

# **EXECUTIVE SUMMARY**

## **PT. BUANA MEGATAMA JAYA (BMJ) RISK ASSESSMENT**

APP requires all of its existing and potential pulpwood suppliers to comply with the Forest Conservation Policy (FCP) and the Responsible Fiber Procurement and Processing Policy (RFPPP). APP has developed an Association Procedure<sup>1</sup> to ensure the compliance of the existing and potential pulpwood suppliers to those policies.

This procedure is technically explained within the Supplier Evaluation and Risk Assessment (SERA) tools, which cover four main activities: 1) supplier validation, 2) developing contract for pulpwood supply, 3) verification of incoming pulpwood, and 4) annual evaluation of the pulpwood supplier. Risk assessment on the potential pulpwood supplier is part of the supplier validation activity.

This Association Procedure has been applied to the potential pulpwood supplier in West Kalimantan, PT. Buana Megatama Jaya (BMJ). APP/SMF together with TFT have undertaken a risk assessment based on questionnaire results, document verification (18 February 2015 and 6 March 2015) which was then continued with field observation to BMJ concession area on 16-20 March 2015. In August 2017, BMJ has completed High Conservation Value (HCV), High Carbon Stock (HCS), and Social Impact assessments which forms as the base of the integrated management toolkit. The result of the risk assessment is included within this summary report.

The risk assessment process groups the risks into three categories: low, low\* (initial risk is assessed as low but has the potential to be high risk when operation has commenced) and high. The summary of risk assessment is as follows:

- Three (3) indicators categorized as low risk, which are: Indicator 6: HCV/HCS Protection; Indicator 7: Protected species, and Indicator 8: Civil and traditional rights.
- Seven (7) indicators categorized as low\*, which are: Indicator 3: Third party certification; Indicator 4: CoC system; Indicator 5: Legality of forest products management and harvests; Indicator 9: ILO Convention; Indicator 10: Health and Safety; Indicator 11 : Genetically Modified Organism; and Indicator 12: Forest conversion into other land use.
- Two (2) indicators categorized as high risk, which are: Indicator 1: Country, and Indicator 2: Wood species.

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<sup>1</sup> APP Association Procedure can be accessed on APP FCP Monitoring Dashboard

The summary of risk analysis on the 12 indicators for BMJ is as follow:

No	Indicator	Verifier	Information	Risk	Notes
1	Country	Country, Corruption Perception Index (CPI)	<ul style="list-style-type: none"> <li>Indonesia</li> <li>CPI = 37 (2016)</li> </ul>	High	Country with CPI index <50 is categorized as high risk country.
2	Wood species	Species harvested, species planted	<ul style="list-style-type: none"> <li>There has not been any wood harvested, whether from land preparation or for production</li> <li>The species to be planted, based in the longterm workplan/RKUPHHK in 2011: <i>Acacia mangium</i></li> <li>Species to be planted based on revision of longterm workplan/RKUPHHK in 2012: rubber</li> </ul>	Low*	
3	Third party certification	Mandatory: SVLK, PHPL Voluntary: CoC, others	No third party certification, including the mandatory ones (SVLK/PHPL) <b>There has not been any operational activity on the ground</b>	Low*	Woods entering APP mills have to at least be VLK certified.
4	CoC System	Policy, Procedure, Responsibility, CoC training, traceability	There is no policy and procedure of CoC <b>There has not been any operational activity on the ground</b>	Low*	APP will assist in developing procedures in accordance to the required CoC standard, including monitoring system, once it has become a supplier.
5	Legality on forest product management and harvest	AMDAL, concession license (SK IUPHHK) and license period, macro- and micro-delineation, Long-term Workplan (RKUPHHK), areal boundaries, annual workplan (SK RKT), location of planned annual work, annual cutting quota, road construction plan, wood transport document, payment	<ul style="list-style-type: none"> <li>Fulfilled: AMDAL, concession license, areal boundaries, macro- and micro-delineation, work plan (RKUPHHK) and annual workplan permit.</li> <li>Long term workplan (2011): plan for planting <i>Acacia mangium</i></li> <li>2012 long term workplan – revision: plan for planting rubber (<i>Hevea brasiliensis</i>)</li> <li>2014 annual workplan permit (approved) but no realization on the ground.</li> <li>2015 annual workplan permit (approved): areal boundary plan of</li> </ul>	Low*	

No	Indicator	Verifier	Information	Risk	Notes
		of reforestation fund ( <i>Dana Reboisasi</i> ) / Provision of Forest Resources ( <i>Provisi Sumber Daya Hutan</i> )	81.81KM and protected area management plan <ul style="list-style-type: none"> <li><b>(2016/2017): no operational activity.</b></li> </ul>		
6	HCV/HCS Protection	Forest function, land cover, soil type including the existence of <i>organosol</i> soil type (peat), hydrology, spatial plan, based on micro delineation and longterm workplan (RKUPHHK), protection area, HCV/HCS socialization, HCV/HCS identification	Based on the assessment conducted by Ekologika, there are HCV potential such as: river and its riparian, old scrubs, indicator of <i>karangas</i> ecosystem (low nutrient), peat area ( <i>organosol</i> ), and sacred places for the community, that are included in HCV Assessment Synthesis Map <ul style="list-style-type: none"> <li>HCV Assessment findings inside PT. BMJ concession, are: <ul style="list-style-type: none"> <li>✓ HCV 1.1: Concession boundaries between PT. BMJ and Muara Kendawangan natural reserve and Protected Peat Forest</li> <li>✓ HCV 1.2: There are <i>Shorea belangeran</i>, <i>S. platycarpa</i>, <i>Manis javanica</i> and <i>Pongo pygmaeus spp wurmbii</i></li> <li>✓ HCV 1.3: there are mammal bird species, and vegetation that spread in peat forest ecosystem, riparian, <i>kerangas</i> forest and other wet land area in BMJ's concession.</li> <li>✓ HCV 1.4: there is migratory water bird <i>Actitis hypoleucos</i>.</li> <li>✓ HCV 2.3: there is an area that contains population of several species including primates such as lorises, Kelasi, Lutung, Bekantan, Long Tailed-Monkey, Beruk, Owa, Orangutan, and Leopard</li> <li>✓ HCV 3: There are peat swamp ecosystem, <i>Kerangas</i> forest, wet lands and riparian areas.</li> </ul> </li> </ul>	Low	

No	Indicator	Verifier	Information	Risk	Notes
			<p>✓ HCV 4.1: indication of 2 ecosystems as water supply and flood prevention for community in downstream, which are riparian ecosystem and peat swamp.</p> <p>✓ HCV 4.3: there are remains of forests that have function to prevent the spread of fire.</p> <p>✓ HCV 5: the forest still supports the need of community for consumption (rice field, fish and other river/marine produce, tools, building material, fuels, natural medicine, clean water resources (for consumption and hygiene), and raw material for handicraft.</p> <p>✓ HCV 6: there are important sites/locations in area of BMJ (cemetery, sacred place, important location for cultural identity)</p> <p>HCS Potential recommended for conservation based on the assessment result is around 4,291 Ha, from the total concession area of 43,800 Ha, which includes:</p> <ul style="list-style-type: none"> <li>- 11 high priority areas that have Core Area &gt;100 Ha spread in Natai Rusa (west side of of BMJ's west block) and Bagan Cabe (East block of BMJ) with total area of 3.386 Ha</li> <li>- 2 areas connected with high priority area that spread in Natai rusa (west side of BMJ's west block) dan Natai Tulang- Tebing Tinggi (southeast side of BMJ's west block) with total area of 227 Ha</li> <li>- 4 medium priority areas (low risk) in Natai Tulang - Tebing Tinggi (southeast side of BMJ's west block) with total area of 278 Ha</li> </ul>		

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			<p>- 14 areas that are not possible for operation in Natai Tulang- Tebing Tinggi (southeast side of BMJ's west block), Natai Rusa (west side of BMJ's west block) and Bagan Cabe with total area of 400 Ha</p> <p>including management of peatland as conservation area.</p>		
7	Protected Species	Protected species according to CITES/ IUCN and government regulation, UU No. 5/ 1990, PP7/1999 and species that are protected by communities.	<ul style="list-style-type: none"> <li>• According to HCV assessment, there are protected species for both plants and wildlife, which includes: <ul style="list-style-type: none"> <li>✓ <b>Plants such as:</b> Rengas (<i>Semecarpus glauca</i> Engl), Perepat (<i>Combretocarpus rotundatus</i>), Jelutung (<i>Dyera polyphylla</i> (Miq.) Steenis), Chin Wood (<i>Gymnostoma nobile</i> (Whitmore) L.A.S. Johnson) (Becc) R.A. Howard), Gaharu (<i>Aquilaria malaccensis</i> Lam.), Ramin (<i>Gonystylus bancanus</i> (Miq.) Kurz.), etc.</li> <li>✓ <b>Wildlife:</b> Loris, Kelasi, Lutung, Bekantan Monkeys, Long-Tailed Monkeys, Bears, Gibbons, Orangutans, and leopard.</li> </ul> </li> <li>• Important species for cultural identity: <ul style="list-style-type: none"> <li>✓ <b>Wildlife:</b> Murai Batu (<i>Copsychus malabaricus</i>), Eagle, Klempiau (<i>Hylobates muelleri</i>), and Kentayau.</li> <li>✓ <b>Plants:</b> Sensabang wood, idup-idup, jelumpang, kelaban/jamai, siduk, tetanjang, segulang kampung, malik-malik, bambu, pinang, coconuts, kumpang balang, turmeric, rumput gragat ganting, rumput sarang sarang.</li> </ul> </li> </ul>	Low	
8	Civil and traditional rights	Villages around concession areas, sources of income	<ul style="list-style-type: none"> <li>• Social Impact Assessment (SIA) has been conducted by Ekologika (consultant)</li> </ul>	Low	BMJ has conducted SIA study, so it is certain that social

No	Indicator	Verifier	Information	Risk	Notes
		for the community, ownership and use of land, land conflict, customary forest, customary leaders, Socialization of Plantation activity plan (through FPIC)	<ul style="list-style-type: none"> <li>FPIC activity by BMJ has been conducted in Air Hitam Besar village, Air Hitam Hulu, Air Tarap, Danau Buntar, Natal Kuni, Pembedilan. Issues that were raised, among others, are company's operational, infrastructure, social economy, and disaster that caused by human activities.</li> </ul>		impacts and operational impacts on the community's rights have been mapped.
9	ILO Convention	Company regulation/PKB, Freedom of association, child labor, worker exploitation, discrimination.	<ul style="list-style-type: none"> <li>No corporate regulation</li> <li>Only few employees been recruited</li> <li>Only have 1 field worker</li> </ul> <p>Implementation cannot be verified because there has not been any operational activity on the ground</p>	Low *	
10	Operation Health and Safety (OHS)	OHS policy, workers number, safety equipment	<ul style="list-style-type: none"> <li>Does not have OHS policy</li> <li>Only few employees been recruited</li> </ul> <p>Implementation cannot be verified because there has not been any operational activity on the ground</p>	Low *	
11	GMO	Policy not to use GMO, seeds origin, seeds certificate	<ul style="list-style-type: none"> <li>There is no policy that regulate the use of GMO</li> <li>No seed procurement activities</li> </ul> <p>Implementation cannot be verified because there has not been any operational activity on the ground</p>	Low *	GMO: Genetic Modified Organism
12	Natural forest conversion to other uses after 1 February 2013	Policy, land preparation, transport document for forest products(PUHH)	<ul style="list-style-type: none"> <li>Does not have a policy to avoid natural forest conversion</li> <li>No land preparation activity since the issue of UPHHK in 2009.</li> <li>No forest transportation activity yet</li> <li>RKT 2015: No plan for land preparation</li> </ul>	Low *	The HCS studies have been carried out and the result has justified the area with high/low carbon. This study used as a basis to manage the area.

Notes: \*the risk can become high when the operational is running