HCV Assessment Report

PT FINANTARA INTIGA

West Kalimantan, Indonesia

Asia Pacific Consulting Solutions
June 30, 2014

FINAL
ACKNOWLEDGEMENTS

We would like to thank Asia Pulp and Paper Group (APP) and Sinar Mas Forestry (SMF) for providing us the opportunity to help on such a dynamic and significant shift in the approach by the companies in managing their plantation concessions and the additional important high conservation value resources that are contained within. Particularly Ms. Linda Wijaya, Aida Greenbury, Rolf Jensen, Dolly Priatna and Dewi Bramono of APP were invaluable in providing guidance while still allowing for independence throughout the project. Robin Mailoa, Elim, and Adrianto plus the SMF staff at the field level has provided needed support in accomplishing what needed to be done within such a short time frame.

Equally as important, we would like to thank the 80+/- individual subcontractors without whom we would not have been able to achieve the objectives of the project. They worked hard, were dedicated and showed true professionalism throughout the entire period. Although too many to be acknowledged individually, of particular note are Kevin O’Grady of Pinnacle Quality Pty Ltd, Sam Ponder of SDP Holdings Pty LTD, Langlang Tata Buana and Yana Suryadinata are to be commended for their leadership skills in helping to manage the entire field data collection process. We would also like to thank Kenichi Shono of PT Hatfield Indonesia, Martin Hardiono, Iwan Kurniawan Permadi and Ersa Juarsa for their valuable time in assisting with the overall management of the project.

Finally, without the assistance, advice and guidance of key stakeholders in civil society to help us stay true to the HCV concept and ensure we remain committed to transparency and independence, the following group are just a few of the many that were there for us when we needed.

Greenpeace
WWF Indonesia
WWF International
HCVRN Indonesia
HCVRN International
Forest People’s Program
Eyes on the Forest
The Forest Trust
WALHI
and many others at the local level

Thank you all!!
EXECUTIVE SUMMARY

Between March and June 2013 the area of PT Finantara Intiga (FI) was surveyed for presence of high conservation values as part of a larger effort of conducting HCV assessments on 11 different concessions in 4 provinces, all of which provides timber supply to industry which belongs to Asia Pulp & Paper (APP) Group. This particular report present findings for PT FI and the scope of the HCV Assessment for PT FI is limited only to primary field data collection within the area of the concession.

PT Finantara Intiga (FI) is a forest management enterprise managing an industrial plantation forest located within three political regencies (Kabupaten Sanggau, Kabupaten Sekadau and Kabupaten Sintang) in West Kalimantan Province. Most of the area is plantation pulp wood forests (planted forests) and a mosaic of interspersed natural forest remaining in conservation areas.

Project Ownership

This project was commissioned by Asia Pulp and Paper Group. Asia Pulp and Paper Group (APP) is a trade name for a group of pulp and paper manufacturing companies in Indonesia and China. The APP group of companies is one of the world’s largest vertically integrated pulp and paper companies, with an annual combined pulp, paper, and converting products capacity of over 18 million tons. APP-Indonesia and APP-China currently market their products in more than 120 countries across six continents. Asia Pulp & Paper’s Indonesian administrative office is located at Sinarmas Land Plaza, Jalan Thamrin, Jakarta, Indonesia.
At the time of this report, the pulp mills of the Asia Pulp and Paper Group (APP) receive pulpwood from the HTI concessions of 38 suppliers located on the islands of Sumatra and Borneo. This project covers one (1) of those supplies on the island of Sumatra.

**Concession Historical Aspects**

PT Finantara Intiga was a joint plantation forest concession (HTI) founded on 6 June 1996, which at that time was owned by PT Inhutani III (40%), PT Gudang Daram (30%), and Nordic Forest Development Holdings Pte Ltd (30%), a subsidiary of STORA ENSO legally based in Singapore. By 2 June 2000 NFDH bought shares owned by PT Gudang Garam, with 67 percent of the shares being held by NFDH and the remaining 33 percent by Inhutani III.

On 7 October 2004, the shares of NFDH were transferred to Global Forest Ltd, an affiliate of Asia Pulp & Paper through common share ownership. At that point the concession came under Sinarmas Forestry management which is the exclusive supplier of raw material for pulp and paper company Asia Pulp & Paper.

Minister of Forestry Decree No. 750/Kpts-II/1996 dated December 2, 1996 provides the granting of concession rights to the industrial plantation forest area of ±299,700 hectares in West Kalimantan to PT. Finantara Intiga. Due to enclave of community land within those boundaries, the size of production area within the concession is roughly ±210,700 hectares.

Over time PT Finantara Intiga came to manage not only plantation area under the MoF Decree, but also areas outside of the designated decree through agreement with the community and under licenses provided by local government.

In the case of plantation area outside the designated degree, the management area is based on the recommendation of the Head of Sanggau and Sintang Districts further empowered by the recommendation of the Governor of West Kalimantan for an area of ± 68,700 ha, of which 11,623 ha have actually been planted.

**Assessment Findings**

In an effort to provide APP a result that could be more easily utilized, this report is prepared at the concession (Forest Management Unit) level. The concession report provides:

- Introductions and assessment methods conducted during the survey for ecology, soil, hydrology, and social,
- HCV definitions according to the HCV Toolkit for Indonesia (2010),
- a landscape context summary of the management units derived from secondary data and map analysis,
- a landscape perspective in which the concession is operating within,
- findings of the assessment,
- management and monitoring recommendations based on the identified threats, and
- barriers should the company choose to pursue FSC certification in the future.
The following descriptions summarise the results of the HCV identification process:

**HCV 1 Areas with Important Levels of Biodiversity**

**HCV 1.1 Areas that Contain or Provide Biodiversity Support Function to Protection or Conservation Areas**

The PT Finantara Intiga concession is far from most protected or conservation areas such as protection forests, national parks, nature reserves and the like, however there is a small one on the northern boundary of Sanggau District. However, PT Finantara Intiga management unit has established conservation areas along the boundary adjacent to these and riparian buffer zones inside its concession. These protection areas inside the concession cover hectares, or around 25% of the total area and follow provisions laid out by Ministry of Forestry rulings. Riparian buffer zone protected areas are found along the Mawang, Bahta, Melati, Dondong, Jemut and Kenuwa rivers, as well as a number of other rivers inside the concession. In addition, lake buffers, Pulo Mas Protection Forest, kerangas forest and remnants of secondary forest in the concession have also been made conservation areas.

**HCV 1.2 Critically Endangered Species**

Field observations revealed no HCV 1.2 fauna species, but there are HCV 1.2 flora species, five of which are categorised as critically endangered (CR) on the IUCN Red Data List and the remainder protected by the Government of Indonesia (GoI). These species were found mainly in the remnants of secondary forest inside the concession. Despite the presence of these species, sometimes in plantation areas, it is not inconceivable that they may be able to co-exist with plantations with management activities in those plantations being designed to protect and enhance them. *It should be noted that the data collected during the assessment was limited in time and scope due to budget contraints and the need of the client, thus there is a significant need to supplement this data with additional sampling to identify other areas in which these species may exist but were not visited or observed during the assessment.*

**HCV 1.3 Areas that Contain Habitat for Viable Populations of Endangered, Restricted Range or Protected Species**

This area is explained in the Toolkit (2010) as areas that constitute habitat for viable populations of endangered, restricted range, or protected species and the team found that there were 21 flora species, 12 mammal species, 32 bird species and 4 herpetofauna species that meet the criteria for HCV 1.3. Despite the presence of these species, sometimes in plantation areas, it is not inconceivable that they may be able to co-exist with plantations with management activities in those plantations being designed to protect and enhance them. *It should be noted that the data collected during the assessment was limited in time and scope due to budget contraints and the need of the client, thus there is a significant need to supplement this data with additional sampling to identify other areas in which these species may exist but were not visited or observed during the assessment.*
While a lot more work needs to be done by the company to determine population viability than was available during the assessment, a simple approach to “potential carrying capacity” used was by observing the presence of certain species and linking them to areas that allow populations of the same species in a larger and protected forest landscape in or near the concession.

**HCV 1.4 Areas that Contain Habitat of Temporary Use by Species or Congregations of Species**

Observations in the concession area revealed HCV 1.4 in the form of keystone swamp habitats (wetlands) for various bird species and caves where bats breed and nest. In the HCV Toolkit for Indonesia they are categorised as breeding or nesting areas such as caves or wetlands used by birds, bats and reptiles. In addition, riparian zones provide a wildlife corridor function for individuals to move between different ecosystem types and forest blocks, while swamp forest provides refuges for species during fire events.

**HCV 2 Natural Landscapes and Dynamics**

**HCV 2.1 Large Natural Landscapes with Capacity to Maintain Natural Ecological Processes and Dynamics**

The assessment found no core areas inside or outside the PT Finantara Intiga concession area that was greater than 20,000 ha in size within 3 km from the concession boundary. Thus, no HCV 2.1 is present inside the concession.

**HCV 2.2 Areas that Contain Two or More Contiguous Ecosystems**

Three approaches used to identify HCV 2.2 i.e. contiguous forest ecosystems were based on (1) differences in elevation (ecoclone), the area was formerly a natural lowland rainforest ecosystem with elevations between 0-500 m asl. According to available topographic data, the highest region is around 100 m asl. Most of this area has changed to become a man-made acacia plantation forest ecosystem, while some is heavily degraded lowland rainforest ecosystem. (2) Contiguous swamp and non-swamp ecosystems and (3) presence of kerangas forest.

The assessment identified several ecosystem types inside the PT Finantara Intiga concession area; lowland tropical rain forest, dryland forest, kerangas forest, swamp forest, peat swamp forest and riparian forest. Assessments and analyses of the concession area identified ecotones between upland areas and wetlands, particularly on floodplains as well as kerangas forest.

**HCV 2.3 Areas that Contain Representative Populations of Most Naturally Occurring Species**

From assessment results and analysis of landcover in the PT Finantara Intiga concession area it is apparent that there are areas which still have the conditions and habitat necessary for maintaining minimum viable wildlife populations of representative, naturally occurring species. These are riparian zones connected to surrounding secondary forest, designated protection/conservation areas and secondary forest bordering the PT Finantara Intiga concession but outside the boundary.
HCV 3  Rare or Endangered Ecosystems

Based on RePPProT maps, there are 12 land system types inside the concession: Beliti (BLI), Bikit Pandan (BPD), Honja (HJA), Juloh (JLH), Lawangguwang (LWW), Mantalat (MTL), Maput (MPT), Mendawai (MDW), Pakalunai (PLN), Pendreh (PDH), Pulau Sebatik (PST) and Teweh (TWH). Based on the HCV Toolkit for Indonesia (2010), all twelve of these land systems come under the rare and/or endangered categories.

However, ecosystem types contained in the concession area of PT Finantara Intiga consist of lowland tropical rain forest ecosystems, such as dryland forest, kerangas forest, karst forest, swamp forest and riparian forest. Rare and endangered ecosystems in the concession area take the form of kerangas forest and karst forest.

HCV 4  Environmental Services

HCV 4.1 Areas or Ecosystems Important for the Provision of Water and Prevention of Floods for Downstream communities

The concession area of PT Finantara, can be classified into 3 groups (i) Upper reaches of water courses that function as water catchment areas (ii) Swamp forests that function as reservoirs and water retainers that control flooding and (iii) Rivers and their tributaries as flood controllers and water recharge areas. As sources of water, it has been understood that rivers that flow from within the concession area has important roles in providing water for the surrounding living organisms and communities. The sustainability of ecosystems within PT Finantara area is highly dependent on the existence of these rivers.

The biodiversity in the river and its surrounding riparian zone is higher than that for the areas far from rivers. Aside from being utilized directly by the surrounding organisms, the river is also being utilized by the community downstream (see Basic Need – Water and Basic Need – Cash Income in HCV5).

These lakes and swamps function as water reservoirs by taking in the surface runoff of the surrounding area. Furthermore, the continuity of water comes from water seepage of surrounding rivers. Rivers described below that still retain their natural function plays a role in controlling floods downstream. In addition, peat centers act as water recharge areas and water reservoirs, thus serving as both source and flood control. Therefore, HCV4.1 has been found to exist within certain areas of the PT Finantara concession including on rivers utilized by community downstream as explained in HCV 5 (see Basic Need – Water and Basic Need – Cash Income). Thus HCV 4.1 exists in PT FI.

HCV 4.2 Areas Important for the Prevention of Erosion and Sedimentation

This is determined by using DEM that generated into contour and slope. The slope factor used as a limit was the coefficient value of slope length and slope gradient factors in regions categorised as upstream areas (slope >15%). All area with steep slope and containing highly erodible soils, as well as riparian zones along major rivers and tributaries are identified as areas critical for preventing erosion and sedimentation. Steep areas within the upstream areas particularly need to be protected by maintaining vegetation cover necessary to prevent erosion.
Maintaining healthy and adequate buffer zones provide a filtration effect that removes significant sedimentation from runoff prior to it entering the streams, rivers and other water bodies. There were 18 water catchment areas and 55 rivers that meet the requirements of HCV 4.2.

**HCV 4.3 Areas that Function as Natural Barriers to the Spread of Forest or Ground Fire**

These areas are marked by the presence of key elements that have important functions as firebreaks. The important value of such areas is identified from their capacity to prevent or contain actual or potential forest and land fires. Natural firebreaks constitute areas that tend to be wet all year round, or areas that have high moisture levels and relatively low temperatures. A fire break area can the categorised as possessing HCV 4.3 elements if it meets some of the following criteria (ProForest, 2003): (i) can naturally prevent, limit or control fires, (ii) covers a large area as a significant barrier to fire and (iii) has or is close to a community settlement, (iv) has or is close to a place of cultural significance (cultural sites, sacred places) and (v) has or is close to a conservation area containing important species or ecosystems. The establishment of HCV 4.3 is done with an approach that forest fires are a potential disaster. There are 10 rivers and 5 large swamp areas that meet the requirements of HCV 4.3.

**HCV 5 Natural Areas Critical for Meeting the Basic Needs of Local People**

Based on data analysis, document study, FGD, interview and field observation, it can be concluded that in the area of PT. Finantara Intiga HCV 5 is present, which is natural areas critical for meeting the basic needs of local people, through the source of fish protein from the rivers, big and small rivers. In addition, there is HCV 5 for meeting the basic needs for vitamins from fruits (tembawang). Sources of fruits from community in villages around PT. Finantara Intiga area is especially from tembawang. The main type of fruit that could be found in tembawang is durian. There are also areas which meet the basic needs for water supply for drinking and household use and as a source of building materials for housing or building material. In general the source of timber is from tembawang, tawang and forest around villages/traditional forest. Finally, for some, especially the Dayak, the concession and surrounding area is a source for meeting the needs of cash income from fishing and harvesting of non-timber products such as rattan.

**HCV 6 Areas Critical for Maintaining the Cultural Identity of Local Communities**

Based on data analysis, document study, FGD, interview and field observation, it can be concluded that in the area of PT. Finantara Intiga, there is HCV 6 Areas Critical for Maintaining the Cultural Identity of Local Communities such as tembawang (old kampung and place for family members to gather during fruit season), pedagi, sacred/old cemetery (pendam), etc.
The following table and map summarizes the HCV management areas identified by the assessment team. The size of the concession area based on the license is a bit different if compared with the GIS calculated size as shown in the table below. Regarding this discrepancy, the company has stated the following "The determination of concession area size is based on the Republic of Indonesia Ministry of Forestry Decree (Surat Keputusan or SK) for the plantation forest concession license which includes the appended concession map. Boundary in the field was laid down in accordance to the appended SK concession map. There is inconsistency between the calculated area size based on the field boundary and the area size that was stated in the SK. This variation is caused by the digitization process on the SK concession map, which was only available in hardcopy format when the SK was issued, into the company’s Geographic Information System (GIS). The company is still in the process of settling the definitive boundary with relevant government institutions. Under the current situation, the company decided that HCV assessment will use the GIS map which is consistent with field condition."

<table>
<thead>
<tr>
<th>District</th>
<th>Area (Ha)</th>
<th>HCV 1</th>
<th>HCV 2</th>
<th>HCV 3</th>
<th>HCV 4</th>
<th>HCV 5</th>
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<tbody>
<tr>
<td>Beringin</td>
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<td>197.37</td>
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<td>926.16</td>
<td>9,992.57</td>
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<td>1,363.20</td>
<td>1,554.88</td>
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<td>13,343.47</td>
<td>2,103.07</td>
<td>2,091.90</td>
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<td>Nanga Beloh</td>
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<td>1,615.09</td>
<td>2,004.49</td>
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</tbody>
</table>

*: for HCV 5 and 6, the location is indicated by dots instead of polygon, thus the total areas for those HCVs are not presented in this table.
Management and Monitoring Recommendations

APP has stated an intention to conduct an extensive “landscape management planning” process upon completion of HCV, HCS and social impact assessments that will provide a clear, holistic approach to dealing with all of the pertinent issues identified. The stated goal is to conduct extensive stakeholder consultations with government, universities, neighboring landusers, civil societies and communities during that process. As a result management and monitoring recommendations provided in this report, as well as indicative High Conservation Management Areas (HCVMA) are provided in a generic framework to be used as a “guide” to help develop management prescriptions during this more extensive planning process. HCV category and sub-category recommendations are provided in the full report and the following major generic recommendations have been provided without specific reference to HCV category or sub-category:

- Additional data for all HCV needs to be collected to supplement that from the assessment team, particularly relating to species presence, locality and potential population since due to time and budget constraints only a small fraction of the total area was able to be sampled;
- All final HCV management areas must be delineated on the ground and adequately protected from encroachment to protect and enhance HCV values present with the use of an appropriate buffer;
- Natural areas, particularly riparian zones and those areas that could be part of a larger concession wide wildlife corridor system connecting protected areas inside and outside the concession areas, need to be rehabilitated and restored with natural, indigenous species;
• Consultation with experts on specific species need to occur to determine when management activities have the most and least adverse effect on disturbance as well as what specific habitat needs are required;

• Hunting and encroachment of HCVMA must be controlled and prohibited, either using company staff, community patrols, government enforcement, civil society or a combination;

• Public education at the community level must occur to stress the importance of the HCV values, what they mean to the people living near the concession and why it is critical to protect and enhance these values;

• Designated staff responsible for HCV management should be assigned within each concession (at minimum concession level) and all field staff and contractors need training sessions explaining HCV values present and the importance of protecting and enhancing them;

• Areas with high populations of HCV 1.2 and 1.3 species should be considered for potential restoration as conservation areas;

• Collaboration with neighboring land users, particularly that can negatively influence HCV values within the concession and at the landscape level, must be undertaken in an effort to protect and enhance these values;

• Alternative species that require less intensive water management for survival and productivity need to be examined for peat soils to reduce the negative impact this has on the soil, hydrology and carbon emissions;

• HCV management prescriptions should be based on best practices instead of business as usual, summarized and made publically available;

• Identification of specific environmental values to monitor in order to determine the health of each HCV value and effectiveness of management programs must be developed and monitored on a regular basis;

• Periodic (minimum annually) summaries of monitoring results must be prepared and should be made publically available.