gas against which the other greenhouse gases are measured.

Certified Emission Reductions (CERs): A unit of greenhouse gas emission reductions issued pursuant to the Clean Development Mechanism of the Kyoto Protocol, and measured in metric tons of carbon dioxide equivalent.

Clean Development Mechanism (CDM): The mechanism provided by Article 12 of the Kyoto Protocol, designed to assist developing countries in achieving sustainable development by permitting industrialized countries to finance projects for reducing greenhouse gas emission in developing countries and receive credit for doing so.

Conference of Parties (COP): The meeting of parties to the United Nations Framework Convention on Climate Change.

Designated Operational Entity (DOE): An independent entity, accredited by the CDM Executive Board, which validates CDM project activities, and verifies and certifies emission reductions generated by such projects.

Emission Reductions (ERs): The measurable reduction of release of greenhouse gases into the atmosphere from a specified activity or over a specified area, and a specified period of time.

Greenhouse gases (GHGs): These are the gases released by human activity that are responsible for climate change and global warming. The six gases listed in Annex A of the Kyoto Protocol are carbon dioxide (CO₂), methane (CH₄), and nitrous oxide (N₂O), as well as hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF₆).

Host Country: The country where an emission reduction project is physically located.

Project-Based Emission Reductions: Emission reductions that occur from projects pursuant to JI or CDM (as opposed to “emissions trading” or transfer of assigned amount units under Article 17 of the Kyoto Protocol).

Project Design Document (PDD): A project-specific document required under the CDM rules which will enable the Operational Entity to determine whether the project (i) has been approved by the parties involved in a project, (ii) would result in reductions of greenhouse gas emissions that are additional, (iii) has an appropriate baseline and monitoring plan.

Project Idea Note (PIN): A note prepared by a project proponent regarding a project proposed for PCF.

Reforestation: This process increases the capacity of the land to sequester carbon by replanting forest biomass in areas where forests have been previously harvested. **Registration:** The formal acceptance by the CDM Executive Board of a validated project as a CDM project activity.

Sequestration: Sequestration refers to capture of carbon dioxide in a manner that prevents it from being released into the atmosphere for a specified period of time.

United Nations Framework Convention on Climate Change (UNFCCC): The international legal framework adopted in June 1992 at the Rio Earth Summit to address climate change. It commits the Parties to the UNFCCC to stabilize human induced greenhouse gas emissions at levels that would prevent dangerous manmade interference with the climate system.

Validation: The assessment of a project’s Project Design Document, which describes its design, including its baseline and monitoring plan, by an independent third party, before the implementation of the project against the requirements of the CDM.

Validation and Verification Body (VVB): An independent entity, accredited under VERRA system, which validates VERRA project activities, and verifies and certifies emission reductions generated by such projects.

Verified Emission Reductions (VERs): A unit of greenhouse gas emission reductions that has been verified by an independent auditor, but that has not yet undergone the procedures and may not yet have met the requirements for verification, certification and issuance of CERs (in the case of the CDM) or ERUs (in the case of JI) under the Kyoto Protocol. Buyers of VERs assume all carbon-specific policy and regulatory risks (i.e. the risk that the VERs are not ultimately registered as CERs or ERUs). Buyers therefore tend to pay a discounted price for VERs, which takes the inherent regulatory risks into account.

Verification Report: A report prepared by a Designated Operational Entity, or by another independent third party, pursuant to a Verification, which reports the findings of the Verification process, including the amount of reductions in emission of greenhouse gases that have been found to have been generated.

6. Supporting Documents

6.1 Mighty Earth Campaign against Korindo and FSC

Mighty Earth filed a complaint to FSC that Korindo had violated the Forest Stewardship Council (FSC) Policy of Association, and that Korindo should be dissociated from FSC.

On November 1, 2017, FSC initiated an investigation on alleged violations of the Policy for the Association of Organizations with FSC. There can be only two outcomes of the FSC investigation, “remain associated” or “be dissociated”.

FSC commissioned three Panels to conduct the investigation, and on July 15, 2019, the FSC Board of Directors concluded that the Korindo Group is not to be dissociated from FSC, and is to remain associated with FSC.

There are other findings in the Panel reports that directly refute the Mighty Earth allegations.

For example, the Panel rejected the allegation of using fire for land clearing was untrue.

The following statement was issued in November, 2019.

Korindo Statement

As an Indonesian corporation, Korindo must respect and abide by the Indonesian laws and regulations. Although the FSC’s internal rules provide that sovereign laws and regulations supersede the FSC regulations, Korindo operations that have followed the strict administrative regulations and licensing requirements dictated by the Indonesian Government may not have been in full compliance with the FSC regulations.

In our efforts to remedy this situation and to reaffirm our commitment to the FSC and its guidelines, all new land clearing activities across our operations have been suspended since 2017.

Social Responsibility

Papuan cultural heritage and social contracts dictate that lands belong to the clan as a whole, not to an individual in the clan and that leaders and elders after reaching a consensus per their customary rules pronounce and execute the decisions on behalf of the community. In a way, elders and leaders assume and exercise the roles of executives and directors on behalf of the shareholders.

For instance, elders after consulting with the community members will decide that residents who married outside the clan or recently came back after living in other parts of Indonesia may be entitled to less compensation. There are bound to be complaints among some members who may have expressed their frustration to the FSC panel members. As it is Korindo’s duty to respect and abide by the culture and customs of the clan, we cannot and do not interfere with the clan’s internal decisions.

The FSC panel reports claim that these constitute the FPIC and human rights violation. Given this context, we do not accept the FSC panel’s claim.

It should be also noted that the compensations to residents calculated by the two FSC panels are 1,000 (one thousand) times apart. We fail to understand how one panel's calculation is 1,000 times bigger than that of another panel given that both panels use the same method to calculate the compensation amount.

Korindo established medical clinics in Papua and North Maluku immediately after the start of business in 1993. The clinics have provided free medical care to residents, and the new full-service Asiki Hospital was opened with the latest medical facilities, being awarded "Top Medical Hospital" by Indonesia's national health insurance.

In 2018, Asiki Hospital provided medical services comprising paediatrics, obstetrics and gynaecology, dentistry, emergency treatments to 37,515 patients.

Aside from the medical services, Korindo's current social programs (<http://bit.ly/clinicasiki>) include medical boats (water ambulance), 28 schools along with school buses and some 200 teachers, 66 religious facilities of mosques and churches, infrastructure of power and clean water supply, several hundred kilometers of roads, chicken and vegetable farming, vocational trainings ranging from skills trade to engineering to plantation management, among other things.

We reiterate our commitment to improving the conditions of the communities in Papua, but there are challenges. One of our latest social programs, introducing clean cookstoves and compost toilets to improve sanitary conditions, has run into difficulties with some residents who prefer the old way. Will the FSC panels argue that this is a case of the FPIC violation as our initiatives are not welcome by all members?

Environmental Responsibility

Korindo controls a land base of approximately 538,000 ha in Papua of which 124,000 ha is allocated for agriculture and 414,000 ha is allocated for forestry activities. Land cover in Korindo's Papuan land base remains 77% as forest.

Korindo recognizes that land-use change has taken place in its oil palm concessions. Korindo is aware that given the location of its concessions in a heavily forested landscape, populations of endemic or RTE (Rare, Threatened, Endangered) species are likely to be present in Korindo's concessions. This is a reality of operating in a highly forested landscape such as Papua. However, analysis of High Conservation Value (HCV) destruction should consider the larger landscape context, including the largely forested condition of the ecoregion, the relatively intact condition of the forests and the high proportion of the ecoregion's forests that are legally protected from clearance.

It is questionable to suggest that populations of endemic or RTE species in the areas cleared could represent a substantial proportion of the population needed to maintain viable populations at either a regional, national, or global level. In addition, there is no evidence that the forest areas cleared held a higher overall species richness, diversity or uniqueness compared with other sites within the same biogeographic area.

The suggestion that Korindo's activities have destroyed some parts of the local watershed is questionable. The portion of the said watershed under Korindo control (120,600ha) remains 82% forested. Korindo is committed to maintaining watershed quality through careful management of catchment areas and riparian zones.

Korindo recognizes there is always room for improvement in environmental practices. Korindo has embarked on a programme to improve its sustainability performance.

The first step, which is currently underway, is a desktop gap analysis and work plan for an integrated High Carbon Stock and High Conservation Value Assessment across all of Korindo's land base in the region. The completions of assessments are planned for 2020. Using the results of these assessments, along with input from stakeholder consultation, Korindo will develop a revised land-use plan and conservation management and monitoring plan to address stakeholder concerns and ensure conservation values are maintained and enhanced.

Our commitment

Notwithstanding the complexities of reconciling different and sometimes opposing regulations and views, the Korindo Group recognizes that there may have been shortcomings in some of our operations and we are committed to working with the FSC to achieve better practices that support the protection of the environment as well as practices that improve the livelihoods of residents.

<https://korindonews.com/korindo-statement-on-fsc-investigations/>

6.2 Korindo USAID Lestari Project

A. LOI between USAID and Korindo vis-à-vis sustainable landscape management in Papua



Letter of Intent PT. Tunas Sawa Erma & USAID LESTARI

In order to demonstrate and promote sustainable investment for sustainable landscape management in Indonesia's Papua province, PT. Tunas Sawa Erma and USAID's LESTARI project (LESTARI) agree to collaborate on implementing a series of consultations with communities and other stakeholders in the area of a PT. Tunas Sawa Erma concession in Boven Digul, Papua, according to the following principles:

- (1) LESTARI will provide technical assistance to facilitate a transparent and participatory process which is based on the right to Free Prior and Informed Consent (FPIC) for local communities potentially impacted by PT. Tunas Sawa Erma activities. The FPIC process will be introduced and then undertaken, and if successful, will lead to participatory zonation of the chosen site. The process will be undertaken in a single, undeveloped concession site that has not yet been cleared or opened for plantation activity purposes. The site will be discussed and agreed upon by PT. Tunas Sawa Erma and LESTARI, based on a scoping trip to the field by both parties.
- (2) LESTARI's objective is to support an ecologically sustainable landscape approach in Papua through land use rationalization for undeveloped concession areas. Under this activity, core principles of a sustainable landscape approach as described below, will be adopted:
 - Multiple actors collaborating in multi-stakeholder processes related to landscape planning, management, and monitoring.
 - The formulation and realization of local-level needs and development goals, while considering outcomes important to stakeholders beyond the landscape.
 - Collaborative or participatory land use planning that aims to achieve the agreed-upon targets for the landscape, based on the process above through implementation of Free, Prior and Informed Consent (FPIC) of relevant local stakeholders over development initiatives which impact upon them.
 - Effective integrated landscape management with clear and negotiated roles and responsibilities across multiple scales that balances conservation and sustainable land use.
 - Participatory monitoring of progress towards agreed conservation, social / livelihood and production goals, based on good governance principles of transparency and accountability.
- (3) Local district and/or provincial government will be a key stakeholder in this process, at a minimum, to participate as an observer and to acknowledge the process and results. Local government will also be encouraged to handle any grievances regarding the process or its implementation, and based upon success to issue policies that mandate this approach across the entire District.
- (4) PT. Tunas Sawa Erma agrees to support the process and abide by the results in terms of implications for development of the concession site, and in carrying out any agreements made with communities or other stakeholders during the process.
- (5) For increased legitimacy, the process will be open to monitoring by other stakeholders. These monitors will be agreed upon by PT. Tunas Sawa Erma and LESTARI on the understanding

that they are there to observe and monitor the process agreed upon in this Letter of Intent. Additionally, independent monitoring will also be undertaken during subsequent development of the site, in order to provide collaboration that the agreements are being followed. PT. Tunas Sawa Erma will provide assistance and access to enable this independent monitoring where needed.

- (6) LESTARI and PT. Tunas Sawa Erma reserve the right to withdraw from the Agreement should either party demonstrably not comply with any of its terms and conditions.

PT. Tunas Sawa Erma and LESTARI have executed this Letter of Intent, by their duly authorized representatives, on the date noted below.

Jakarta, 29 November 2017

PT. TUNAS SAWA ERMA



Robert Seung
President Director

USAID LESTARI



Reed Merrill
Chief of Party

B. USAID Lestari Annual Report



USAID
FROM THE AMERICAN PEOPLE



ANNUAL REPORT

USAID LESTARI

YEAR 3: OCTOBER 2017 – SEPTEMBER 2018



This publication was produced for review by the United States Agency for International Development. It was prepared by Tetra Tech ARD.

LESTARI 1 – Awareness and Advocacy

As per the Year 3 Work Plan, the main goal for Advocacy and Awareness in Year 3 was to shift the way LESTARI does advocacy, by integrating it into all technical activities in order to more effectively achieve targets and impacts, and also with an eye to sustainability post-LESTARI. This has been done over the course of the year. Accompanied by training and mentoring for field staff, advocacy approaches have been improved and integrated across activities in the landscapes, are no longer delegated solely to advocacy staff. Technical staff are now involved in more relationship building and lobbying with local governments in order to leverage program and budget support, have increased engagement with communities, NGOs, church groups and other stakeholders, in order to enhance advocacy impact.

LESTARI staff are now more effectively supporting advocacy for policy change across landscapes, including for district and provincial budgets, and have experienced a number of successes and achievements, for instance:

- Assisted Bappeda and the Aceh Environment and Forestry Agency (DLHK) to raise the budget allocations for social forestry and FMU operationalization in the Aceh DLHK Draft Strategic Plan to IDR 13.25 billion (USD 920,000) per year for the next five years.
- Leveraged IDR 1.6 billion (USD 111,000) for peatland infrastructure in Katingan District.
- Increased the allocation (at least 10%) and effectiveness of village budgets for conservation needs in all provinces, and obtaining district government support to apply this approach more broadly in Aceh Selatan and Gayo Lues Districts.
- Built strong engagement with and influence over the Social Forestry Working Group in Central Kalimantan, leading to improved implementation and budgeting.
- Improved CSO engagement through training workshops to use SIMTARU in Papua, and its recognition by the Corruption Eradication Commission as a key tool in permit monitoring.
- Participation of the Boven Digul district government in LESTARI's sustainable landscape planning approach with private sector group Korindo, which has led to plans to develop new district policies to scale up the approach.
- Increased engagement with district governments in Mappi and Boven Digul on using the results of the Landscape Conservation Plans to revise district spatial plans in the near future.

Each province has a primary advocacy focus at provincial level, which has been developed through Year 3. In Aceh, LESTARI supported the Strategic Environmental Assessment for the Mid Term Development Plan (SEA-RPJMD), and now is working for the uptake of recommendations into the Forestry and Environment Office's five-year Strategic Plan, so that annual workplans and budgets emphasize social forestry, forest monitoring, and FMU operationalization.

In Central Kalimantan, LESTARI focused on building its engagement with the Social Forestry Working Group (Pokja PPS) and on FMU operationalization. This has led the Social Forestry Working Group to become functional, develop a workplan, strengthen community representation, and secure a national budget allocation of IDR 1.9 billion (USD 132,000) for social forestry. LESTARI also focused advocacy efforts on the operationalization of FMUs in ways which accelerate social forestry, monitoring of forests by FMUs and local villages, and partnership development with the private sector. An advocacy event on social forestry and FMUs was held on July 4-5, and is described more fully in the Katingan-Kahayan Landscape section.

LESTARI 3 – Sustainable Landscape Governance

Deforestation and land degradation in Indonesia are rooted in weak governance, most notably misallocation of resource management rights, uncertainty of land access, insufficient involvement of local communities, and weak law enforcement. This strategic approach consists of two principle pillars: (1) multi-stakeholder initiatives (MSI) to ensure citizen-based inputs to decision makers and (2) transparent and accountable natural resource licensing with robust law enforcement and monitoring, also strengthened by citizen involvement. During Year 3, LESTARI supported a total of 17 multi-stakeholder initiatives (MSIs) for decision making or citizen inputs. MSIs are supported when an impact on improved governance for a particular issue is needed and likely, rather than as regular discussion fora, and act to bring CSOs and communities into decision making processes. In some cases LESTARI utilized existing multi-stakeholder fora (many of which LESTARI helped to establish) and in other cases LESTARI supported new or ad-hoc multi-stakeholder initiatives oriented specifically around a particular policy or governance process.

This multi-stakeholder engagement can lead to better policies, which more effectively integrate the needs and interests of a broader set of stakeholders, and can also establish relations of trust between government and citizens, which lays the groundwork for future collaboration. It can also lead to increased knowledge on the part of citizens, and increased understanding of the value of good governance principles (transparency and participation) on the part of government officials. This can lead to flow-on effects where improved multi-stakeholder engagement becomes a model for others to follow – especially in remote low-capacity districts where such examples can be rare.

Some significant multi-stakeholder initiatives supported this year were related to land access and resource rights, in the particular context of zonation. For example, the management and zonation of the Rawa Singkil Wildlife Reserve in the Leuser Landscape, or the collaboration with Korindo Group in Boven Digoel District to work towards participative zonation of a license area. LESTARI supported multi-stakeholder social forestry working groups to strengthen social forestry implementation in Pulang Pisau District and at Central Kalimantan Province level, and for Aceh Province, since social forestry implementation will accelerate land access and resource rights for many forest-dependent villages in LESTARI landscapes. LESTARI has also supported MSIs on fire management in Central Kalimantan, enhancements of rubber livelihoods in Central Kalimantan, and forest management at the village level in Mimika and Asmat Districts. Another key part of the MSI work has been to facilitate quality public consultation processes and revisions to SEAs for development plans in Gayo Lues and Aceh Province. More details on the results from this support is detailed under the respective technical themes and landscape initiatives.

In order to improve transparency and accountability in natural resource licensing with robust law enforcement and monitoring, LESTARI engages with government on licensing reform (notably the SIMTARU and SST systems) and supports improved civil society involvement in monitoring – including both monitoring land use licensing and monitoring impacts on forests. Initiatives to strengthen forest monitoring were carried out by supporting village patrols (for example in Nayaro village in Mimika and Yepem village in Asmat), and also by building competence of villages with social forestry permits in Central Kalimantan to monitor their forests and guard against internal and external threats. In Aceh, improved forest monitoring was also a key recommendation of the SEA, and thus was present in the provincial mid-term development plan and the Forestry and Environment Agency's Strategic Plan (2017-2022), with an increased indicative budget. These initiatives are further described under the landscape initiatives.

Initiatives for strengthening civil society monitoring of licenses are focused in Aceh and Papua Provinces. In Papua, LESTARI has engaged with local NGOs who are advocating for

In Bouven Digoel District, Papua, LESTARI continued to coordinate with Korindo Group on the sustainable landscape planning initiative. This initiative aims to ensure that plantation development is done in a participatory manner with community stakeholder involvement, ensuring that important natural forests are safeguarded for watershed protection, local livelihoods, and cultural values. A Letter of Intent (LoI) was signed between LESTARI and Korindo during the first quarter to state the objectives of the cooperation. It was followed by a workshop for the preparation of a participatory field assessment. The workshop was attended by various stakeholders and addressed issues related to communication and transparency between Korindo and local communities. The communities agreed that all issues should be addressed and resolved before moving forward with the participatory field assessment as part of a thorough Free, Prior and Informed Consent (FPIC) process.

LESTARI 8 – Innovative Financing for Sustainable Land and Forest Management

This strategic approach focuses on two key areas: (1) sustainable tourism development and (2) community-based innovative financing.

During this year, the LESTARI team provided assistance to develop and promote ecotourism with Sebangau National Park management and villages located in the buffer zone of the park. After an MoU was signed between the local community and Sebangau National Park, LESTARI continued the facilitation by providing direct input to the ecotourism team of Sebangau National Park in developing a Detailed Engineering Design (DED) document. A joint survey between LESTARI and Sebangau National Park team was subsequently conducted, and as of the end of Year 3 the LESTARI team is finalizing the findings of the survey to further inform the DED.

In parallel, the LESTARI team completed a plan for the Sebangau Restoration Fund. A presentation was given to KLHK that detailed the restoration activities, costs, and potential funding options from private sector and national and international donors to sustain the long-term management of Sebangau National Park. The LESTARI team also had an initial discussion with the Global Green Growth Institute (GGGI), which has shown interest to be involved in this initiative. The next step is to have a more detailed discussion with GGGI on possible collaboration mechanisms.

Although LESTARI is currently behind on the leveraging financing indicator (#13), in Year 4 LESTARI will make additional investments and track opportunities to leverage additional private and public investment mobilized from national, private sector, and multilateral funding sources. This includes tailored advocacy strategies in each LESTARI province to leverage tools, models, and approaches into government programming with budget support. It also includes actively tracking and then pursuing additional private and public sector opportunities that emerge over the next year, with a focus on commodities such as rubber, coffee, and cacao. This might include the Green Climate Fund (GCF).

communities through strategic interactive dialogue programs and campaigns that promote Landscape Conservation Plan adoption within the spatial plan.

SEAs are rarely conducted with sufficient participatory input from multi-stakeholders, but LESTARI has guaranteed this through rigorous stakeholder consultations. The first public consultations for Spatial Plan SEAs were held in both districts and documented priority strategic issues that must be analyzed to ensure sustainability of future plans. Public consultations were well attended and resulted in the definition of critical decision factors for future consideration in the spatial plan. These included: 1) safeguarding cultural values of local communities, 2) providing equitable opportunities for community economic needs and development, 3) sustainable and appropriate infrastructure development and services, and importantly, 4) review of patterns of land conversion and land management that affect forests. Participants discussed the cause and effect of development issues that will be integrated into a detailed assessment framework to sharpen the SEA. These issues will be analyzed further to provide recommendations for changes in the spatial plan.

Related to this, the spatial plan review process (*Peninjauan Kembali* - PK) has stalled due to lack of government budget. LESTARI has pledged partial funding and gained support from the Vice Bupati and Head of Bappeda to reinstate 2018 budgets to complete this effectively, in parallel with the SEA. Both will be complete by December 2018. The SEA and PK will be finished by December 2018, and revision of the spatial plan be completed early in 2019.

Work on SST development and SIMTARU has been limited and requires completion of work at the provincial level SST. Year 4 work will focus on spatial plan and license monitoring. Most stakeholders in the landscape, especially traditional communities, are unaware of licenses permitted on their (traditional) land because of lack of community engagement. The SST can produce reports about licensing on discrete areas mapped by communities to inform the district governments for permit review.

Initiative 2: Land-use rationalization in the private sector

This pilot initiative aims to ensure that plantation development is done in a participatory manner with community stakeholders, ensuring that natural forest areas are safeguarded for watershed protection, local livelihoods, and cultural value. Following negotiations, LESTARI signed a letter of intent with the Korindo Group – an international group of companies in the paper and forest products sector – to work together on the implementation of a sustainable land use model following FPIC principles. It was agreed that the pilot project location would be in one of the concession areas held by PT. Tunas Sawa Erma (TSE), Bouven Digoel, as this new area is yet to be developed. The approach has gained support from the Deputy Bupati who emphasized that a precautionary approach should be applied to natural resource use to ensure that important community values are safeguarded and biodiversity and forests are appropriately maintained, while allowing the local economy to grow.

Blok E covers an area of 14,461 hectares of forested land that is slated for conversion to oil palm. LESTARI worked to develop their internal understanding of why such an approach is needed, and to agree upon the steps to be undertaken to achieve it. Consultations were held with local communities including land rights holders, local government, and TSE plantation staff. Building on these initial consultations, workshops brought together stakeholders for formal consultations that further explained the purpose of the LESTARI-Korindo collaboration. The main output of the initial workshop was agreement by stakeholders to proceed to next steps – studies verifying landscape values (social-cultural and environmental) from existing data, and verification of the Free, Prior and Informed Consent by local communities and landholders for the development of the block through a multi-stakeholder approach.

A second stakeholder consultation workshop resulted in the development of a SLP “*objective hierarchy*”. In a logical and step wise process, the objective hierarchy (OH) details fundamental objectives, components, values, targets for social, environmental and economic development, data needs for mapping, and methods to obtain data. Most important are the targets in terms of land and forest areas for social and environmental needs and a focus on the smallest areas required for an economically viable plantation. Through discussions and debates within stakeholder groups, the OH embedded Free, Prior and Informed Consent principles for potential concession development into the process.

Engagement with key stakeholders and positive communication was unpredictable during the process. At first, stakeholders were appreciative of the open approach and this was remarked upon as an achievement. The Deputy Bupati in particular appreciated the transparent and inclusive approach initiated by LESTARI. He emphasized that a precautionary approach should be applied by investors, communities, and government to ensure that important community values are safeguarded and biodiversity and forests are appropriately maintained, while allowing the local economy to grow. However, transparency and inclusiveness of the approach initiated by LESTARI have unearthed several issues as the Sustainable Landscape Approach dug down into whether communities and other stakeholders were fully aware of the implications of oil palm development, and had access to the right information. The process has now been interrupted as a number of the landholders issued a protest letter to Korindo, with copies to district and provincial governments.

Discussions between Korindo, LESTARI, local government, and adat representatives have not resolved the impasse. Community members are now demanding a number of actions including sharing of data (Environmental Impact Assessments, copies of land transactions, concession permits, clarification of the status of the HGU business permit, and implementation of CSR activities already promised, as well as a written contract between the landholders/communities and Korindo). These aspects are all important components of the Free, Prior and Informed Consent process, and are reasonable demands. In this respect, the SLP approach was successful in uncovering conflicts early and in no way “green-washes” development of palm oil. Transparency and goals agreed upon by multi-stakeholder discourse are very important good governance aspects of the approach; they have not been achieved between all parties. Currently, LESTARI awaits reconfirmation of their commitment to ensure smooth implementation of SLP on the ground. LESTARI has proposed training in FPIC for all staff, government stakeholders, and communities in order to explain how the SLP initiative can achieve better relations with communities and prevent future conflict before land is cleared, if the good-governance principles are embraced by all parties.

In the meantime, these developments in the field led the Bouven Digoel District Government to engage on the need to strengthen the process of land acquisition. LESTARI is assisting the Vice Bupati in analyzing the investment climate in the district as many problems related to company-community relations have emerged, and the government is looking for potential solutions such as LESTARI’s ‘sustainable landscape approach’. Analyses of the investment climate will also feature in the revision of spatial plans and the accompanying SEA. Meetings led by the DPMPSTSP at district level have outlined preliminary goals including: 1) ensuring that the adat representation (such as Adat Community Council - LMA) is involved in every step of the decision making process about permits and environmental impact analyses, 2) the development of an Investment Monitoring and Evaluation Team across government agencies to ensure companies conduct proper FPIC (community consultation and dissemination of information properly before obtaining permissions of development permits), 3) a review of the legal requirements for existing permits, and the cancellation of ‘location permits’ where the companies have not been active, and 4) formulation of Bupati Regulations on community consent (FPIC) and its verification for the protection of traditional land use to prevent future conflict, and land acquisition and compensation for customary land.

While LESTARI continues to look for opportunities to apply the sustainable landscape approach, supporting the local government in formulating and implementing these new regulations is an opportunity to strengthen the permitting system in Bouven Digoel and integrate the principles and approaches of the SLP. This will reinforce community involvement and strengthen implementation of environmental safeguards, thereby achieving equitable and sustainable concession development and wider landscape management beyond current pilot project sites licensed to Korindo.

Additionally, LESTARI assisted in the release of another 599 endangered Pig-nosed Turtles back to their natural habitats on the Digoel River in Iwot Village. The collaborative effort included Wasur National Park, BKSDA Merauke, Fast Reaction Unit (SPORC) from Merauke, Quarantine office Merauke, Customs and Excise, International Animal Rescue-Indonesia, the Wild Animal Rescue Centre-Hong Kong, local government officials from 7 agencies, and church and village and adat leaders. Evidently, these charismatic juvenile turtles gain much attention from a wide variety of multi-stakeholders and has spotlighted illegal poaching in the region.



Figure 23. Pig-nosed turtle release on the Digoel River, Boven Digul District, August 2018

6.3 HPH Project with The Nature Conservancy

PT. Balikpapan Wana Lestari (BWL, a subsidiary of Korindo) is a natural forest concession in East Kalimantan approved in 1969 and has about 140,845 hectares of forest. The Nature Conservancy (TNC) is an environmental organization and has operations in Indonesia. Indonesia's Kalimantan (Borneo) Island still has large tropical rain forests, and over 50% of the area is designated by the Indonesian government as production forest and limited production forest.

BWL and TNC have agreed to jointly establish a long-term management plan for 140,845 ha owned by BWL, in an effort to protect Indonesia's tropical forests through efficient forest management. Over the next three years, TNC will provide BWL with technical support for Reduced Impact Logging, management of the High Conservation Value Forest, nearby social surveys and development of contributing programs. BWL will apply the sustainable forest management principles to all sectors, and based on this, we intend to acquire FSC-FM certification in 2022.



PT. BALIKPAPAN WANA LESTARI

**MEMORANDUM OF UNDERSTANDING
BETWEEN
PT BALIKPAPAN WANA LESTARI
&
THE NATURE CONSERVANCY**

Concerning a partnership to support legal compliance and improved forest management of PT. BALIKPAPAN WANA LESTARI forest concession in Penajam Paser Utara District, East Kalimantan.

This **MEMORANDUM OF UNDERSTANDING (MOU)** is entered into by and between **PT. BALIKPAPAN WANA LESTARI** an Indonesian limited liability company, and **THE NATURE CONSERVANCY (TNC)**, a USA based non-profit organization, on the basis of the following facts and circumstances:

I. BASIS FOR THE MOU

- a. The Indonesian government re-signed the International Tropical Timber Agreement in 2005 committing Indonesia to the adoption of sustainable forest management within the production forest estate;
- b. Indonesian forest concessions are also required to pass the Department of Forestry's mandatory certification via Lembaga Penilai Independen to secure renewal of their concession license;
- c. BWL wishes to take clear steps towards developing a legal and sustainable natural forest management business from the outset;
- d. TNC has a global goal of achieving effective management of 10% of each major habitat type on Earth by 2015;



**NOTA KESEPAKATAN
ANTARA
PT. BALIKPAPAN WANA LESTARI
&
THE NATURE CONSERVANCY**

Kerjasama untuk mendukung pemenuhan legalitas dan peningkatan pengelolaan hutan dari Ijin Usaha Pemanfaatan Hasil Hutan Kayu (IUPHHK) PT. BALIKPAPAN WANA LESTARI di Kabupaten Penajam Paser Utara, Kalimantan Timur.

NOTA KESEPAKATAN ini disepakati oleh dan antara **PT BALIKPAPAN WANA LESTARI** (PT BWL) sebuah perseroan terbatas Indonesia, dan **THE NATURE CONSERVANCY (TNC)**, sebuah organisasi nirlaba berpusat di Amerika Serikat, atas fakta dan keadaan sebagai berikut:

I. DASAR MOU

- a. Tahun 2005 pemerintah Indonesia menandatangani kembali Kesepakatan Perdagangan Kayu Tropis Internasional (International Tropical Timber Trade Agreement - ITTA) dan menyatakan komitmennya untuk mengadopsi pengelolaan hutan lestari dalam hutan produksi;
- b. Ijin Usaha Pemanfaatan Hasil Hutan Kayu (IUPHHK) Indonesia diminta untuk memenuhi sertifikasi mandatory oleh Departemen Kehutanan melalui Lembaga Penilai Independen (LPI) sebagai syarat perpanjangan Usaha Pemanfaatan Hasil Hutan Kayu (IUPHHK);
- c. PT BWL, sejak awal memiliki komitmen untuk melakukan langkah-langkah tepat sehubungan dengan pengembangan pengelolaan hutan lestari yang sah;
- d. TNC memiliki tujuan global untuk mewujudkan pengelolaan yang efektif sekurang-kurangnya terhadap 10% dari setiap tipe habitat utama di bumi (yang salah satunya adalah hutan tropis) pada tahun 2015;

- e. The largest remnants of tropical forest in the Indo-Malay realm are located on the island of Borneo. TNC has completed a priority setting exercise to identify target areas for effective management and conservation in East Kalimantan. Over 50% of the areas identified are currently under production forest or limited production forest land use classification.
- f. TNC is seeking to ensure these areas are permanently forested and effectively managed. Forest management is considered effective where forest canopy, forest structure, and associated forest biodiversity are maintained in equilibrium.
- g. A part of BWL's forest concession is located in an area of conservation importance for East Kalimantan.

- e. Hutan tropis terbesar di kawasan Indo-Malay berada di pulau Kalimantan. TNC telah melaksanakan kegiatan penetapan prioritas melalui identifikasi terhadap areal-areal yang menjadi tujuan prioritas konservasi dan pengelolaan efektif di Kalimantan Timur. Saat ini lebih dari 50% areal (Eco-Regional Plan) yang teridentifikasi tersebut berada dalam klasifikasi hutan produksi tetap dan atau hutan produksi terbatas.
- f. TNC ingin memastikan bahwa areal-areal tersebut tetap terlindungi sebagai hutan dan dikelola secara efektif. Pengelolaan hutan dinyatakan efektif ketika kanopi, dan struktur hutan serta keanekaragaman hayati hutan tersebut terjaga keseimbangannya.
- g. Sebagian dari areal Ijin Usaha Pemanfaatan Hasil Hutan Kayu (IUPHHK) PT. BWL berada dalam kawasan Hutan Produksi Terbatas (HPT) yang mempunyai nilai konservasi penting untuk Kalimantan Timur.

II. DEFINITION

Discription about Forest Concession

Company Information	
COMPANY NAME	PT. BALIKPAPAN WANA LESTARI
CONCESSION LOCATION	PPU District, Paser District and West Kutai District – East Kalimantan
CONCESSION AREA	140.845 Ha
PRESIDENT COMMISSARY	YI SUN HYEONG
PRESIDENT DIRECTOR	KIM SANG JIN
PRODUCTION	- H. ASRUL SALAM
BRANCH MANAGER	--
FOREST CONCESSION MANAGER	Ir. H. ASRUL ANWAR
ASSOCIATED INDUSTRY(S)	PT. BALIKPAPAN FOREST INDUSTRIES
ASSOCIATED GROUP(S)	KORINDO
ASSOCIATED FMU(S)	PT. BALIKPAPAN FOREST INDUSTRIES
CONCESSION LICENSE	SK. Menhut No. SK.179/MENHUT-II/2014

II. DEFINISI

Diskripsi tentang IUPHHK

Informasi Perusahaan	
NAMA PERUSAHAAN	PT BALIKPAPAN WANA LESTARI
LOKASI	Kabupaten PPU , Kabupaten Paser dan Kabupaten Kutai Barat – Kalimantan Timur
LUAS AREAL	140.845 Ha
KOMISARIS UTAMA	YI SUN HYEONG
DIREKTUR UTAMA	KIM SANG JIN
DIREKTUR	- H. ASRUL SALAM
KEPALA CABANG	--
MANAJER PENGUSAHAAN HUTAN	Ir. H. ASRUL ANWAR
INDUSTRI TERKAIT	PT. BALIKPAPAN FOREST INDUSTRIES
GRUP TERKAIT	KORINDO
UNIT MANEJEMEN TERKAIT	PT. BALIKPAPAN FOREST INDUSTRIES
PERUJINAN IUPHHK	SK. Menhut No. SK.179/MENHUT-II/2014

The Nature Conservancy (TNC) was established in 1950 as a non-profit corporation under the laws of the District of Columbia Nonprofit Corporation Act in the USA and qualifies for tax exempt status under Section 501(c)3 of the United States Internal Revenue Code. Its headquarters are located in Arlington Virginia, USA and it has supporting offices in the Asia Pacific region located in Indonesia, China, Papua New Guinea and Australia.

TNC's mission is "to preserve the plants, animals and natural communities that represent the diversity of life on Earth by protecting the lands and waters they need to survive."

By 2015, The Nature Conservancy will work with others to ensure effective conservation of places that represent at least 10% of every major habitat type on Earth.

To achieve this mission TNC practices conservation by design, a science based methodology used to identify priority landscape level sites for conservation. TNC develops and implements programs to conserve these sites with the underlying assumption that effective conservation can be achieved both inside and outside protected areas, where land use supports maintenance of permanent natural forest cover.

Information about The Nature Conservancy	
JAKARTA OFFICE	Jl. Iskandarsyah No. 66C Lt. 3, Kebayoran Baru, Jakarta
SAMARINDA OFFICE	Dinas Lingkungan Hidup East Kalimantan Province, Jalan MT Haryono – Rawa Indah - Samarinda
INDONESIA TERRESTRIAL PROGRAM DIRECTOR	Herlina Hartanto, Ph.D
PRODUCTION FORESTRY SENIOR MANAGER	Ruslandi, Ph.D
INDONESIA TERRESTRIAL PROGRAM MANAGER	Intan Sarah Dewi Ritonga, M.Sc
BERAU PROGRAM SENIOR MANAGER	Ir. Saipul Rahman, M. Sc.
PROVINCIAL GOVERNANCE & PARTNERSHIP SENIOR MANAGER	Ir. Niel Makinuddin, M. Sc.
MANAGER FOR IMPROVED FOREST MANAGEMENT	Ir. Bambang Wahyudi

The Nature Conservancy (TNC) berdiri pada tahun 1950 sebagai badan hukum nirlaba dibawah hukum perundangan District of Columbia Nonprofit Corporation Act di Amerika Serikat dan dikategorikan berstatus bebas pajak dibawah bab 501(c)3 Internal Revenue Code Amerika Serikat. Berkantor pusat di Arlington Virginia, Amerika Serikat dengan kantor-kantor pendukung di berbagai negara termasuk Indonesia, China, Papua Nugini dan Australia untuk wilayah Asia Pasifik.

Misi TNC adalah untuk "melestarikan tumbuhan, hewan dan komunitas alami yang mewakili keberagaman hayati diatas bumi dengan cara melindungi daratan dan perairan yang mereka butuhkan untuk tetap hidup."

Sampai tahun 2015, TNC akan bekerja sama dengan berbagai pihak untuk memastikan konservasi yang efektif pada lokasi yang mewakili setidaknya 10% dari setiap tipe habitat utama diatas bumi

Untuk mencapai misi ini, TNC menerapkan *conservation by design*, sebuah metode berbasis ilmu pengetahuan yang digunakan untuk mengidentifikasi prioritas areal konservasi pada skala bentang alam. TNC membangun dan menerapkan program-program tersebut untuk melindungi real-areal tersebut dengan asumsi bahwa konservasi efektif dapat dicapai baik di dalam maupun luar kawasan lindung dan/atau konservasi, dimana tata guna lahan mendukung terjaganya penutupan vegetasi hutan alam secara permanen.

Informasi tentang The Nature Conservancy	
KANTOR JAKARTA	Jl. Iskandarsyah No. 66C Lt. 3, Kebayoran Baru, Jakarta
KANTOR SAMARINDA	Dinas Lingkungan Hidup Provinsi Kalimantan Timur, Jalan MT Haryono – Rawa Indah - Samarinda
DIREKTUR PROGRAM TERRESTRIAL INDONESIA	Herlina Hartanto, Ph.D
SENIOR MANAGER HUTAN PRODUKSI	Ruslandi, Ph.D
MANAGER PROGRAM TERRESTRIAL INDONESIA	Intan Sarah Dewi Ritonga, M.Sc
SENIOR MANAGER BERAU PROGRAM	Ir. Saipul Rahman, M. Sc.
SENIOR MANAGER KEPERINTAHAN & KEMITRAAN PROPINSI	Ir. Niel Makinuddin, M. Sc.
IFM MANAGER	Ir. Bambang Wahyudi

III. MUTUALITY OF INTEREST

Both organizations share the following interests in BWL's forest concession:

- o Uninterrupted concession operations;
- o Perpetual and successful business;
- o Development of effective forest management systems;
- o Maintenance of permanent forest cover throughout the concession.

IV. OBJECTIVE OF THE MOU

The purpose of this MOU is to set out agreements between BWL and TNC regarding:

"The development and maintenance of legal, long-term and effective management of 140.845 ha forest concession area to ensure the maintenance of permanent forest cover".

V. SCOPE OF THE MOU

BWL and TNC desire to work together to improve forest management within BWL's concession, including but not limited to:

1. Enhancing efficiency and effectiveness through technical input & training for:
 - Baseline data collection of forest planning and forest management
 - Geographical Information System (GIS) development
 - Legality compliance
 - Log tracking
 - Reduced impact logging
 - Identification of High Conservation Value Forest (HCVF)
 - Collaborative management with local communities (participatory rural appraisal, conflict resolution, social mapping, benefit contribution)
 - Research and management of biodiversity (management plan of HCVF)
 - Company's Standard Operational Procedures (SOP) arrangement
 - Preparation of mandatory and voluntary SFM certification

III. KEPENTINGAN BERSAMA

Kedua organisasi mempunyai kepentingan bersama dalam pengelolaan Ijin Usaha Pemanfaatan Hasil Hutan Kayu (IUPHHK) PT. BWL sebagai berikut:

- o Tidak mengganggu kegiatan operasional Ijin Usaha Pemanfaatan Hasil Hutan Kayu;
- o Bisnis yang sukses dan berkesinambungan;
- o Pembangunan sistem pengelolaan hutan yang efektif;
- o Mendorong terselenggaranya Pengelolaan Hutan Produksi Lestari (PHPL)

IV. TUJUAN MOU

MOU dibuat bertujuan untuk mengatur kesepakatan antara PT. BWL dan TNC mengenai:

"Pengembangan dan memelihara manajemen yang tepat, berjangka panjang dan efektif atas 140.845 hektar areal Ijin Usaha Pemanfaatan Hasil Hutan Kayu PT.BWL untuk memastikan terselenggaranya Pengelolaan Hutan Produksi Lestari (PHPL)."

V. LINGKUP MOU

PT. BWL dan TNC berkeinginan untuk bekerjasama dalam meningkatkan pengelolaan hutan dalam areal Ijin Usaha Pemanfaatan Hasil Hutan Kayu (IUPHHK) PT.BWL, dalam hal:

1. Meningkatkan efisiensi dan efektifitas pengelolaan hutan melalui bantuan teknis dan pelatihan untuk:
 - Pengumpulan data dasar perencanaan dan pengelolaan hutan
 - Pembuatan Sistem Informasi Geografis (Geographical Information System – GIS)
 - Pemenuhan aspek legalitas (Hukum dan peraturan peraturan) di bidang kehutanan
 - Lacakbalak (Log tracking)
 - Pembalakan hutan ramah lingkungan (Reduced Impact Logging - RIL)
 - Identifikasi areal Hutan Bernilai iKonservasi Tinggi
 - Kerja sama dengan masyarakat lokal (*participatory rural appraisal*, resolusi konflik, pemetaan sosial, kontribusi manfaat)
 - Riset dan pengelolaan keanekaragaman hayati (rencana pengelolaan HCVF)
 - Penyusunan Prosedur Standar Operasional perusahaan
 - Mempersiapkan langkah sertifikasi SFM, baik skema *mandatory* dan *voluntary*

2. Increase organizational capacity by sharing tools, resources, systems and supporting processes to bring about organizational change required for effective management of the concession area.

VI. RESPONSIBILITIES

BWL dan TNC, subject to available funding, therefore agree as follows:

A. BWL Responsibilities

1. The Director will automatically be assigned as BWL's contact person and is responsible for partnership monitoring & evaluation and appointing a manager as the field contact person.
2. Provide food, accommodation, and transport within the concession for TNC staff, partners and guests.
3. Develop a clear organizational structure to support effective management of the concession.
4. Ensure BWL staff actively work with TNC and its partners to set targets, develop work plans & implement them in the field.
5. Demonstrate strong leadership and commitment to motivate and inspire field staff.
6. Provide office space for TNC staff in the concession camp.

B. TNC Responsibilities

1. Assign a manager as TNC's contact person for overall project coordination, and staff member for partnership monitoring & evaluation that will be appointed through official letter.
2. Cover TNC's costs associated with implementation of this MOU.
3. Develop a clear organizational structure to support BWL.
4. Provide support to BWL managers and staff to set realistic targets and develop work plans either directly or indirectly through established partnerships.
5. Provide technical inputs and training to BWL's managers and staff either directly or indirectly through established partnerships including The Forest Trust atau Tropical Forest Foundation

2. Peningkatan kapasitas organisasi dengan cara pendampingan dalam pemanfaatan peralatan kerja, pembinaan sumber daya manusia, penerapan sistem teknologi dan proses pendukung guna mencapai perubahan kinerja organisasi yang diinginkan untuk pengelolaan areal Ijin Usaha Pemanfaatan Hasil Hutan Kayu (IUPHHK) yang berkelanjutan.

VI. KEWAJIBAN

PT. BWL dan TNC, sesuai kemampuan dana dan sumberdaya yang lain, dalam MOU ini bersepakat untuk:

A. Kewajiban PT. BWL :

1. Direksi PT. BWL secara otomatis menjadi contact person serta bertanggungjawab mengevaluasi kemitraan dan menunjuk seseorang manajer sebagai *contact person* lapangan.
2. Menyediakan konsumsi, akomodasi dan transportasi dalam areal Ijin Usaha Pemanfaatan Hasil Hutan Kayu (IUPHHK) untuk staf, mitra maupun tamu TNC.
3. Menunjuk dan menetapkan tim pendamping dalam pelaksanaan kerjasama dengan TNC.
4. Mengorganisasikan staf PT. BWL secara aktif untuk bekerja bersama-sama dengan staf dan mitra-mitra TNC untuk menentukan sasaran, membuat rencana kerja dan menerapkannya di lapangan.
5. Wakil perusahaan yang ditunjuk sebagaimana butir VI A1 harus memiliki kapasitas sebagai pemimpin yang kuat dan komitmen untuk memotivasi dan menginspirasi staf lapangan.
6. Menyediakan ruangan kerja untuk staf TNC di Basecamp Ijin Usaha Pemanfaatan Hasil Hutan Kayu (IUPHHK).

B. Kewajiban TNC

1. Menunjuk seseorang manager sebagai *contact person* TNC untuk mengkoordinasikan seluruh kegiatan, serta menunjuk staf untuk evaluasi dan pengawasan kemitraan yang akan ditunjuk kemudian melalui surat.
2. Menanggung biaya-biaya TNC terkait dengan tanggungjawabnya dalam pelaksanaan MOU ini.
3. Membuat struktur organisasi kerjasama yang jelas untuk mendukung PT. BWL.
4. Memberikan dukungan kepada manajer dan staf PT. BWL untuk menentukan target yang realistis dan membuat rencana kerja baik secara langsung maupun tidak langsung melalui kemitraan yang telah terbangun.
5. Memberikan masukan-masukan teknis dan pelatihan pada manajer dan staf PT. BWL baik secara langsung maupun tidak melalui kemitraan yang telah terbangun antara lain dengan The Forest Trust (TFT) atau Tropical Forest Foundation (TFF).

6. Train BWL staff in the use and application of TNC tools and systems as requested and agreed to.
7. Secure funding required to ensure TNC's active technical support.

C. Joint Responsibilities

1. Develop a joint work plan to cover points under section V within three months of signing this MOU
2. Establish a regular procedure, such as regular conference calls, in-person meetings, to discuss relevant issues, communication about and agreement on work plans, strategies to implement them, and progress against agreed milestones. The partnership will be monitored and evaluated every six months to maximize its effect.
3. Keep each other informed of discussions and progress made on the ground.
4. Develop a joint communications policy for the partnership and work together to achieve specific goals in furtherance of the points under Section V as agreed upon from time to time.

VII. TIMETABLE

This MOU shall become effective on both Parties signing the MOU and shall remain in effect for a period of three (3) years from the date of signing and may be extended based on mutual agreement.

Sixty (60) days prior written notice shall be provided by any Party wishing to withdraw from further participation under this MOU.

VIII. DISPUTE RESOLUTION

If any disputes arise both Party's agree to resolve issues through good faith discussion.

IX. COMMUNICATIONS

So long as this MOU is in effect, each Party may verbally represent its cooperative activity with the other Party to outside persons and entities.

Written representation of information relating to MOU implementation including reports, brochures, websites, promotional materials, and presentations must include acknowledgements to the other Party(s) involved including recognition of funders/donors and project partners and display of organization's logos. A communications protocol will be developed and agreed upon within three months of signing this MOU.

6. Melatih staf PT. BWL. dalam penggunaan dan penerapan alat-alat dan sistem TNC berdasarkan kebutuhan yang disepakati.
7. Mencari sumber pendanaan untuk memastikan dukungan teknis TNC yang aktif.

C. Kewajiban Bersama

1. Menyusun rencana kerja bersama yang mencakup poin-poin dalam bab V, selama tiga bulan sejak penandatanganan MOU ini.
2. Menyusun prosedur standar untuk mendiskusikan berbagai isu yang timbul, hal-hal mengenai komunikasi dan kesepakatan dalam rencana kerja; membuat strategi-strategi untuk menerapkan kesepakatan tersebut dan perkembangannya yang tidak sesuai dengan sasaran antara yang disepakati, kemitraan akan dimonitor dan dievaluasi setiap enam bulan.
3. Selalu menginformasikan satu sama lain tentang perkembangan yang terjadi di lapangan.
4. Membangun kebijakan komunikasi bersama untuk tujuan kemitraan, dan kerjasama untuk mencapai tujuan sebagaimana yang tercantum dalam bab V sesuai dengan kesepakatan dari waktu ke waktu.

VII. JANGKA WAKTU

MOU ini dinyatakan efektif setelah ditandatangani kedua belah pihak dan berlaku selama 3 (tiga) tahun sejak tanggal penandatanganan yang akan dievaluasi setiap tahun sebagai dasar kelanjutan MOU.

Apabila dalam pelaksanaan MOU salah satu pihak berkeinginan untuk menarik partisipasinya dalam MOU ini, diperlukan pemberitahuan tertulis paling lambat 60 (enampuluh) hari

VIII. PENYELESAIAN PERSELISIHAN

Jika terjadi perselisihan antara pihak-pihak yang berMOU maka akan diselesaikan secara musyawarah dan mufakat.

IX. KOMUNIKASI

Selama MOU ini berlaku, masing-masing pihak dapat menjelaskan kerjasama ini secara lisan kepada pihak diluar MOU ini berdasarkan kesepakatan bersama terlebih dahulu.

Informasi tertulis yang terkait dengan penerapan MOU ini, termasuk laporan, brosur, website, materi promosi maupun presentasi lainnya harus melampirkan logo-logo pihak, donor maupun organisasi pendukung lain sebagai ungkapan terima kasih. Sebuah protokol komunikasi akan dibuat dan disetujui dalam tiga bulan sejak penandatanganan MOU.

The communications protocol will outline an agreed peer review process to ensure project partners approve written content and logo use prior to digital and/or physical dissemination.

Protokol komunikasi akan menjelaskan proses konfirmasi untuk memastikan persetujuan mitra secara tertulis dalam penyebaran informasi baik berupa digital maupun fisik tulisan dan penggunaan logo.

X. SENSITIVE AND/OR CONFIDENTIAL INFORMATION

Each Party has a responsibility to inform the other Party of sensitive information and confidentiality requirements, especially where this impacts joint programs.

Both Parties agree that any confidential or potentially sensitive information will be treated as strictly confidential unless the other Party authorizes disclosure of confidential or sensitive information in writing.

Any external Party seeking specific sensitive or confidential information about another Party will be advised to contact the other Party directly.

X. INFORMASI SENSITIF DAN/ATAU RAHASIA

Masing-masing pihak berkewajiban untuk memberitahukan pihak lain akan informasi yang bersifat sensitif dan rahasia, terutama ketika hal tersebut dapat berdampak pada program bersama.

Selama MOU ini berlaku, kedua belah pihak setuju untuk menjaga kerahasiaan informasi, kecuali jika mendapat persetujuan secara tertulis dari masing masing pihak.

Jika ada pihak luar yang mencari informasi pihak lain yang sensitif dan rahasia, akan disarankan untuk menghubungi pihak tersebut secara langsung.

XI. SIGNATORIES

IN WITNESS WHEREOF, each of the Parties have caused this MOU to be executed by its proper officers thereunto duly authorized. Signed on **16th January 2019**, in two (2) joint sets in English and Indonesian.

XI. TANDA TANGAN

Masing-masing pihak dalam MOU ini menyatakan dilaksanakan oleh petugas berwenang yang bertandatangan dibawah ini. Ditandatangani pada tanggal **16 Januari 2019**, dalam 2 (dua) set yang berbahasa Inggris dan berbahasa Indonesia.

PT. BALIKPAPAN WANA LESTARI



Signed by / Ditandatangani oleh:

H. ASRUL SALAM

Title / Jabatan: **Director**

Date / Tanggal :

THE NATURE CONSERVANCY



Signed by / Ditandatangani oleh:

Dr. Herlina Hartanto

Title/Jabatan: **Indonesia Terrestrial Program Director**

Date / Tanggal:

6.4 HCV/HCS Project with Ata Marie



Attachment 1

Proposal for Sustainability Support Services

Prepared for:
Korindo Group
January 2019

DISCLAIMER

Korindo Group wishes to engage a consultant to undertake Sustainability Support Services in Indonesia.

Korindo Group has invited PT. Ata Marie to submit a proposal with respect to this engagement.

PT. Ata Marie issues this proposal for consulting services for Korindo Group's own use. No responsibility is accepted for any other use.

The following proposal outlines our proposed fee and the approach.

PT ATA MARIE



Alex Thorp,
Director.
21 January 2019.

Contacts:
alex.thorp@ata-marie.co.id
Office tel: +62 21 72789411
www.ata-marie.com

Address:
Ruko Darmawangsa Square Unit 5, 4th Floor,
Jl Darmawangsa 6, Kebayoran Baru,
Jakarta Selatan 12160,
Indonesia.

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1 INTRODUCTION

Since 2017 Korindo Group (Korindo) has been subject to campaigns from a number of civil society groups targeting its environmental and social performance. These campaigns have had a negative impact on Korindo's financial performance as well as its brand image and reputation. In response to these campaigns, Korindo has made a number of commitments:

1. A moratorium on all new land development was declared in 2017.
2. Korindo has committed to implement multi-stakeholder consultation regarding its environmental, social and operational practises in its undeveloped concession areas.
3. Korindo has committed to undertake verifiable identification and management of HCV and HCS areas in its palm oil and forestry operations.

In order to fulfil the above commitments, Korindo plans to embark on a programme to improve its sustainability performance. In 2018, Korindo together with The Forest Trust (TFT) and PT. Ata Marie (Ata Marie) discussed the need to develop a comprehensive time-bound sustainability roadmap. Key components of the planned roadmap were as follows:

Table 1 Key components of Draft Roadmap Developed in 2018

No	Component	Notes
1	HCV, HCS and Conservation Management Workplan.	Base line assessments and recommendations for management and monitoring can be completed now. An agreed integrated land use plan is needed to finalise the workplan. Logging concessions should be included in the conservation strategy (single landscape approach).
2	Integrated Land Use Plan	HCV/HCS recommendations (from above) plus an overall agreement on plasma development required to finalise the land use plan.
3	No Exploitation – Community	FPIC, plasma, grievance management and CSR issues need to be addressed. Significant community consultation required. Work together with Lestari program in TSE-E.
4	No Exploitation – Worker	Recruitment, payment, promotion and family worker issues need to be addressed.
5	Supply Chain and Traceability	Improving transparency in supply chains (relatively straightforward in Korindo case).
6	External Communication	Development and implementation of a stakeholder engagement strategy aimed at improving transparency in external communications. Includes development of an interactive online sustainability platform.

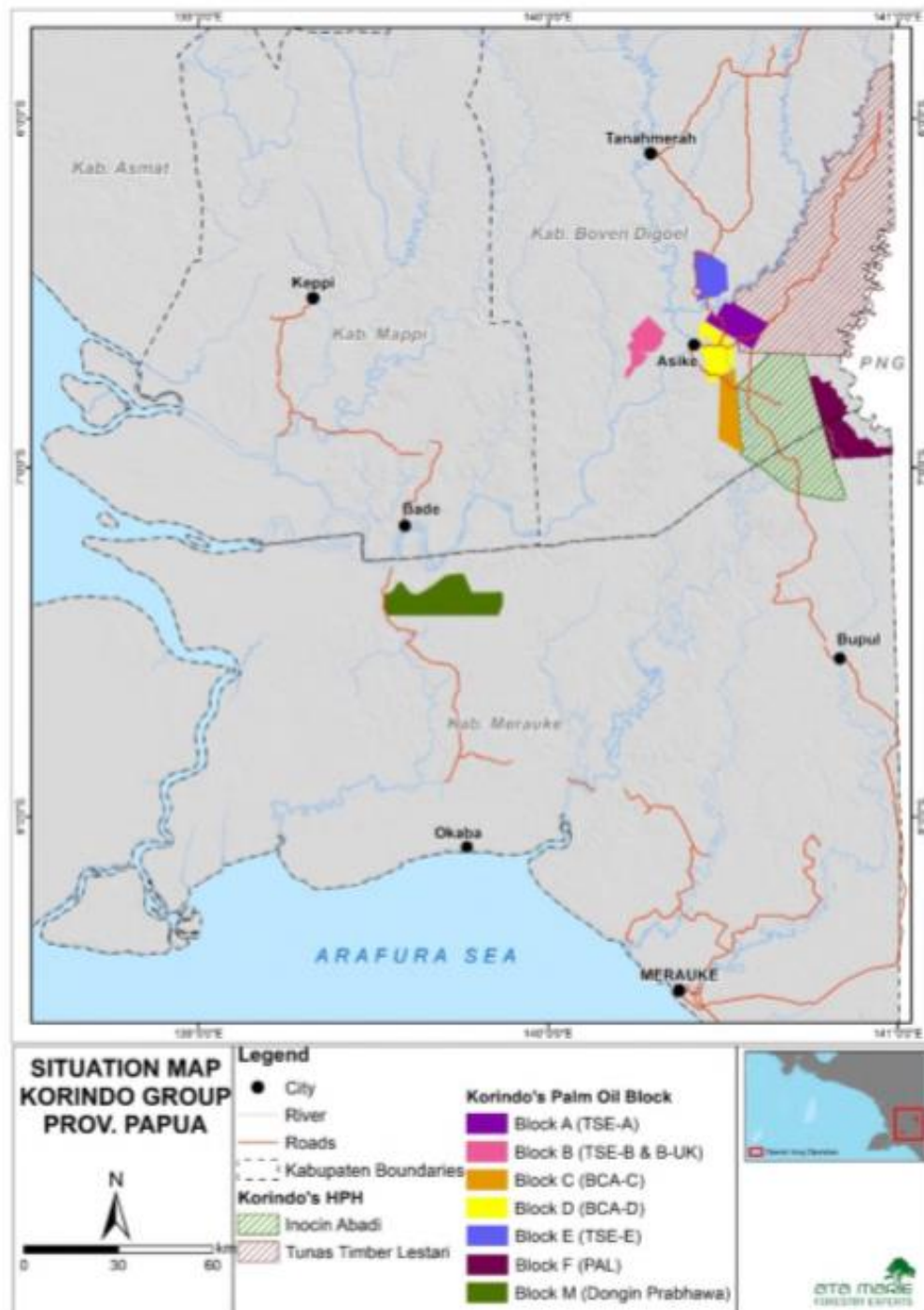
In January 2019, Korindo requested support from Ata Marie to help develop and implement the programme for component 1 of the roadmap, i.e. HCV, HCS and Conservation Management Workplan.

Ata Marie is a provider of professional services to the forestry, agri-business and natural resource management sectors in the ASEAN region. The following document sets out Ata Marie's proposed assessment procedures, schedule and professional fee quotation for the services.

2 AREA COVERED

The area of interest includes all Korindo's subsidiaries in Papua (Map 1) and North Maluku (Map 2) Provinces including oil palm plantations (main focus) and natural forest logging concessions.

Map 1 Korindo Papua Concessions Areas



Map 2 GMM North Maluku Land Cover Map



Table 2 describes Korindo's palm oil license areas in Papua and North Maluku. Currently around 40% of the license area has been developed.

Table 2 Korindo Palm Oil License Areas - Current Status

PT	Total Area (ha)	Plantable Area (ha)						Unplantable due to HCV, social, legal, agronomy, operational (ha)			
		Inti		Plasma		Total		HCV	HCS (net of HCV)	Other	Total
		Devel-oped	Undevel-oped	Devel-oped	Undevel-oped	Devel-oped	Undevel-oped				
Papua											
TSE-A	14,481	10,865				10,865	0				3,596
TSE-B & B-UK	10,705	7,908	1,299			7,908	1,299				1,498
TSE-E	12,444		8,789		1,789	0	10,578				1,867
BCA-C	13,665	11,017				11,017	0				2,648
BCA-D	13,064		9,244		1,860	0	11,104				1,960
DP-M	33,544	16,571	4,095		4,752	16,571	8,848				8,126
PAL - F	25,212	3,701	9,071		3,868	3,701	12,939				8,572
Total Papua	123,095	50,062	32,499	0	12,269	50,062	44,768	0	0	0	28,265
North Maluku											
GMM	16,623	5,489	3,497		3,985	5,489	7,482				3,671
Papua plus North Maluku											
Total All	139,718	55,532	35,996	0	16,254	55,532	52,250	0	0	0	31,937

Table 3 describes Korindo's forestry concessions in Papua. The PT Bade Makmur Orisa concession is a new license area not in operation yet.

Table 3 Korindo Papua Logging Concession Areas - Current Status

Company	Type	Gross Area (ha)	Description
PT Inocin Abadi	Natural forest logging concession	99,600	Managed under a selective logging system (TPTI).
PT Tunas Timber Lestari	Natural forest logging concession	214,000	Managed under a combination of TPTI and enrichment planting (SILIN). (Approx split of 50:50 on area basis)
PT. Bade Makmur Orisa	Plantation Forest Concession	xxx	Indicative plan for management under a combination of enrichment planting (SILIN) and traditional plantation system.

3 OBJECTIVE AND SCOPE OF WORK

3.1 Objective and Key Scope Items

The objective of this assignment is to plan and implement the initial stage of a time-bound workplan focussing on HCV, HCS and Conservation Management. This is the first step towards improving Korindo's sustainability performance on the ground and will enable Korindo to demonstrate a commitment to improved environmental practises and steer the stakeholder dialogue away from the current polarised and rather negative condition towards a focus on how Korindo is going to improve moving forward.

The key scope items are as follows:

1. HCV Secondary Data Compilation and Desk Top Analysis (focus on HCV 1-4)
2. Carbon Stock Secondary Data Compilation and Desk Top Analysis
3. Social / Community Background Study - Secondary Data Preparation
4. HCV, HCS and Conservation Management Workplan

The secondary data analysis will take a holistic view of conservation requirements across the whole landscape. Secondary data availability is not exhaustive – data compilation and analysis will be carried out in preparation for later field work – not to replace it.

The analysis results will also be useful for preparation for FSC sustainable forest management of Korindo's forestry concessions.

The work will involve data collection, data analysis (including remote sensing) and preparation of short reports and maps. In addition, it is envisaged that multiple meetings will be required with Korindo management and technical staff to present findings as well as to discuss and develop the detailed work plan.

Services will be provided by Alex Thorp with backup by Ata Marie GIS staff and an ecologist who will focus on RTE aspects.

3.2 HCV Secondary Data Preparation and Desk Top Analysis

Table 4 describes HCV 1-4.

Table 4 Brief description of HCV 1-4

HCV	Description
HCV 1	Concentrations of RTE or endemic species that are globally, regionally or nationally significant (i.e. the concentration is significant).
HCV 2	Ecosystems and ecosystem mosaics that are sufficiently large and relatively undisturbed enough to support viable populations of the great majority of the naturally occurring species and (implicitly) the great majority of other environmental values occurring in such ecosystems.
HCV 3	Rare or Endangered Ecosystems. Ecosystems, habitats or refugia of special importance because of their rarity or the level of threat that they face.
HCV 4	Basic ecosystem services. The key focus is related to protection of natural resources that are relied upon for supply of basic daily needs.

3.2.1 Rare, Threatened and Endangered (RTE) Species Data Analysis

HCV 1 refers to concentrations of RTE or endemic species that are globally, regionally or nationally significant (i.e. the concentration is significant). In a large forested landscape such as in the Boeven Digul area, it is most likely that RTE or endemic species will be identified.

Ata Marie will compile secondary data on species found in and around Korindo's concessions from existing internal and external sources, including important and or endemic bird areas as identified by Birdlife International and other relevant bodies.

Subsequently, analysis of the significance of the selected RTE populations within Korindo's concessions will be made using proxy ecosystem data to estimate the extent of the species range and therefore the relative importance of any concentration within concession itself.

For the purposes of this desk top analyses, in the absence of more detailed information, the ecoregion and ecosystem analysis described below will be used as proxies for estimation of species ranges.

3.2.2 Landscape, Ecoregion and Ecosystem Identification and Analysis

Ata Marie will carry out landscape level analysis of ecosystems/ecoregions, forest condition, historic clearance by Korindo and third parties, and risks to further clearance, and draw initial conclusions regarding the potential presence of HCV 2 and HCV 3. This analysis will involve remote sensing (satellite imagery) analysis over the entire landscape.

Mapping of ecosystems and the species assemblages they potentially support can be done through delineating surrogate units that combines vegetation data (e.g. mangrove, upland forest, savannah etc.) with qualifiers such as land-form (plains, hills, escarpments, mountains etc.) and geology (that affect soil type) (Sarkar and Margules, 2002, and Ferrier and Watson, 1997) and then verified through field observations. There are several datasets available that have developed ecosystem information for West Papua:

- The Global 200 dataset (in particular the Southern New Guinea Lowland Rain Forests ecosystem)
- Conservation International and CSIRO's Regional Ecosystems of Papua analysis

In addition, the Intact Forest Landscape (IFL) data will be referred to, as well as secondary data regarding the Trans-fly Ecoregion and the existence of Ramsar sites.

HCVRN guidance states that forests designated as IFL should be considered as a potential HCV 2, unless there is clear and compelling evidence to the contrary. In addition, in Indonesia an ecosystem that has lost 50% or more of its original extent in a bio physiographical region is considered HCV 3.

3.2.3 Basic Ecosystem Services Analysis

In the area surrounding Korindo's Papua concessions, key ecosystem services include sources of drinking water, sago collection areas, fresh water fisheries and important hunting and collecting areas.

Identification and analysis of ecosystem services using secondary data will produce an indicative result which will form the basis for field work planning. Sago swamps, streams and other water bodies will be identified from satellite imagery as well as from secondary data available from Korindo.

Identification and description of the potentially impacted communities is described under the Social Background Study (Section 3.4).

Follow up field work and consultation will be required firstly to verify the identification of ecosystem services, secondly to assess the level of reliance of communities have on the services, and finally to assess the impact of plantation development on the services they rely on.

3.3 HCS Secondary Data Compilation and Analysis

Assessment of land cover following standard HCSA strata will be carried out over the residual forest areas inside the Korindo concessions.

Any existing HCS plot data and PSP data from forest concessions will also be compiled and assessed for applicability for inclusion in the future carbon stock assessment.

Based on the above, plans will be developed for field inventory including development of site specific single tree carbon stock algorithms.

3.4 Social Background Study Compilation

Preparation of a Social Background Study is now a prerequisite of the HCS-A. Preparation of this study is a desk-based survey of the available literature that should be carried out by Korindo staff on site. Ata Marie will provide guidance on the data to be collected. Much of this data is probably already at hand, and only needs to be compiled into summary documents for each concession. Where data is not available the gaps will be filled during subsequent field assessments.

Data to be compiled for each village includes the following:

1. Spatial data (village boundaries, village map, village development plan, land tenure)
2. Population statistics
3. Health and education statistics
4. Employment statistics and the potential impact of employment of non-local workers
5. Community activities to meet food needs and other economic benefits (cash income etc).
6. Pattern of land use for agriculture, hunting/collecting, conservation and other customs/cultural activities
7. Pattern of land ownership and development (history, change of ownership, potential conflict)
8. Relations between ethnic groups and political dynamics
9. Community development ambitions
10. Water supply sufficiency and quality

As well as economic trends, the study covers issues related to land tenure and livelihoods. In relation to social and cultural aspects, the study includes information on ethnic groups present, with analysis of their relationships and history, and anything relevant to issues around land tenure and natural resource development.

3.5 HCV, HCS and Conservation Management Workplan

Ata Marie will work with Korindo to develop a detailed HCV, HCS and Conservation Management Workplan. The workplan will include the following items:

1. Korindo internal structure and resourcing plan
 - Review of Sustainability Department organisation, staffing and skill base, work objectives and targets
 - Recommendations for strengthening of human resources (recruitment, training)
2. 2019-2020 Field activities plan, including:
 - Biodiversity surveys
 - Carbon stock surveys
 - Participatory mapping
 - Stakeholder consultation
3. Field work resourcing plan including:
 - Internal resourcing required
 - Identification of potential external experts to assist in field work
 - Potential partnerships with external stakeholders (NGOs, Government, communities)
4. Description of the expected outcomes of the activities:
 - Management and monitoring plans
 - Long term resourcing plans
 - Strategic partnerships

The conservation workplan document will be prepared for distribution to external stakeholders including FSC. The work plan should help the company to start rebuilding constructive relationships with relevant stakeholders.

4 DELIVERABLES

A short report will be prepared for each of the four key scope items.

The reports will be supported by a spatial database (all collected satellite imagery and shape files) and all secondary data compiled.

Draft findings will be presented to Korindo for discussion.

Note that compilation of the Social Background Study is the responsibility of Korindo staff on site. Ata Marie will provide guidance on the data to be collected.

5 ATA MARIE CREDENTIALS

Ata Marie is a provider of professional advice and management services to the Forestry, Agri-Business and Natural Resource Management sectors. Ata Marie has two operational bases:

1. Jakarta, Indonesia, where AMG has a subsidiary company PT Ata Marie.
2. Accra, Ghana, where AMG has a subsidiary company Ata Marie Ghana Ltd

The Directors of the company (George Kuru and Alex Thorp) each have over 20 years of experience in the South East Asian region.

Ata Marie experience can be broadly grouped into the following main areas:

- Sustainability Services
- Forest and Plantation Resource Assessment
- Traceability Systems Development
- Valuations, Feasibility Studies and Due Diligence
- Management Services

Please see for further information and details about Ata Marie on our web site (www.ata-marie.com).

6 SCHEDULE

The support services will be spread over January until March 2019.

6.5 HGU Original Documents in English

It clearly states that “should the licensee fail to develop plantation, the licensee will be subject to revocation and forfeiture”.

d. The Recipient of Land Cultivation Right shall not abandon the land.

e. The Land given Land Cultivation Right shall be used for plantation business, with the type of plants as approved by the technical agency in charge of the business field.

k. The Recipient of Land Cultivation Right shall be obliged to subject to monitoring of control, use, and utilization of land by Ministry of Agrarian and Master Plan Affairs/National Land Authority.

FIFTH : The granting of the Land Cultivation Right as referred to in the FIRST dictum hereof may be canceled by Minister of Agrarian And Master Plan Affairs/Head of National Land Authority, if the Recipient of right fails to fulfill any terms or conditions as referred to in the SECOND dictum and THIRD dictum hereof and/or where it has been exposed to 3 (three) written warning in a row within 3 (three) months and remain abandoning the land.

A. HGU license

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MINISTER OF AGRARIAN AND MASTER PLAN AFFAIRS/
HEAD OF NATIONAL LAND AUTHORITY

DECREE OF MINISTER OF AGRARIAN AND MASTER PLAN AFFAIRS/
HEAD OF NATIONAL LAND AUTHORITY
NUMBER: 71/HGU/KEM-ATR/BPN/2016
CONCERNING
THE GRANTING OF LAND CULTIVATION RIGHT BY THE NAME OF
PT GELORA MANDIRI MEMBANGUN,
ON THE LAND AT HALMAHERA SELATAN REGENCY, MALUKU UTARA PROVINCE

MINISTER OF AGRARIAN AND MASTER PLAN AFFAIRS/HEAD OF
NATIONAL LAND AUTHORITY,

Having read : a. Letter of application for Land
Cultivation Right dated 18 February 2013
Number 06/GMM/JKT-BUN/II/13 from PT
Gelora Mandiri Membangun;
b. letter of Head of Regional Office of
National Land Authority of Maluku Utara
Province dated 26 February 2016 Number
123/200.9/II/2016 in conjunction with
letter of Acting Head of Regional Office
of National Land Authority of Maluku
Utara Province dated 14 September 2016



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application for Land Cultivation Right
by the name of PT Gelora Mandiri
Membangun on an area of 8.444,6074 ha,
located at Halmahera Selatan Regency,
Maluku Utara Province;

c. letters related with such application;

Considering : a. whereas PT Gelora Mandiri Membangun
domiciled in Halmahera Selatan Regency
is a corporation that engages *inter alia*
in agriculture, duly incorporated under
Deed dated 14 May 2004 Number 19 drawn
up by and before Faruk Alwy, Sarjana
Hukum, Notary of Ternate approved by
Minister of Justice and Human Rights of
the Republic of Indonesia pursuant to
his Decree dated 9 August 2006 Number C-
23294 HT.01.01.TH.2006, and has been
amended several times, most recently by
Deed dated 12 December 2011 Number 04
drawn up by and before Rina Utami
Djauhari, Sarjana Hukum, Notary of
Jakarta, which has secured the approval
of Minister of Justice and Human Rights
Republic of Indonesia pursuant to his
Decree dated 16 February 2012 Number



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AHU-08214.AH.01.02.Tahun 2011 and has been registered with the Integrated Licensing Service Office of Halmahera Selatan Regency dated 19 January 2016 TDP Number 270556200506, so that it has satisfied the requirements as subject of Land Cultivation Right;

- b. whereas PT Gelora Mandiri Membangun has obtained the Site Permit for palm oil plantation on an area of 11.003,09 ha (eleven thousand three point zero nine hectares), located at Tawa, Awis, Jibubu, Gane Dalam, Dowora Villages, Gane Barat Selatan District, Gaimu, Samat, Kuo Villages, Gane Timur Selatan District, and Kurunga, Yomen, Liboba Hijrah, Kukupang Villages, Kepulauan Joronga District, Halmahera Selatan Regency, Maluku Utara Province by virtue of Decree of Regent of Halmahera Selatan dated 15 June 2011 Number 103 of 2011;
- c. whereas PT Gelora Mandiri Membangun has secured Plantation Undertaking License for the commodity of palm oil on an area of 10.100 ha (ten thousand one hundred hectares), located at Tawa, Sekely,



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Yomen, Yamli, Ranga-Ranga, Gane Lusa and
Gane Dalam Villages, Gane Barat
Timur Districts, Halmahera Selatan
Regency, Maluku Utara Province by virtue
of Decree of Regent of Halmahera Selatan
dated 26 December 2006 Number 265.A of
2006;

- d. whereas based on Minutes of Land Audit
Committee B Maluku Utara Province dated
8 Juli 2015 Number 02/RPB/HGU/2015 in
conjunction with letter of Acting Head
of Regional Office of National Land
Authority of Maluku Utara Province dated
14 September 2016 Number 463/300-
9/IX/2016 it is stated:

1) the land requested is the state land
derived from the release of
Convertible Production Forest Area
based on Decree of Minister of
Forestry of Republic of Indonesia
dated 29 January 2009 Number
SK.22/Menhut-II/2009 on an area of
11.003,90 ha (eleven thousand three
point nine zero hectares);

- 2) the utilization plan of the land
requested for palm oil plantation has



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conformed to the Local Regulation of
Halmahera Selatan Regency Number 28
of 2012 concerning Regional Master
Plan of 2012-2023 and has secured
master plan conformity recommendation
from the Chairman of BKPRD of
Halmahera Selatan Regency in
accordance with Decree dated 24
February 2016 Number
01/BKPRD/II/2016;

3) it is concluded that the application
is eligible to be granted Land
Cultivation Right;

e. whereas at first the area of land
requested was 10.435,8446 ha in
accordance with the Land Map dated 28
December 2012 Map Number 131-27.05-2012,
however, following re-measurement on
cadastral basis by excluding the road
access to Gane Luar Village of 274,9019
ha and plasma garden plan of 1.716,3353
ha, only 8.444,6074 ha (eight thousand
four hundred forty four point six zero
seven hectares) can be granted Land
Cultivation Right, located at Awis,
Jibubu, Gane Dalam, Yamli, Sekely



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Villages, Gane Barat Selatan District, Kurunga and Yomen Villages, Kepulauan Joronga District, and Gane Luar Village, Gane Timur Selatan District, Halmahera Selatan Regency, Maluku Utara Province, as outlined in the Land Map dated 19 January 2016 Map Number 002-27.05-2016 issued by Ministry of Agrarian and Master Plan Affairs / National Land Authority, comprising:

- NIB 27.05.00.00.00001 of 2.329,0501 ha;
- NIB 27.05.00.00.00002 of 6.102,4373 ha;
- NIB 27.05.00.00.00003 of 13,1200ha;

f. whereas based in letter of Acting Head of Regional Office of National Land Authority of Maluku Utara Province dated 14 September 2016 Number 463/300-9/IX/2016 and letter of Regent of Halmahera Selatan dated 7 September 2016 Number 180/1883/2016, concerning the difference in the designation of administrative area name of villages and districts in the Site Permit, Plantation Undertaking License and decree of



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release of Forest Area and Land Reclamation as mentioned above were due to expansion of area, respectively:

- 1) improvement of status and/or promotion of 55 (fifty five) sub-villages (dusun) to definitive villages in 7 (seven) district based on Regulation of Halmahera Selatan Regency Number 23 of 2006 concerning Establishment of 55 (fifty five) Villages in 7 (seven) Districts within the territory of Halmahera Selatan Regency;
 - 2) the expansion and/or establishment of 21 (twenty one) districts based on Regulation of Halmahera Selatan Regency Number 8 of 2007 concerning Establishment of Districts within the Territory of Halmahera Selatan Regency from previously only 9 (nine) Districts pursuant to Law Number 1 of 2003;
- g. whereas based on Partnership Cooperation Agreement dated 14 September 2016 Number 01/PKS-Inti_Plasma/IX/2016, acknowledged





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by Head of Plantation Service of
Halmahera Selatan Regency, Head of
Cooperative and Micro, Small, Medium
Business Service of Halmahera Selatan
Regency, and approved by Regent of
Halmahera Selatan, PT Gelora Mandiri
Membangun has entered into agreement
with the community who joined Koperasi
Gane Bersatu to establish community
plantation of 1.285,3207 ha (one
thousand two hundred eighty five point
three two zero seven hectares) as
outlined in Land Map dated 19 January
2016 Map Number 002-27.05-2016
consisting of E1 section of 236,5373 ha,
E2 section of 188,3634 ha and D section
of 860,4200 ha, of which the
participants were determined based on
Decree of Regent Halmahera Selatan dated
14 September 2016 Number 225 of 2016
namely 541 (five hundred forty one)
people;

- h. whereas based on Statement Letter dated
14 January 2014 Number 05/LTB-
GMM/I/2015 in conjunction with dated 9
February 2016, it is stated that PT



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Gelora Mandiri Membangun has Article Out
Corporate Social Responsibility
surrounding community;

- i. whereas the land requested is dry land and neither peat lands nor ex-forest fire allocated as Miscellaneous Utilization Area, as outlined in letter of Head of Forestry Service of Halmahera Selatan Regency dated 16 February 2016 Number 522.1/110/2016;
- j. whereas the Head of Regional Office of National Land Authority of Maluku Utara Province has agreed in his consideration to grant Land Cultivation Right to PT Gelora Mandiri Membangun pursuant to his letter dated 26 February 2016 Number 123/200.9/II/2016 in conjunction with dated 14 September 2016 Number 463/300-9/IX/2016;
- k. whereas based on Article 90 paragraph (1), and Article 91 paragraph (3) of Law Number 28 of 2009 concerning Local Tax and Local Retribution, Land and Building Title Transfer Duty is payable as of the issue date of Decree of granting of



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title, and registration of land title
may only be conducted after tax
have submitted the tax receipt;

1. whereas based on the foregoing, the application concerned has fulfilled the legislations and Government policies, so that it can be considered to be granted;

In view of : 1. Law Number 28 of 1956 concerning Supervision against Transfer of Plantation Lands;

2. Law Number 29 of 1956 concerning Regulations and Acts concerning Plantation Lands;
3. Law Number 5 of 1960 concerning Basic Regulations of Agrarian Principles;
4. Law Number 26 of 2007 concerning Master Plan;
5. Law Number 40 of 2007 concerning Limited Liability Company;
6. Law Number 28 of 2009 concerning Local Tax and Local Retribution;
7. Law Number 30 of 2014 concerning Government Administration;
8. Law Number 39 of 2014 concerning plantation;
9. Government Regulation Number 40 of 1996



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- concerning Land Cultivation
Building Use Right and Land Use Right
10. Government Regulation Number 24 of 1997
concerning Land Registration;
 11. Government Regulation Number 11 of 2010
concerning Policing and Empowerment of
Abandoned Land;
 12. Government Regulation Number 15 of 2010
concerning Implementation of Master
Plan;
 13. Government Regulation Number 128 of 2015
concerning Type and Rate of Non Tax
State Revenue Applicable in the Ministry
of Agrarian and Master Plan Affairs /
National Land Authority;
 14. Regulation of President of Republic of
Indonesia Number 17 of 2015 concerning
Ministry of Agrarian and Master Plan
Affairs;
 15. Regulation of President Republic of
Indonesia Number 20 of 2015 concerning
National Land Authority;
 16. Decree of President of Republic of
Indonesia Number 83/P of 2016 concerning
Substitution of State Ministers of
Working Cabinet Period of 2014-2019;
 17. Regulation of State Minister for





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Agrarian Affairs/Head of National Land
Authority Number 3 of 1997 concerning
Provisions for the Implementation of
Government Regulation Number 24 of 1997
concerning Land Registration in
conjunction with Regulation of Head of
National Land Authority Republic of
Indonesia Number 8 of 2012 concerning
Amendment to Regulation of State
Minister for Agrarian Affairs/Head of
National Land Authority Number 3 of 1997
concerning Provisions for Implementation
of Government Regulation Number 24 of
1997 concerning Land Registration;

18. Regulation of State Minister for
Agrarian Affairs/Head of National Land
Authority Number 9 of 1999 concerning
Procedures of Granting and Canceling
Title of State Land and Management
Right;
19. Regulation of Minister of Agrarian and
Master Plan Affairs / Head of National
Land Authority Number 5 of 2015
concerning Site Permit;
20. Regulation of Minister of Agrarian and
Master Plan Affairs / Head of National
Land Authority Number 8 of 2015



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concerning Organization and Work Conduct of Ministry of Agrarian and Master Plan Affairs/National Land Authority;

21. Regulation of Head of National Land Authority of Republic of Indonesia Number 1 of 2010 concerning Land Service and Regulation Standard;
22. Regulation of Head of National Land Authority of Republic of Indonesia Number 2 of 2013 concerning Delegation of Authority to Grant Land Title and Land Registration Activities;

HAS DECIDED:

To stipulate : DECREE OF MINISTER OF AGRARIAN AND MASTER PLAN AFFAIRS / HEAD OF NATIONAL LAND AUTHORITY CONCERNING THE GRANTING OF LAND CULTIVATION RIGHT BY THE NAME OF PT GELORA MANDIRI MEMBANGUN ON LAND IN HALMAHERA SELATAN REGENCY, MALUKU UTARA PROVINCE.

FIRST : To grant to PT Gelora Mandiri Membangun domiciled in Halmahera Selatan Regency, Land Cultivation Right for palm oil plantation for 35 (thirty five) years from the date hereof, on the State land of 8.444,6074 ha (eight



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thousand four hundred forty four (four thousand four hundred forty four zero seven four hectares), located at Jibubu, Gane Dalam, Yamli, Sekely Villages, Gane Barat Selatan District, Kurunga and Yomen Villages, Kepulauan Joronga District, and Gane Luar Village, Gane Timur Selatan District, Halmahera Selatan Regency, Maluku Utara Province, as outlined in Land Map dated 19 January 2016 Map Number 002-27.05-2016 issued by Ministry of Agrarian and Master Plan Affairs / National Land Authority, comprising:

- NIB 27.05.00.00.00001 of 2,329,0501 ha;
- NIB 27.05.00.00.00002 of 6,102,4373 ha;
- NIB 27.05.00.00.00003 of 13,1200 ha;

SECOND : The granting of Land Cultivation Right as referred to in the FIRST dictum hereof is subject to the following terms and conditions:

- a. The Recipient of the Land Cultivation Right shall be obliged to perform the provisions in the Partnership Cooperation Agreement dated 14 September 2016 Number 01/PKS-Inti_Plasma/IX/2016, Head of Plantation Service of Halmahera Selatan Regency, Head of Cooperative and



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Micro, Small, Medium Business Service of
 Halmahera Selatan Regency, and approved
 by Regent of Halmahera Selatan, and
 conduct Corporate Social Responsibility
 pursuant to Statement Letter dated 14
 January 2014 Number 05/LTB-GMM/I/2015 in
 conjunction with dated 9 February 2016.

- b. The Recipient of Land Cultivation Right shall be obliged to provide access out or water way or such other facilities for surrounded land.
- c. The Recipient of Land Cultivation Right shall be obliged to maintain the land borders.
- d. The Recipient of Land Cultivation Right shall not abandon the land.
- e. The Land given Land Cultivation Right shall be used for plantation business, with the type of plants as approved by the technical agency in charge of the business field.
- f. The Recipient of Land Cultivation Right shall be obliged to undertake the plantation productively and required to submit reports by the end of each year



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concerning the use and utilization of land by the Head of Regional Office of the Head of Land Authority of Maluku Utara Province with copies sent to the Head of Land Authority of Halmahera Selatan Regency.

- g. The Recipient of Land Cultivation Right shall be obliged to develop and maintain environment infrastructures and land facilities within the area.
- h. The Recipient of Land Cultivation Right shall be obliged to maintain the fertility of the land, prevent damages of natural resources and preserve the environment capability, pursuant to the legislations.
- i. The Recipient of Land Cultivation Right shall be obliged to utilize the local potentials and empower the surrounding society, and prepare social facilities and public facilities.
- j. The Recipient of Land Cultivation Right shall be obliged to redeliver the land of the Land Cultivation Right to the State upon the cancellation of the Land Cultivation Right / declared void, and



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shall be obliged deliver the Certificate of Land Cultivation Right that has been canceled to the Minister of Agrarian And Master Plan Affairs/Head of National Land Authority c.q. Head of Land Authority of Malmahera Selatan Regency.

- k. The Recipient of Land Cultivation Right shall be obliged to subject to monitoring of control, use, and utilization of land by Ministry of Agrarian and Master Plan Affairs/National Land Authority.
- l. Any change to the allocation of use/utilization of land and any type of legal acts intending to transfer the Land Cultivation Right on the plantation land, either in part or as a whole, requires prior consent of the Minister of Agrarian And Master Plan Affairs/Head of National Land Authority.
- m. The Recipient of Land Cultivation Right shall not clear and/or manage the land by burning.
- n. In the event of control/ownership of other party on the land given Land



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Cultivation Right pending settlement, shall be the sole obligation/responsibility of the Recipient of right to settle.

- o. Any consequence arising due to the granting of Land Cultivation Right, including any act of controlling the land and the use and utilization of the same shall be the sole responsibility of the Recipient of right.

THIRD : The Recipient of Land Cultivation Right shall be obliged to provide facilities and infrastructures of land fire control including to provide water sources, to carry out good water management in order to maintain the land in wet condition and not prone to fire, to perform prevention including adoption of crisis center of early firefighting, to perform firefighting and post fire handling in the area of land given Land Cultivation Right including fire prevention and fire treatment on the land of the surrounding community.

FOURTH : In order to obtain certificate of right of the land in terms of Certificate of Land



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Cultivation Right, the Recipient shall be obliged to register the Land Cultivation Right and pay the Land Registration service fee with the Land Authority of Halmahera Selatan Regency in accordance with applicable regulation, no later than 3 (three) months from the date hereof, and submit the proof of Land Transfer Right Duty.

FIFTH : The granting of the Land Cultivation Right as referred to in the FIRST dictum hereof may be canceled by Minister of Agrarian And Master Plan Affairs/Head of National Land Authority, if the Recipient of right fails to fulfill any terms or conditions as referred to in the SECOND dictum and THIRD dictum hereof and/or where it has been exposed to 3 (three) written warning in a row within 3 (three) months and remain abandoning the land.

SIXTH : If on the tract of land given Land Cultivation Right there is customary law communities the presence of whom is acknowledged and/or there is a community living and residing in the location for more than 10 (ten) years in a row by good faith, they should be excluded (enclave) from the



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land given Land Cultivation Right, and after 5 (five) years from the granting of the Land Cultivation Right no other party may claim the implementation of the right pursuant to the provision of Article 32 Paragraph (2) of Government Regulation Number 24 of 1997 concerning Land Registration.

SEVENTH : Where in the future the land given Land Cultivation Right is used for the development of public interest, the Recipient of Land Cultivation Right shall be obliged to surrender the right for the land either in part or as a whole to the State pursuant to the provision of legislation in force.

EIGHTH : If the land given Land Cultivation Right turned out in the future either in part or as a whole stated by the legislations as forest area and/or peat lands included within an area as referred to in Instruction of President of Republic of Indonesia Number 8 of 2015 concerning Postponement of Issuance of New Permit and Perfection of Management of Primary Natural Forest and Peat Lands, the Recipient of Land Cultivation Right shall prior to using the land for plantation be obliged to settle the same according to the



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legislations.

NINTH

: If the land given Land Cultivation Right turned out in the future includes a conversation area, the Recipient of Land Cultivation Right shall be obliged to keep, maintain, and preserve the function as conservation area.

TENTH

: If the land given Land Cultivation Right stated in the future, either in part or as a whole, by the legislations as mining area, the Recipient of Land Cultivation Right shall be obliged to settle the same according to the provisions of legislations.

ELEVENTH

: To instruct the Head of Land Authority of Halmahera Selatan Regency:

a. To record in the Land Register and Certificate of Land Cultivation Right the provisions as referred to in the SECOND dictum letter a and letter 1 hereof.

b. To report in writing to the Minister of Agrarian and Master Plan Affairs/Head of National Land Authority, concerning the implementation of obligations as set





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forth in the FOURTH dictum hereof,
copies sent to the Head of Regional
Office of National Land Authority of
Maluku Utara Province.

TWELFTH : The granting of Land Cultivation Right as
referred to in the FIRST dictum hereof shall
be automatically be void if the Recipient of
right fails to fulfill the provisions as
referred to in the FOURTH dictum hereof.

THIRTEENTH : Shall mistakes/erroneous be found in the
future concerning the stipulation, the decree
shall be reviewed accordingly.

FOURTEENTH : This Decree shall come into effect as of the
stipulation date.

Stipulated in Jakarta

On 26 October 2016

MINISTER OF AGRARIA AND MASTER PLAN AFFAIRS/
HEAD OF NATIONAL LAND AUTHORITY,

[signed and sealed]

Sofyan A. Djalil

To:

PT Gelora Mandiri Membangun,



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Wisma Korindo,

Jalan MT. Haryono Kav. 62 Jakarta 12780

Cc.:

1. Director General of Agrarian Law Relationship, Ministry of Agrarian and Master Plan Affairs/National Land Authority, in Jakarta;
2. Director General of Space Utilization Control and Land Control, Ministry of Agrarian and Master Plan Affairs/National Land Authority, in Jakarta;
3. Director General of Plantation, Ministry of Agriculture of Republic of Indonesia, in Jakarta;
4. Director General of Tax, Ministry of Finance of Republic of Indonesia, in Jakarta;
5. Governor of Maluku Utara, in Sofifi;
6. Head of Finance and State Owned Properties (BMN) Office, Ministry of Agrarian and Master Plan Affairs / National Land Authority, in Jakarta;
7. Director of Regulation and Stipulation of Land and Space Right, Ministry of Agrarian and Master Plan Affairs / National Land Authority, in Jakarta;
8. Head of Legal and Public Relation Office, Ministry of Agrarian and Master Plan Affairs/National Land Authority, in Jakarta;
9. Head of General Affairs and Management Administration Office, Ministry of Agrarian and Master Plan



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Affairs/National Land Authority, in Jakarta;

10. Head of Regional Office of National Land Authority of Maluku Utara Province, in Sofifi;
11. Head of Plantation Service of Maluku Utara Province, in Sofifi;
12. Regent of Halmahera Selatan, in Labuha;
13. Head of Land Authority of Halmahera Selatan Regency, in Labuha;
14. Head of Regional Revenue Service of Halmahera Selatan Regency, in Labuha.

Number: 921/Reg/2016
Known and registered in my register for such purposes
by me, RINA UTAMI DJAUHARI Sarjana Hukum, _____
Notary in South Jakarta
09 NOV 2016
RINA UTAMI DJAUHARI, SH.

Jakarta, 07 November 2016

I, Drs. Sularno Popomaruto, a sworn and authorized translator by virtue of Decrees of Governor of Jakarta No. 1715/ 2000 dated 30 June 2000 & No. 1555/2011 dated 29 December 2011, certify that the above is true and accurate English version translated from its original document.

