



R.E.A. HOLDINGS PLC



Sustainability Report

2014

SUSTAINABILITY REPORT 2014



R.E.A. HOLDINGS PLC

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Statement from the board of directors

Welcome to our second sustainability report, which describes our performance in 2013 and 2014.

The global focus on sustainability continues to evolve and intensify with additional and tighter regulations for the development and operation of oil palm plantations and mills. We at REA are firmly committed to implementing the best practices that have been established by the Roundtable on Sustainable Palm Oil ("RSPO"), as well as the new, largely regulatory based Indonesian Sustainable Palm Oil ("ISPO") standard. We are on track to obtain RSPO certification for our third and only uncertified RSPO mill before the end of 2015. Furthermore, we are taking care to ensure that all new land that we develop follows the RSPO's new plantings procedure and have gone beyond the minimum requirements by making a commitment to avoid development of peat.

The period since we published our first sustainability report has been exciting yet frequently testing for REA. Much of our corporate structure and management team has changed in this time, and we now feel better equipped to develop and manage responsibly and efficiently a multi-site operation in a challenging economic and social environment. With new management came a drive to understand our business better. In doing so, we have discovered things that we are not doing as well as we should and where we know more remains to be done.

Despite the challenges of the last two years, we have made some remarkable progress. On 16 April 2015, we commenced the supply of electricity generated by our two established methane capture plants to some of the villages in the vicinity of our operations. This marked the culmination of nearly two years of hard work by our team and collaboration with the Indonesian national electricity company to install the infrastructure necessary to supply up to 8 megawatts of electricity to 21 neighbouring villages, which comprise some 8,500 households. This collaboration will serve to improve the livelihoods of these local communities and reduce greenhouse gas ("GHG") emissions, while providing our business with a valuable new revenue stream. This collaboration embodies the new policy we adopted in 2013 for our community development programme, which is to become a leading partner in making the local communities more socio-economically independent. We are delighted to be entering this exciting new era of our sustainability journey.

Another area of our business where we have made great strides in the last two years is our relationship with the local communities. In 2012, we reported that we had experienced a series of protests in relation to outstanding claims for land compensation and demands to participate in our plasma smallholder scheme. Whilst new claims and occasional disagreements are inevitable and will continue to occur from time to time, we are pleased to report that our community relations have greatly improved. This achievement has largely been due to the creation of a centralised villager affairs department, which comprises the previously disparate land compensation, smallholder, community development and security teams, and the success of this team in implementing a culture of "one door, one message". Establishing more pro-active and consistent channels of communication has been key to our ability to resolve past issues in a way that is systematic, transparent and fair, as well as to identify new issues and address them before they escalate.

Smallholders play an increasingly important role in our business. We are investing substantial amounts of time and resources in obtaining the land and completing the administration necessary to enable the villages surrounding all of our plantations to participate in our smallholder plasma scheme. Whilst this is a legal obligation for our plantations established after 2007, we volunteered to extend this commitment to include the villages surrounding our long established REA Kaltim ("REAK") concession because we believe that smallholder schemes are one of the most effective ways to share the benefits of our operations with the local population. Likewise, we want to ensure that the semi-independent (PPMD scheme)¹ and independent smallholders within our supply chain receive maximum benefit from their land. To support this objective, in 2014 we entered into collaboration with the international NGO SNV, who has been assisting us to develop and implement training on best agricultural practices. We hope that this training will improve the economic returns to both the smallholder, through better yields and higher quality fruit, and the company, through higher extraction rates at our mills and better quality palm oil.

The change in leadership has brought about a cultural change, and with it a commitment to improve the health and safety aspects of our working practices and achieve the internationally recognised OHSAS 18001 certification. Although we have made good progress in identifying and addressing many of the key hazards within our operations, we are not yet certain that we are able to perform consistently at this standard over the long-term. Therefore, whilst we had intended to obtain OHSAS 18001 certification by the end of 2015, this has now been delayed until 2016 to ensure that safety considerations have been properly integrated into the culture of our organisation before we are deemed to be implementing best practice.

¹More information about our semi-independent PPMD (Programme Pemberdayaan Masyarakat Desa) scheme is provided in Box 7 on p54

Despite progress in reducing our lost time accident rate, regrettably five of our employees were involved in fatal traffic accidents in the last two years, although only one occurred on site during working hours. Irrespective of whether or not such incidents are work-related, we will continually strive to improve the awareness of our employees about the potential dangers of working in a remote and industrial environment, where regional infrastructure may not be of the highest quality and where the weather can often make travel conditions potentially treacherous. On behalf of all employees at REA, we extend our deepest condolences to all of the family and friends of those involved in these accidents.

Our commitment to conservation continues unabated and our dedicated team of conservationists, known as REA Kon, is making great efforts to educate our employees, their children and the surrounding communities about the importance of conservation and the need to protect the 17,300 hectares we have set aside as conservation reserves within our land concessions. Despite this, preventing the degradation of these conservation reserves is one of the greatest challenges we face and it is clear that many local villagers, especially the older generation, do not readily embrace the concept of conservation. In 2014 we focused on trying to map all community land clearing within our conservation reserves and to identify the people involved. This exercise is not yet complete, but the area known to have been impacted by encroachment already amounts to 347 hectares within our established concessions. This is a serious concern. In an effort to safeguard the conservation

reserves in our new developments from encroachment we are acquiring the right to manage this land in the same way as we do for the land that will be developed with oil palm. Although we are engaging with our village neighbours to try to prevent further encroachment in our established plantations the scale of this challenge cannot be underestimated.

As we continue to grow our business, we expect to encounter both new challenges and new opportunities for innovation and consider both to be important drivers for continuous improvement. We will approach both of these in a transparent, systematic and responsible manner. Whilst improvements in terms of increased yield or profits may not be immediate, we are confident that our hard work and investment will bear fruit and that we are creating firm foundations for a prosperous future.

We would like to take this opportunity to thank all of our employees for their hard work, commitment, loyalty and support for the continuous process of change necessary to create a culture that will ensure REA continues to be recognised as one of the world's highest quality producers of sustainable palm oil.



REA's executive directors celebrate REA's 19th birthday with employees on the plantation

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Section 1

Our Business



Oil palm fruit being delivered to Satria oil mill

Operations and sales

R.E.A. Holdings plc (“REA”) is an experienced and expanding producer of sustainable palm oil from plantations and mills concentrated in the province of East Kalimantan in Indonesia. Our three palm oil mills, the newest of which was commissioned in September 2012, process oil palm fruit from our own plantations, outgrowers and increasingly from scheme and independent smallholders. As at 31 December 2014, our land bank totalled 108,215 hectares of which 70,584 hectares are fully titled and 34,614 hectares are planted with oil palm (see map on page 8). Capitalising on the wealth of experience gained since acquiring our first oil palm concession in 1991, we are planning to expand the area planted with oil palm to some 60,000 hectares. This development will be designed and implemented in line with our policy on environmentally and socially responsible development. We employ just over 9,800 people, over 99% of whom work for the plantation subsidiaries and are based in Indonesia. We have small offices in London, where we are headquartered, and in Singapore, where we have a regional head office.

In 2014, we produced 169,466 metric tonnes (“MT”) of Crude Palm Oil (“CPO”) and 12,596 MT of Crude Palm Kernel Oil (“CPKO”), of which 59% and 68% respectively was certified sustainable. From late April 2015, revenue will also be generated through the sale of electricity produced by the two REAK methane capture facilities to the Indonesian national electricity company, PLN (*Perusahaan Listrik Negara*). We also have a small mining business. This comprises a stone concession and three open cast coal mining concessions, totalling 7,500 hectares. During the last two years, minimal amounts of capital have been invested in these operations and mining activity has been very limited with no revenue generated in 2014.

For the 2014 financial year, the group reported revenue of US\$125.9 million and net profit of US\$22.0 million, compared to revenue of US\$110.5 million and net profit of US\$12.7 in 2013.

Figure 1: Group FFB yield and oil extraction rates

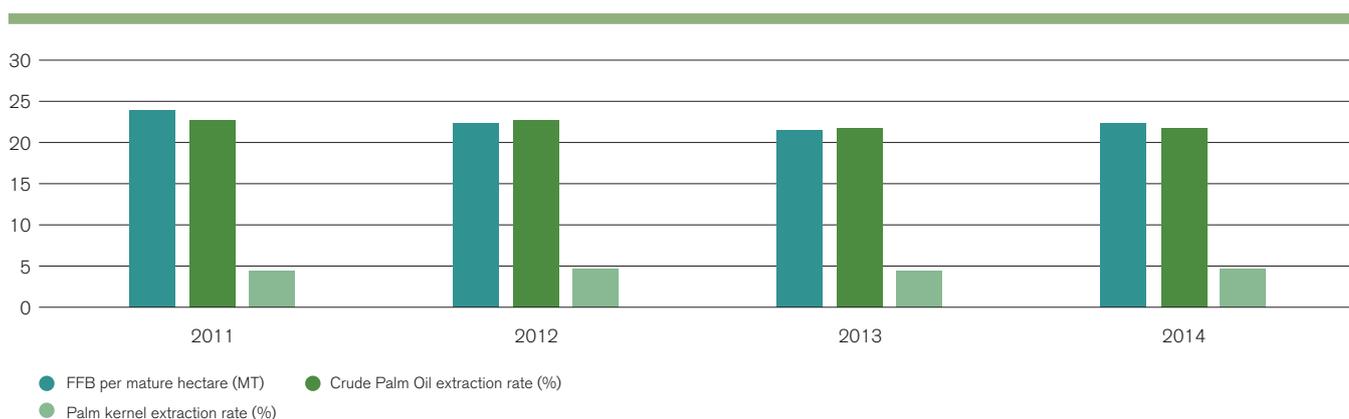
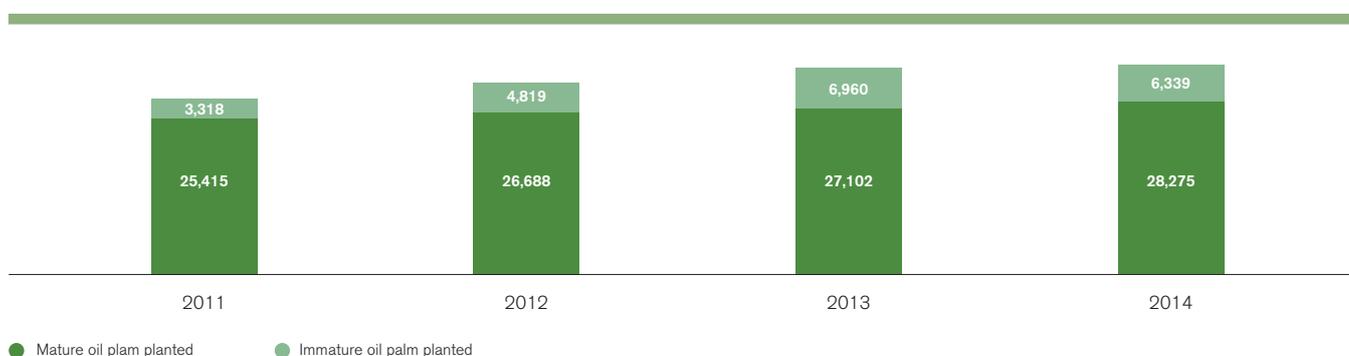


Figure 2: Total hectareage of oil palm planted



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REK Kaltim Plantations (REK)

- Longest established operation: land title acquired in 1991, first oil palms planted in 1994
- Two palm oil mills (capacity of each: 80MT FFB/hour), both with methane capture facilities and one with palm kernel crushing plant
- RSPO certification achieved in June 2011
- 22,986 hectares of oil palm planted with a weighted average age of 14 years. Planning to develop a further 130 hectares
- 5,324 hectares (18% of the land use title) set aside for conservation
- Location of REK group central offices where the senior plantation management and supporting departments are based
- Company housing for some 3,700 employees and 6,300 family members

Sasana Yudha Bhakti (SYB)

- Became a REA group company in 2006. 11,771 hectares of fully titled land, 2,212 of land subject to titling
- Palm oil mill (capacity: 40MT FFB/hour) commissioned in Q3 2012. Palm kernel crushing plant already operational. Land set aside to build a methane capture facility in the future
- On track to obtain RSPO certification before the end of 2015
- 5,600 hectares of oil palm planted with a weighted average age of 6 years. Planning to develop a further 1,250 hectares
- 3,619 hectares (31% of the land use title) set aside for conservation
- 3,557 hectares of fully titled land and 2,212 hectares of untitled land are due to be relinquished shortly due to overlapping mineral rights. This includes 550 hectares planted with oil palm and 1,450 hectares of conservation reserves. In exchange, the REA group will acquire the rights to 9,097 hectares of fully titled land owned by PU
- Company housing for nearly 450 employees and some 1,000 family members

Prasetia Utama (PU)

- PU is due to be acquired in exchange for the area of SYB that is subject to overlapping mineral rights
- 9,097 hectares of fully titled land

Kartanegara Kumala Sakti (KKS) and Persada Bangun Jaya (PBJ2)

- Became an REA group company in 2006. This company has been allocated 5,150 hectares which are subject to titling. A further 12,050 hectares has been provisionally allocated to KKS if and when this land is reclassified as available for oil palm development
- KKS acquired the subsidiary PBJ2 in 2012. PBJ2 comprises three separate areas of land totalling 7,411 hectares which are subject to land titling
- A significant proportion of the PBJ2 land area adjacent to REAK's mature estates will be used to develop plasma smallholder schemes
- The RSPO New Plantings Procedure was completed for the PBJ2 land adjacent to REA Kaltim in August 2014

Putra Bongan Jaya (PBJ)

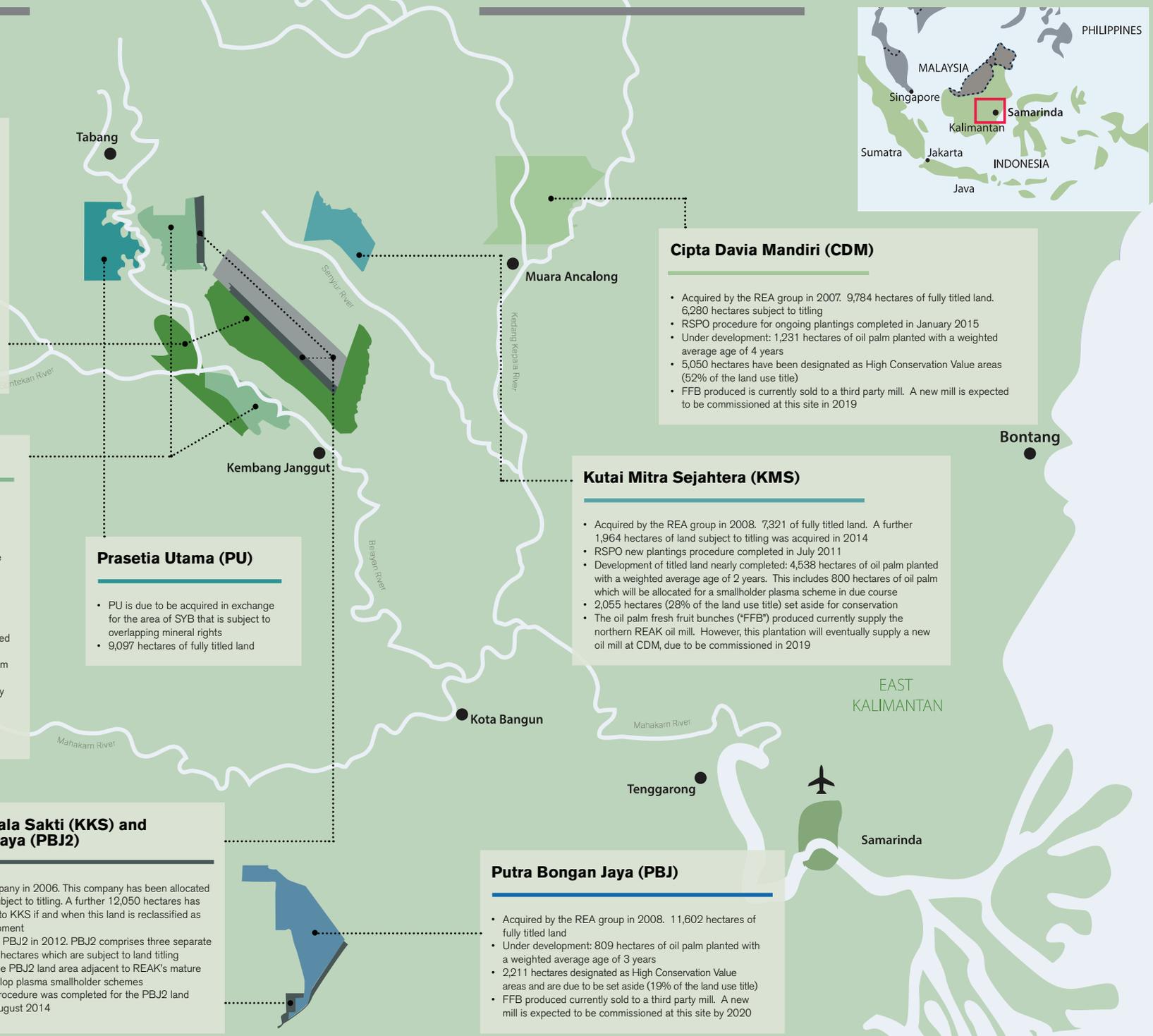
- Acquired by the REA group in 2008. 11,602 hectares of fully titled land
- Under development: 809 hectares of oil palm planted with a weighted average age of 3 years
- 2,211 hectares designated as High Conservation Value areas and are due to be set aside (19% of the land use title)
- FFB produced currently sold to a third party mill. A new mill is expected to be commissioned at this site by 2020

Kutai Mitra Sejahtera (KMS)

- Acquired by the REA group in 2008. 7,321 of fully titled land. A further 1,964 hectares of land subject to titling was acquired in 2014
- RSPO new plantings procedure completed in July 2011
- Development of titled land nearly completed: 4,538 hectares of oil palm planted with a weighted average age of 2 years. This includes 800 hectares of oil palm which will be allocated for a smallholder plasma scheme in due course
- 2,055 hectares (28% of the land use title) set aside for conservation
- The oil palm fresh fruit bunches ("FFB") produced currently supply the northern REAK oil mill. However, this plantation will eventually supply a new oil mill at CDM, due to be commissioned in 2019

Cipta Davia Mandiri (CDM)

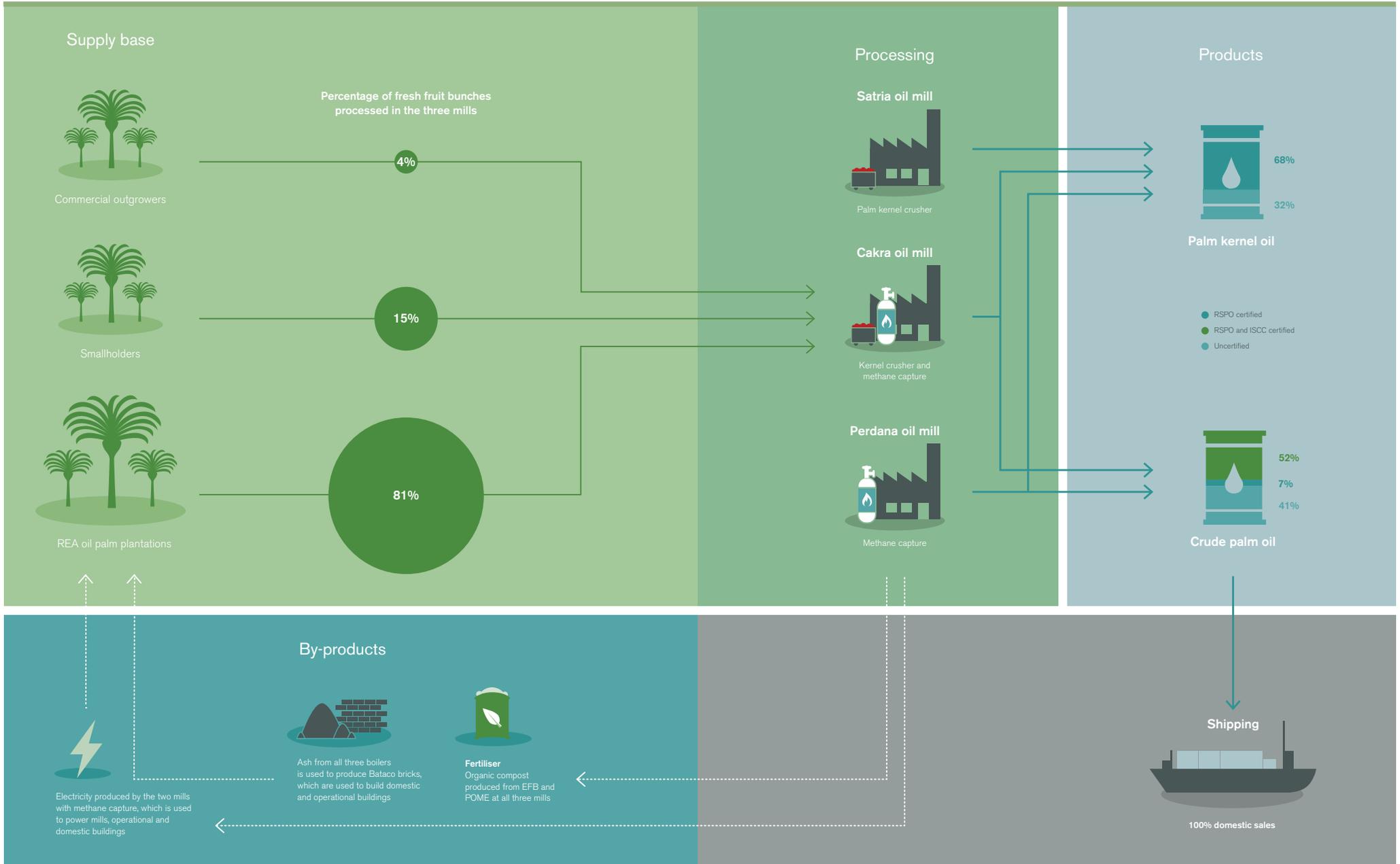
- Acquired by the REA group in 2007. 9,784 hectares of fully titled land. 6,280 hectares subject to titling
- RSPO procedure for ongoing plantings completed in January 2015
- Under development: 1,231 hectares of oil palm planted with a weighted average age of 4 years
- 5,050 hectares have been designated as High Conservation Value areas (52% of the land use title)
- FFB produced is currently sold to a third party mill. A new mill is expected to be commissioned at this site in 2019



EAST KALIMANTAN

Samarinda

REA's business process



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Corporate governance and management structure

REA is a UK public listed company, traded on the main market of the London Stock Exchange with headquarters in London. The group is governed by the statutory obligations laid down in the Companies Act 2006, and complies with the UK Corporate Governance Code issued by the Financial Reporting Council. The REA board of directors is responsible for ensuring that the group's affairs are managed in accordance with these regulations and their principles, which define best practice. They are also responsible for determining the group's strategic direction, material investments and financing decisions, monitoring and mitigating risks and reviewing performance. The board comprises six directors, including four non-executives, the managing director and the regional director. Three of the non-executive directors are independent, one of whom is female.

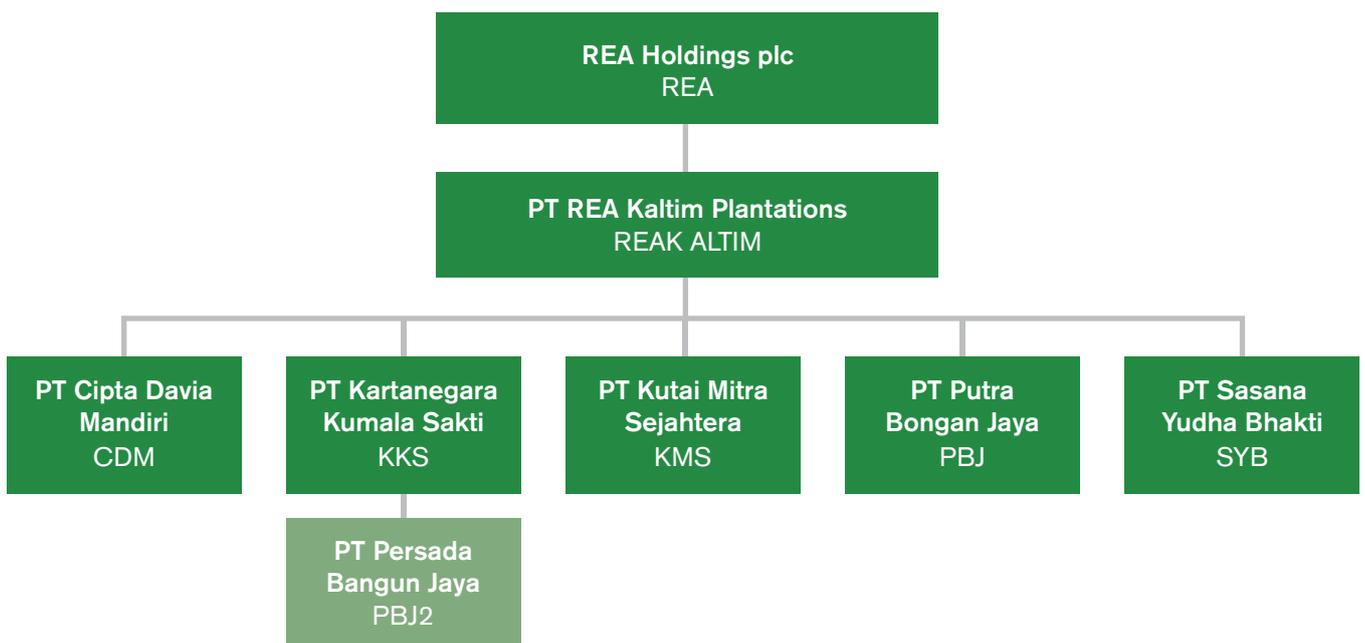
The board has elected four standing committees, of which three are chaired by independent non-executive directors. Each standing committee has written terms of reference. The four committees are primarily responsible for:

- audit and internal controls
- appointments to the board, paying due regard to ethnic and gender diversity
- remuneration of the chairman and executive directors
- matters of an executory nature and specific business with delegated authority of the board.

REA is the ultimate parent company of all of the group's oil palm plantation subsidiaries in Indonesia. The plantation sub-group is headed by our longest established subsidiary, REAK, and comprises six additional plantation companies. As required by Indonesian company law, REAK and each of the other plantation subsidiaries are governed by a two tier board, comprising a board of commissioners and a board of directors. The board of directors is responsible for designing and implementing management policies that meet the purpose and objectives of the company. The board of commissioners acts in an advisory and supervisory capacity for the board of directors. Approval from the board of commissioners is required for the budget and work plan prepared by the directors prior to each financial year. All directors and commissioners are subject to appointment by the shareholders.

It is intended that there will be a public offering of a minority shareholding of REAK, combined with a listing on the Indonesia Stock Exchange in Jakarta, as soon as practicable. Such increased local ownership should make it easier to operate in a political climate that is favouring greater Indonesian ownership of oil palm operations.

R.E.A. Holdings plc company structure



R.E.A. Holdings plc board of directors

United Kingdom 

 Non-executive Chairman British	 Executive Managing Director British	 Executive Regional Director British (based in Singapore)
 Senior Independent Non-executive Director British	 Independent Non-executive Director British	 Independent Non-executive Director Singaporean

PT R.E.A Kaltim Plantations board of commissioners

Indonesia 

 President Commissioner Indonesian	 Commissioner Indonesian	
 Commissioner British	 Commissioner British	 Commissioner British

PT R.E.A Kaltim Plantations board of directors

Indonesia 

 President Director and CEO (REA Holdings Regional Director) British	 Director Indonesian
 Finance Director Indonesian	 Chief Financial Officer British

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Our business ethics policy

- Be transparent with shareholders and other stakeholders so they can make informed decisions regarding their involvement with REA
- Record all financial transactions
- No bribery or facilitation payments
- Restrict the giving and receiving of gifts
- Prohibit the use of work facilities and time for personal business

We are committed to operating in an honest, transparent and ethical manner both within the organisation and in all our business dealings. We take a zero-tolerance approach to bribery and corruption. These principles, as well as the requirements of the UK Bribery Act 2010, are enshrined in our code of conduct, which was formally adopted in 2011. To ensure that our stakeholders and employees at every level within the organisation are aware of our business ethics, an amended policy on this issue was adopted in early 2015. A full time internal audit team plays a critical role in ensuring that our employees understand the relevance of the code of conduct and that it must be adhered to by every department. This is achieved by providing regular training sessions, as well as conducting detailed audits of each department to monitor compliance with standard operating procedures. The results of these audits are reviewed by the board of REAK and by the audit committee which reports to the UK board of directors.



Our internal audit manager explains REA's code of conduct

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High Conservation Value areas in KMS

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Status of commitments and targets from 2012 Sustainability Report

Commitment	Target	Status
Certification		
Achieve RSPO certification for REA's 3 existing palm oil mills	2015	On track RSPO certification for 2 mills achieved in June 2011. RSPO audit for 3rd mill scheduled for the end of 2015
Achieve RSPO certification for the 2 new palm oil mills REA expects to commission in 2018/2019	2019/2020	Delayed due to the delay in the expected date for commissioning these mills
Biodiversity		
No new development prior to the completion of an High Conservation Value (HCV) assessment by a RSPO approved HCV assessor	Ongoing	Achieved for all concessions where development began after this requirement was introduced by the RSPO
All HCV areas will be conserved	Ongoing	Not achieved – see section on maintaining the integrity of the conservation reserves (p33)
Climate change		
Avoid extensive planting on peat	Ongoing	Achieved
Include Satria oil mill and its supply base within the scope of REA's carbon footprint for 2013	2014	Achieved in April 2014. Published in REA's Annual Report for 2013
Water		
Install flow meters to measure the water used to process FFB in all mills	2014	Achieved in December 2014
Chemical usage		
No use of Paraquat	From 31 May 2013	Achieved
Health and safety		
No work-related fatalities	Ongoing	Achieved for 2013 1 work-related fatality in 2014
Obtain OHSAS 18001 certification for REAK	2015	Delayed until 2016
Reduce lost time accident rates	Ongoing	Achieved
Smallholders		
Develop smallholder oil palm plantings equivalent to at least 20% of the total area planted by the REA group	Ongoing	On track
Achieve RSPO certification for the mature associated smallholder plantings supplying REA's 3 existing mills	2015	On track
Labour		
No employees under the age of 18	Ongoing	Achieved
Reduce employee turnover rates	Ongoing	Achieved
Conduct employee satisfaction survey	2014	Achieved in August 2014
Communities		
No new development without the free prior and informed consent ("FPIC") of local communities	Ongoing	Achieved

New and ongoing targets

Commitment	Target
Ongoing	
Achieve RSPO certification for REA's 3 existing palm oil mills	2015
Achieve RSPO certification for the 2 new palm oil mills REA expects to commission in 2019/2020	2020 / 2021
No new development prior to the completion of an High Conservation Value (HCV) assessment by a RSPO approved HCV assessor	Ongoing
No new development on peat	Ongoing
No work-related fatalities	Ongoing
Obtain OHSAS 18001 certification for REAK	2016
Reduce lost time accident rates	Ongoing
No employees under the age of 18	Ongoing
Reduce employee turnover rates	Ongoing
Develop smallholder oil palm plantings equivalent to at least 20% of the total area planted by the REA group	Ongoing
No new development without the free prior and informed consent ("FPIC") of local communities	Ongoing
New targets	
Map all encroachment within the conservation reserves and develop an action plan to restore these areas	2016
Reduce the intensity of GHG emissions per planted hectare	2016
Reduce the volume of water used to process each tonne of FFB in all 3 mills	2016
100% traceable supply base for all 3 mills	2016

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Sustainability: from policy to practice



An auditor interviewing workers during an RSPO surveillance audit

Our new policy framework

We regularly evaluate our approach to sustainability to ensure that it continues to encompass the risks and opportunities associated with our growing business and meets the constantly evolving expectations of our stakeholders. In early 2015 we adopted a new policy framework. This comprises five policies, which both reinforce our commitment to well-established best practices, such as zero burning, and demonstrate our desire to remain at the forefront of sustainable palm oil production by including commitments to avoid new planting on peat and to report publicly all GHG emissions, including those from land use change. Our new policy framework has been designed to incorporate the requirements of all of the sustainability standards to which the group has committed, including the new RSPO Principles and Criteria (2013), the International Standards Organisation's Environmental Management System ("ISO 14001"), the Occupational Health and Safety Management System ("OHSAS 18001"), ISPO and the relevant regulations, such as the UK Bribery Act 2010. Our commitments also go some way towards meeting the benchmark defined by the Palm Oil Innovation Group ("POIG") and the Sustainable Palm Oil Manifesto ("SPOM") (see Box 1). The key issues covered by our policies are summarised in the relevant sections of this report, as indicated below, and the full text is available to download from our website www.rea.co.uk:

- Business ethics, p14
- Responsible development, p24
- Environment and biodiversity conservation, p27
- Human rights, p67
- Health and safety, p69

Box 1: Moving the goalposts for sustainable palm oil

The last two years have seen significant advances in producer commitments to and value chain demands for sustainable practices in the palm oil sector. In 2013, a revised version of the RSPO Principles and Criteria ("P&C") was adopted, which included new requirements on issues such as business ethics and human rights, as well as more robust standards for issues covered by the previous version of the P&C, most notably GHG emissions. Despite significant changes, some stakeholders felt that the revisions to the RSPO P&C did not go far enough on certain key issues, such as deforestation and traceability. This resulted in the formation of POIG in 2013 (<http://poig.org/>), followed in 2014 by the SPOM group (www.carbonstockstudy.com/The-Manifesto/About), and the High Carbon Stock Approach Steering Group (www.highcarbonstock.org). These groups comprise palm oil producers who are working with NGOs and/or scientists to demonstrate leadership and innovation on issues such as avoiding the conversion of High Carbon Stock ("HCS") forest. Clear demand for such practices has been demonstrated in 2013 and 2014 by commitments from the largest palm oil traders and consumer goods manufacturers to purchase only 'zero deforestation' palm oil.

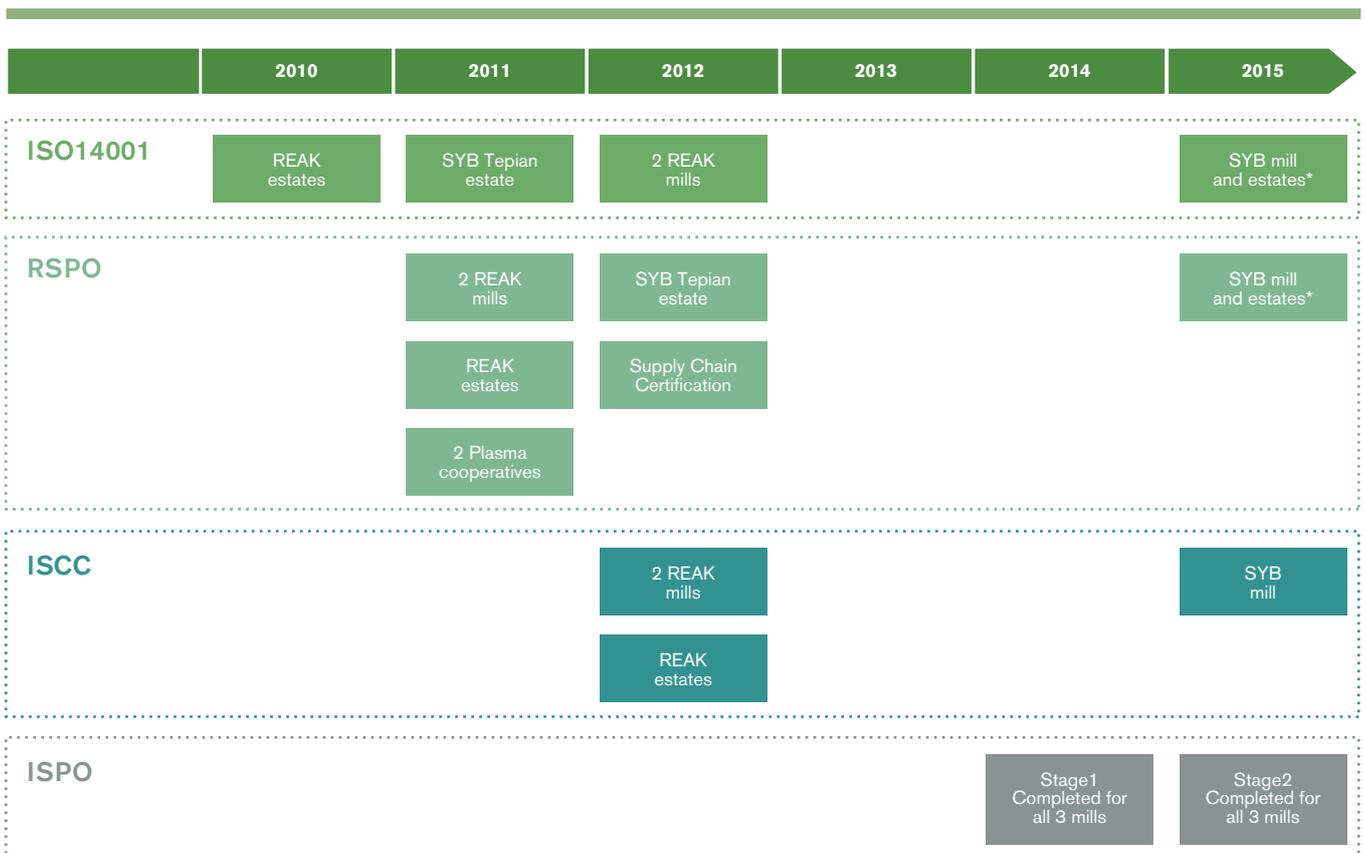
Sustainability certification

Sustainability certification is important to us because it provides third party verification that international and national standards for environmentally and socially responsible palm oil production are being achieved and maintained. As a first step, we used the ISO 14001 standard to implement an effective environmental management system for our well-established operations. We have subsequently advanced the management system necessary to comply with this generic environmental standard in order to fulfil the palm oil specific RSPO and ISPO standards. Whilst we will continue to follow the ISO 14001 standard, we do not intend to undertake external audits against this standard for our newer operations, as we consider that RSPO and ISPO certification are now sufficient to demonstrate that we are implementing best practice.



One of our estate advisers plants a tree as part of a 'Go Green' event at Tepian estate

Figure 3: Sustainability milestones



*Audits scheduled to take place before the end of 2015

Roundtable on Sustainable Palm Oil (“RSPO”)

We are active members of the RSPO, and contribute to the development of this multi-stakeholder organisation through our membership of both the Biodiversity and HCV working group and the GHG emissions reduction working group. In 2011 we obtained RSPO certification for our two longest established mills, which as of April 2015 have been verified to be in compliance with the new RSPO standard. We are now preparing our third palm oil mill and the estates and plasma smallholder schemes which supply them to undertake an RSPO audit before the end of 2015. We have set the ambitious target of achieving RSPO certification within one year of commissioning each of the two new mills planned at the PBJ and CDM concessions, which have yet to be fully developed. Whilst we remain committed to achieving this target, the slower than anticipated development of the intended supply base for these mills has resulted in the expected date for commissioning these mills to be delayed by one year. Our time-bound plan for obtaining RSPO certification for these mills has therefore also been delayed by one year.

In 2014, 59% of the CPO and 68% of the CPKO we produced was RSPO certified. Our RSPO Supply Chain Certification means that we are eligible to sell this proportion of our production to buyers looking to make physical purchases of RSPO certified sustainable palm oil (“CSPO”) through a mass balance system. This system allows certified and uncertified palm oil to be mixed and an accounting system used to track the proportion at each stage in the supply chain which corresponds to the volume of certified palm oil produced. At present the mass balance system is preferable to producing segregated CSPO, which cannot be mixed with uncertified palm oil at any stage in the supply chain, because it enables us to continue to purchase fruit from independent smallholders who are not yet certified to be in compliance with the RSPO standard. By continuing our relationship with these smallholders we can assist them in improving their practices, which should enable them to become certified in the future. If we were to upgrade all of our mills to produce segregated CSPO, we would have to exclude these smallholders from our supply chain immediately. For many of these smallholders, this would prevent them from obtaining income from their land because there are very few alternative palm oil mills near enough to process the oil palm fresh fruit bunches (“FFB”) they produce.

Despite the advantages of mass balance supply chain certification, there is much greater demand, and therefore a larger premium available, for segregated CSPO. We have engaged in discussions with buyers seeking to purchase mass balance CSPO, but the logistics unfortunately proved uneconomic. Consequently, over the last two years we have only sold CSPO through the RSPO’s book and claim system, which enables buyers looking to support the production of CSPO to purchase Greenpalm certificates from RSPO certified palm oil producers even if these suppliers are not

part of their physical supply chain. Due to the number of retailers and manufacturers with commitments to source 100% segregated CSPO, it is anticipated that demand for Greenpalm certificates will weaken in future. We are therefore exploring the possibility of re-structuring our supply base in order that one of our RSPO certified mills could produce segregated CSPO. This should enable us to obtain a better premium without excluding smallholders from our supply chain. More information about how we are working with smallholder farmers to help them improve their practices and, where possible, obtain RSPO certification, is included in the section on Smallholders (p54).

International Sustainability and Carbon Certification (“ISCC”)

We obtained ISCC certification for the REAK mills and estates in 2012. This has allowed us to sell the CPO produced from these operations for the production of biodiesel which meets the requirements of the European Union Renewable Energy Directive (“EU RED”). To date, we have received a good premium for ISCC CPO and have therefore opted to sell the majority of the CPO which is both RSPO and ISCC certified through the ISCC system. In 2014, we sold 75,425 tonnes of ISCC certified CPO. We are currently waiting for our certification body to confirm the ISCC certification for Satria oil mill (“SOM”), for which an audit was undertaken in April 2015. Once confirmed, this will enable the ISCC certified FFB from the REAK estates that is processed by SOM also to be sold as ISCC certified CPO. Given that the requirements of the ISCC standard are broadly similar to that of RSPO, we will only obtain ISCC certification for further mills and estates if there is a commercial reason for doing so.

Indonesian Sustainable Palm Oil (“ISPO”)

In 2010, the Indonesian government introduced new regulations mandating that all palm oil companies must be audited against the ISPO standard. This standard is largely based on existing national regulations and includes requirements covering key economic, environmental and social issues. All three of REA’s mills and their supply bases undertook the first stage of the ISPO audit in November 2014. The second stage of the audit took place at the end of April 2015. A number of non-compliances were identified which we have three months to resolve. Once resolution of these non-compliances has been verified by the ISPO commission, it may take up to six months for the certificates to be issued.

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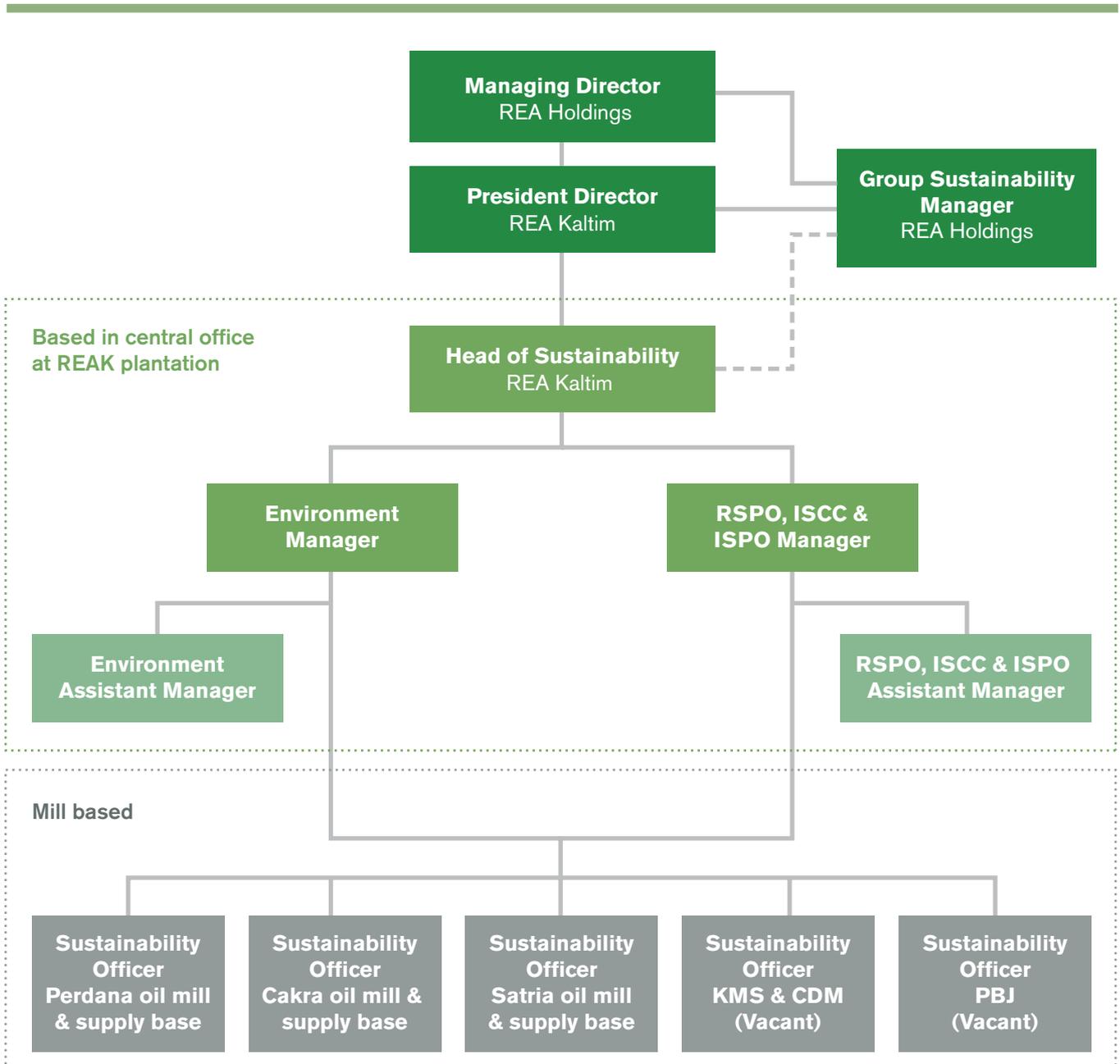
About this report

Creating a culture of sustainability

We understand that certification schemes create useful structures, but are not sufficient in themselves to enshrine sustainable practices into the working culture of the organisation. This is our ultimate goal. Mindful of this, in August 2014 we recruited a very experienced, plantation-based Head of Sustainability who reports both to the President Director of the REAK plantation group and the REA Holdings Group Sustainability Manager. Further additions to the team mean that we now have a sustainability officer based at each of our palm oil mills and we are in the process of training additional staff to be based at the new development areas. This revised structure and increased expertise has greatly improved our ability to provide regular

in-house training on sustainability related issues and will facilitate efforts to embed sustainable practices throughout our operations. Additional measures taken to integrate sustainability into our operations in 2013 and 2014 included incorporating more rigorous sustainability requirements into agreements with third-party contractors and revising our document control procedure to ensure that all standard operating procedures and work instructions include relevant sustainability considerations. Over the next two years a priority will be to improve the alignment of the key performance indicators (“KPIs”) for the entire management team with our sustainability commitments and targets.

Figure 4: Sustainability organisational structure



Section 4

Responsible development



The PBJ oil palm seedling nursery

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Our policy for responsible development

- Conserve biodiversity and ecosystem functions by:
 - Conducting an Environmental Impact Assessment (“EIA”) and High Conservation Value (“HCV”) assessment prior to land clearing
 - No development of HCV areas, steep areas or riparian zones
- Reduce GHG emissions by:
 - Avoiding planting on peat
 - Conducting a carbon stock assessment prior to land clearing
 - Zero burning
- Have a positive socio-economic impact by:
 - Respecting the right of land use rights holders to give or withhold their consent to develop the land
 - Only developing land where Free, Prior and Informed Consent (“FPIC”) has been granted
 - Developing smallholder schemes for local communities

We are a group that is in the process of expanding and we want to do so responsibly. We recognise that the planning and development phase presents considerable opportunity for mitigating the environmental and social impacts associated with palm oil production. To ensure that we capitalise on this opportunity, we have recently reviewed and strengthened our procedures for planning and land clearing, which resulted in the adoption of a new policy and standard operating procedure for responsible development in early 2015.

A critical stage of plantation development is the land acquisition process. Over the last two years we have introduced greater rigour into our procedures for land acquisition to ensure that all legal and customary land use rights are systematically identified, verified and documented. This has required an increasing amount of local government participation in the process in order to provide clarity, particularly as respects the location of village boundaries. Our new responsible development and human rights policies will ensure that all stakeholders are aware of our commitment to respect the right of individuals or communities to choose whether or not they want to transfer their land use rights to the company in return for the compensation offered. Only if free, prior and informed consent (“FPIC”) is granted will the land acquisition and development process proceed.

Once an area of land has been acquired, we endeavour to use it wisely. This means limiting oil palm cultivation to land that is agriculturally suitable and avoiding the development of peat soils, which are high carbon stock areas, and HCV areas. Detailed land use plans for each concession are prepared based on the results of field surveys conducted prior to land clearing. This includes an Environmental Impact Assessment (“EIA”), soil survey, HCV assessment conducted by RSPO approved consultants, carbon stock assessment² and, if necessary, a hydrological assessment. Whilst undertaking these surveys can significantly delay the commencement of land clearing, such detailed due diligence is fundamental if we are to succeed in developing sustainable palm oil operations.



Focus group discussion during a social impact assessment

² Carbon stock assessments have been introduced for developments where the RSPO New Plantings Procedure was undertaken after 1 January 2015, in line with the requirements of the 2013 RSPO P&C.

Box 2: Update on REA's HCV compensation liability

Our commitment to conservation is demonstrated by the fact that at least 18% of each concession developed to date has been designated as conservation reserves. Unfortunately, for CDM and SYB's Satria estate, the designation of conservation areas was not conducted in accordance with the requirements of the RSPO P&C. Although conservation reserves were designated by the in-house technical advisor to the REA Kon team prior to land clearing being initiated in 2008, this process did not constitute a formal HCV assessment as required by the RSPO. After voluntarily disclosing this information to the RSPO in late 2012, these concessions were entered into the RSPO's HCV compensation process.

In September 2014, we completed the first stage of the HCV compensation procedure, which involved conducting a land use change analysis to determine the quality and extent of the vegetation cleared prior to conducting an HCV assessment. This information, combined with the timing of the clearance and our RSPO status at that time, was used to calculate the associated HCV compensation liability in terms of hectares. Once this has been approved by the RSPO, we can start to develop a proposal for HCV compensation. Our preferred option for this is to acquire and manage an area equivalent in size to our HCV compensation liability that will contribute to the conservation of biodiversity and ecosystem functions. The alternative is to contribute a yet to be determined sum of money per hectare of HCV compensation liability to a biodiversity conservation project. Whichever option is chosen, the impact of the project must be long lasting and additional to existing legal or RSPO obligations in relation to the conservation of biodiversity and ecosystem functions. The detailed requirements for HCV compensation projects are still being developed by a RSPO multi-stakeholder working group, of which REA's Group Sustainability Manager is an active member.



High Conservation Value assessment in PBJ

Section 5

Protecting our natural capital



Conserving biodiversity

Our Environment and Biodiversity Conservation Policy

- Maintain High Conservation Values (“HCVs”)
- Protect Rare, Threatened and Endangered Species
- Maintain soil fertility and prevent erosion
- Minimise chemical usage
- Maintain the quality and availability of ground and surface water
- Minimise net GHG emissions
- Maintain air quality
- Maximise the use of renewable energy
- Reduce, re-use and recycle waste

Kalimantan, the name for the Indonesian region of the island of Borneo where we operate, is one of the most biodiverse places on the planet and a powerhouse for the provision of critical ecosystem services, including clean water, climate regulation and nutrient cycling. The longevity of our business is wholly dependent on our ability to maintain and enhance this natural capital. It is therefore imperative that we do everything possible to minimise the environmental impact of our operations.

By designating and actively managing a network of conservation reserves within our oil palm concessions we aim to make a tangible contribution to maintaining the natural biodiversity of the landscapes in which we operate. As at 31 December 2014, we had set aside some 17,300 hectares³ of natural habitat within our five concessions. Managing these conservation reserves, which account for 26% of our total titled land area, is a core component of our business. Accordingly, since 2008 we have maintained a dedicated conservation department employing an in-house team of experienced conservationists and local people. Known as REA Kon, this department focuses on gaining a scientific understanding of the biodiversity present within and around the group's oil palm concessions and ensuring that our agricultural activities, employees and the local communities do not have a detrimental impact on this biodiversity.

³ In our 2012 Sustainability Report we stated that some 20,000 hectares had been set aside for conservation within our concessions. This figure was based on the results of preliminary HCV assessments of the CDM and PBJ concessions. However, as a result of further fieldwork at CDM and PBJ by RSPO approved HCV assessors the final extent of the HCV management areas in these concessions has been found to be smaller than originally anticipated. Consequently, the total area set aside for conservation within REA's five concessions is now 17,300 hectares.



The REA Kon Team

The expertise of the REA Kon team is augmented and shared through collaborations with both international and national scientific institutions and NGOs. In November 2013, three scientists from the Natural History Museum of London visited the plantations to provide REA Kon with six days of training on insect taxonomy and survey methodologies. In order to maximise the benefit of this training, the REA staff responsible for our integrated pest management programme and a student and member of staff from the local Mulawarman University in Samarinda also participated.



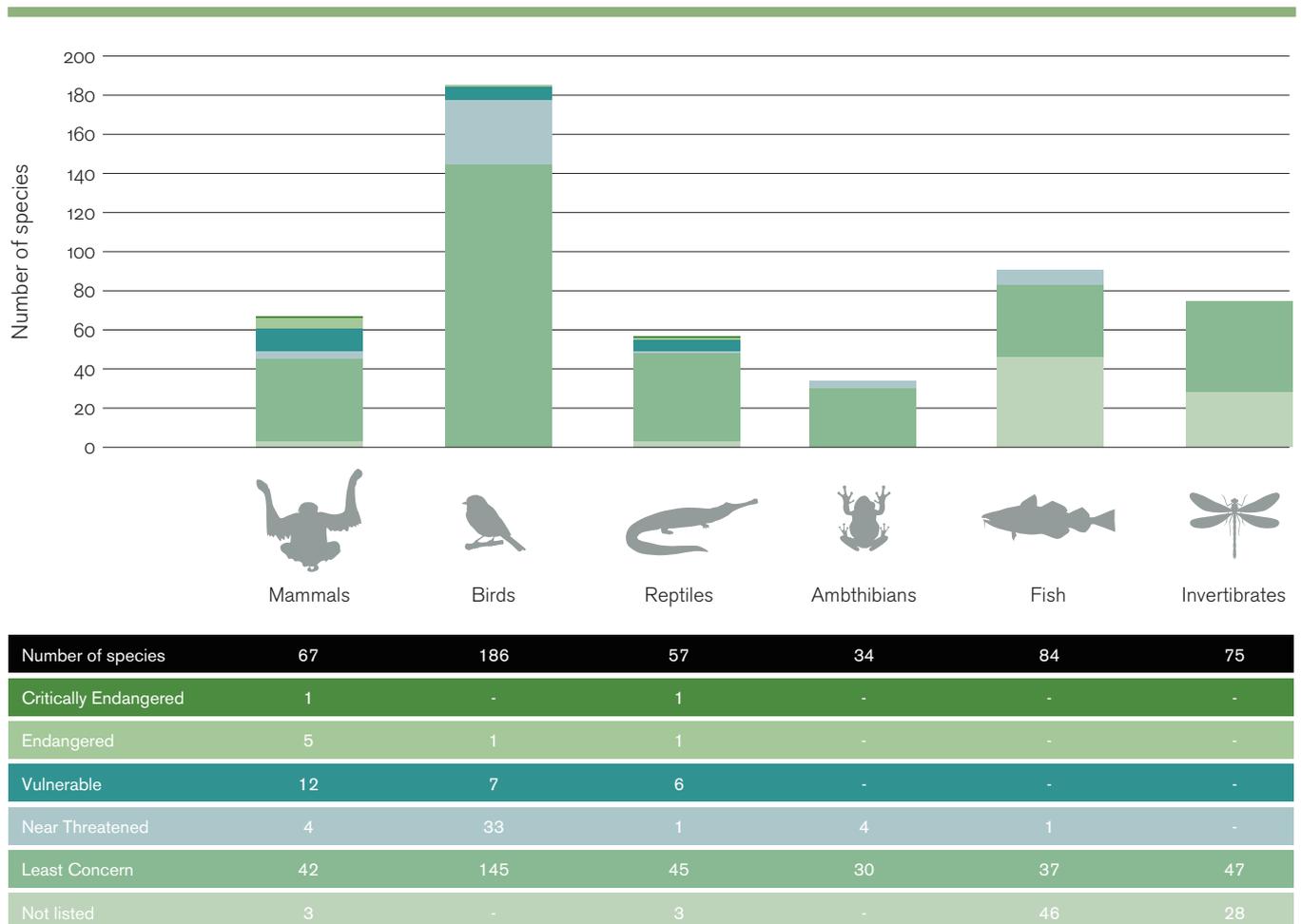
NHM insect training

Rare, Threatened and Endangered Species

With assistance from visiting scientists, REA Kon has recorded a remarkable number of species within the boundaries of our oil palm concessions. To date, 504 species have been detected (see Figure 5). This includes 78 species which are listed as 'Near Threatened' or above on the International Union for Conservation of Nature ("IUCN") Red List of Threatened Species. Biodiversity surveys conducted in 2013 and 2014 detected nine species which had not previously been recorded within the group's concessions being one mammal, two birds, four reptiles and two amphibians.

In August 2014, we assisted a delegation of scientists from the IUCN Crocodile Specialist Group ("IUCN CSG") and the Indonesian Institute of Sciences ("LIPI") to visit the Mesangat swamp area, which overlaps with our CDM concession and continues to support a population of the Critically Endangered Siamese crocodile. The purpose of their visit was to confirm the presence of this species, as previously reported to them by REA Kon, and explore potential management options for this crocodile population. We hope that the links established with the IUCN CSG and LIPI through this visit will support our endeavours to secure the long term protection of the Mesangat wetlands. This habitat is the primary focus for the Ironwood foundation (known as Yayasan Ulin in Indonesia), a charitable foundation which was established by REA in 2009 to contribute to the conservation of valuable but unprotected habitat in East Kalimantan.

Figure 5: Number of species recorded within REA's oil palm concessions





Survey of the Mesangat wetlands by the IUCN Crocodile Specialist Group



Siamese crocodile captured (and later released) by the IUCN CSG in the Mesangat wetlands

Threatened and Endangered species found within REA's oil palm concessions



Siamese crocodile (*Crocodylus siamensis*)
Critically Endangered



Proboscis monkey (*Nasalis larvatus*)
Endangered



Bornean orangutan (*Pongo pygmaeus*)
Endangered



Slow loris (*Nycticebus coucang*)
Vulnerable



Sun bear (*Helarctos malayanus*)
Vulnerable



Sunda pangolin (*Manis javanica*)
Critically Endangered



Storm's stork (*Ciconia stormi*)
Endangered



Hairy-nosed otter (*Lutra sumatrana*)
Endangered



False gharial (*Tomistoma schlegelii*)
Endangered



Marbled cat (*Pardofelis marmorata*)
Vulnerable



Southeast asian soft-shell turtle (*Amayda cartilaginea*)
Vulnerable

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Box 3: Protecting orangutans

We consider the presence of orangutans within four of our concessions to be both a great privilege and a huge responsibility. In a landscape that is becoming increasingly dominated by oil palm monoculture, our conservation reserves provide critical refuges for sub-populations of this Endangered species. It is therefore imperative that we do everything reasonably possible to ensure that these conservation reserves continue to provide suitable habitat for orangutans. In order to monitor the population, in September 2013 we instigated monthly orangutan nest surveys along permanent transects established in the conservation reserves of the older concessions. We also funded a student from the National University (UNAS) in Jakarta to conduct a baseline study of the orangutan population in the conservation reserves of our KMS concession in early 2014. This was combined with a vegetation survey of the KMS conservation reserves by an experienced local botanist, who identified 49 tree species that are known to provide food for orangutans. We have subsequently established three permanent plots in the KMS conservation reserves, which REA Kon will use to monitor the health of the tree species on which the orangutan population here depends.

We are alert to the potential for human-orangutan conflict to arise in landscapes where human activities have resulted in forest loss and fragmentation. During the last year we have been involved in two cases whereby people from local villages discovered baby orangutans alone and far from the forest and felt compelled to rescue them. Although these orangutans were not found within our concessions, in both cases the villagers contacted REA Kon to ask for assistance in caring for them. Since both orangutans were infants we feared they may not survive if simply released into the nearest area of forest, which would have been our conservation reserves. We therefore had no option but to arrange for the Department for the Conservation of Natural Resources ("BKSDA") to collect the orangutans from the villagers and take them to rehabilitation centres in East Kalimantan. The first orangutan was taken to a rehabilitation centre in Samboja, which is run by the Borneo Orangutan Survival Foundation⁴, and the second was taken to a rehabilitation centre in Berau, which is run by the Centre for Orangutan Protection⁵. Here the orangutans are being cared for and rehabilitated so that, once old enough, they can be released back into an area of their natural habitat. In response to these incidents we have embarked on the process of developing a formal collaboration with the BKSDA. This collaboration will include the provision of training in effective management of human-wildlife conflict for the REA Kon team.



Camera trap photo of Bornean orangutan in REA's conservation reserves

⁴ <http://orangutan.or.id/east-kalimantan-orangutan-reintroduction-and-land-rehabilitation-program-at-samboja-lestari/>

⁵ <http://www.orangutan.id/what-we-do/#2>

Maintaining the integrity of the conservation reserves

Logging and agricultural activities by local communities continue to pose a serious threat to the integrity of our conservation reserves. Finding ways to prevent encroachment in both the established and new plantations is therefore a high priority. In the new development areas, we are ensuring that all legal and customary land use rights to the conservation reserves are identified and acquired in the same way as for the land designated for oil palm cultivation. This should enhance our ability to prevent and tackle any future clearance of these reserves. We have also developed a new standard operating procedure to ensure that the plantation, conservation, villager affairs and security teams fully understand their respective responsibilities so that they can respond quickly and effectively if logging or land clearing is detected within the conservation reserves. To assist the REA Kon team to monitor our increasingly extensive conservation reserves for threats and respond more effectively if logging or land clearing occurs we have started to use the Zoological Society of London's ("ZSL") spatial monitoring and reporting tool ("SMART") (see Box 4). In an effort to deter employees from logging or clearing land within our conservation reserves we are in the process of putting in place stronger sanctions and communicating them to our employees at every level.

Despite all of our efforts, we know that a significant portion of the conservation reserves have been impacted by encroachment. In order to tackle this, we have been gathering detailed information about the extent of the areas affected, the perpetrators and the existence of legal or customary rights to the land. This mapping exercise has proved far more complex and time consuming than anticipated and is not yet complete. However, we are already aware that 317 hectares, or 6%, of the REAK conservation reserves, and 30 hectares, or approximately 1% of the SYB conservation reserves, have been cleared. Although the mapping exercise continues, we have started to develop an action plan for the areas where encroachment has been identified. Ideally we would like to restore these areas with natural vegetation. However, our ability to do so depends on obtaining the free, prior and informed consent of any legitimate legal or customary land use rights holders to change the use of these areas.

Box 4: SMARTer HCV monitoring

In June 2013 the REA Kon team received training on the use of ZSL's spatial monitoring and reporting tool ("SMART"). This software has been designed to assist oil palm growers to monitor and manage HCV areas within their concessions and has been endorsed by the RSPO. It is a patrol based system, whereby field staff use a global positioning system ("GPS") to track their patrol route and record the location of all threats and species sighted. Once this data has been uploaded to the software, it can perform a variety of analyses, including the identification of threat hotspots, the distribution of focal species and the frequency with which an area has been visited by patrols during a specified time period. This tool will greatly assist REA Kon to conduct more targeted patrols and design effective management interventions.



ZSL training REA Kon to use the SMART tool

Water

Water security

Access to an adequate supply of clean, fresh water is critical to our ability to operate and to the livelihoods of the surrounding communities, the majority of which are traditionally river dwelling. It is therefore imperative that we use this precious resource efficiently and equitably and prevent it from becoming polluted.

Fortunately, our plantations receive plentiful rainfall, which to date has exceeded the 2,000mm per year that oil palm requires for optimum yields. Irrigation is therefore only necessary for the oil palm nurseries. Treated river water is used to process oil palm fruit in the mill and for domestic purposes. In December 2014 we installed flow meters at all three mills which will allow us to monitor accurately the water efficiency of our palm oil processing operations. The aim, which is one of our most recent sustainability KPIs, is to reduce as far as possible the volume of water used per tonne of FFB processed at each palm oil mill.

Avoiding water pollution

The greatest risk of water pollution associated with our operations is from palm oil mill effluent ("POME") and run-off or leachates from fertilisers. The high organic matter content of untreated POME means that it has a high biological oxygen demand ("BOD") and will starve aquatic flora or fauna of oxygen if it enters a water course. However, by utilising as much of this organic matter as possible to produce fertiliser and electricity we obtain valuable resources for our business whilst also mitigating the risk of water pollution.

Our first strategy for extracting value from POME is to capture the methane produced when the organic matter content is digested anaerobically and convert it to electricity. Unlike the traditional open pond system for digesting POME, the methane capture facilities are enclosed systems and thus reduce the risk of untreated POME polluting the environment.

POME that exceeds the capacity of our two methane capture plants or that is produced by our third mill, which does not yet have a methane capture facility, is mixed with empty oil palm fruit bunches and converted into organic compost on site. The availability of this compost has enabled us to reduce significantly inputs of inorganic fertilisers, thus reducing the associated risk of water pollution from leaching or run-off. POME that exceeds the requirement for compost production, as well as the POME that has been processed by the methane capture plants, is treated in the traditional anaerobic open ponds. This helps to reduce the BOD of the POME before it is pumped to flat beds in between the rows of oil palm so that the remaining nutrient content can be utilised as fertiliser. The BOD of the POME in the final open pond is tested on a monthly basis to ensure that it is below the legal limit for land application in Indonesia, being 5,000mg/litre.

Over the course of 2014 we have invested significant resources in reinforcing and increasing the capacity of the open ponds and flat beds for land application at all three mills in order to minimise the risk of leakage or overflow during occasional periods of extremely heavy rainfall. However, despite our efforts to avoid and mitigate the potential for POME to cause pollution, we do occasionally receive complaints from local communities that POME has entered the river, such as the one outlined in Box 5. We take any reports of pollution extremely seriously and conduct investigations involving representatives from local villages and the local environment department (*Badan Lingkungan Hidup*) to identify the cause, if any, and the remedial action required.

To reduce soil erosion and mitigate the environmental impact of any run-off from fertilisers or minor spillages of treated POME we have started to plant Vetiver grass (*Chrysopogon zizanioides*) on the banks of the POME storage ponds and other steep areas around the plantations. This plant is well known for its ability to clean polluted water and stabilise soil due to its strong root network. Other measures designed to reduce soil erosion and water pollution include terracing in steep areas and the maintenance of buffer zones of natural vegetation along rivers.

Box 5: RSPO complaint

In October 2013 the RSPO received a complaint about REAK's operations. This was submitted by an individual who was contracted by REA to carry out various construction projects between 2008 and 2012 and who had brought an unsuccessful court case against REAK in 2013. The complaint made to the RSPO comprised the following allegations:

1. REAK does not employ people from the local villages
2. REAK does not use local contractors
3. REAK has not established a sufficient area of smallholder oil palm plantings for the villages surrounding this plantation to comply with the Indonesian regulations
4. That there have been occasions when effluent from REAK's palm oil mills has polluted the rivers and caused fish to die

We responded to these allegations with explanations and data that demonstrated, to the satisfaction of the RSPO complaints panel, that the first three allegations were not valid. Whilst we acknowledged that there have been occasions when various communities have complained that POME has polluted the river, the RSPO complaints panel was satisfied with the steps taken to investigate and resolve each incident. Given that, shortly before this complaint was submitted to the RSPO, the individual involved had lost a court case against REA for reducing the scope of a contract for construction work, we believe that this was the real motivation for this complaint.



Reducing chemical usage

Fertilisers

Prudent use of inorganic fertilisers is essential to obtain maximum yields at minimum cost, reduce GHG emissions and avoid water pollution from run-off or leaching. In 2010 we started to produce organic compost on site from the empty fruit bunches and POME produced by our two longest established palm oil mills. Due to the success of this initiative, we established composting facilities at our third palm oil mill shortly after it opened in late 2012. The amount of compost we are able to produce is determined by the amount of oil palm fruit processed at our mills each year and will never be sufficient to fertilise the whole supply base. The organic compost is therefore applied at a fixed dosage to a different portion of the oil palm within our supply base each year in order to spread the benefits this brings in terms of soil

improvement. We believe that the use of compost has been a significant driver behind our ability to reduce inputs of inorganic fertilisers in our established plantations (REAK and SYB) from 0.93 tonnes per hectare in 2009 to 0.32 tonnes per hectare in 2014. In collaboration with scientists from CIRAD, a French agricultural research organisation, we are conducting trials to monitor the efficacy of the compost in comparison to inorganic fertilisers. Results to date are positive, but more data is needed to draw firm conclusions. In the meantime, we continue to ensure that the oil palms receive the nutrition they need to achieve optimum yields by designing the inorganic fertiliser regime based on the results of oil palm leaf analysis.

Figure 6: Inorganic fertiliser applied per planted hectare

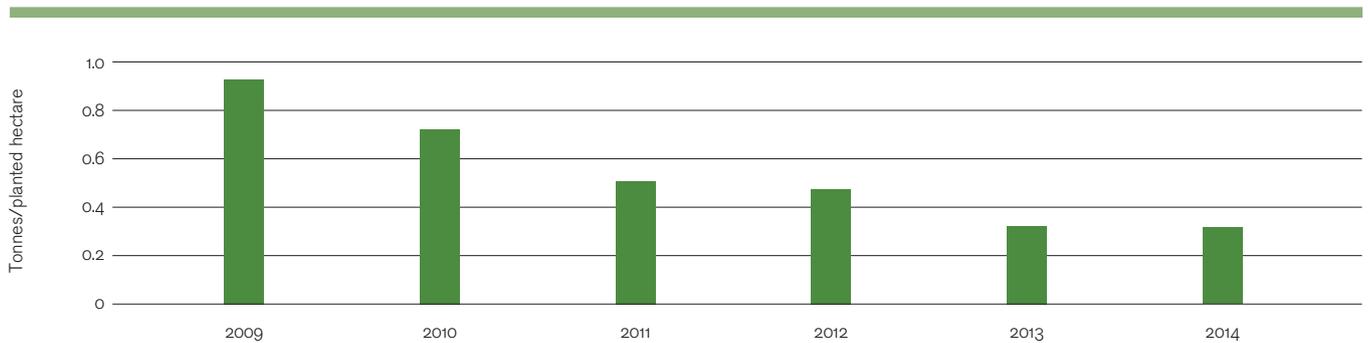
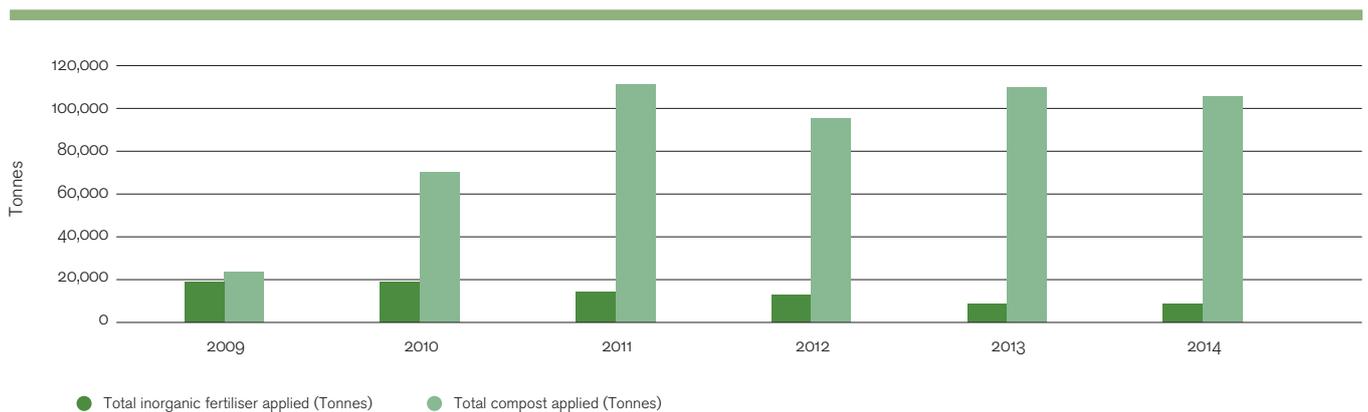


Figure 7: Total input of inorganic and organic fertilisers for REAK and SYB



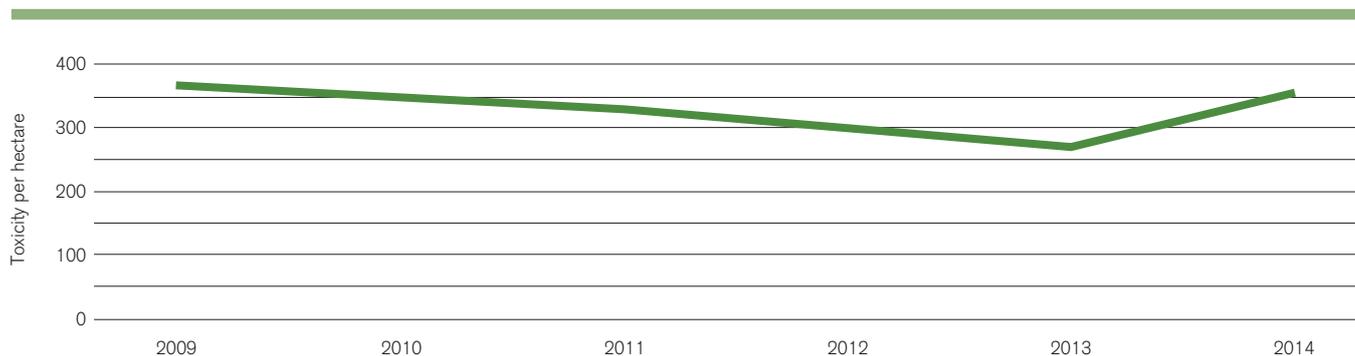
Pesticides

Wherever possible, we try to control pests and weeds without using chemicals. We have a long established integrated pest management system, which involves constantly monitoring the oil palms for signs of pest damage and planting vegetation that attracts the natural predators of common oil palm pests in order to enhance biological pest control.

Where it is necessary to use chemical pesticides in order to achieve optimum yields we take all recommended precautions to protect the health and safety of our employees and the environment. We take heed of our stakeholders' concerns and in May 2013 achieved our target to cease using the herbicide Paraquat. This commitment was made in response to growing pressure for palm oil producers to phase out Paraquat due to fears that improper handling of this herbicide may endanger the health of workers. By replacing Paraquat with a less hazardous glufosinate ammonium based herbicide, called Basta, we succeeded in reducing the total toxicity of the pesticides applied per planted hectare in 2013.

As a result of a general review of agricultural management practices in early 2014, we identified areas that had become overgrown due to community protests or extended periods of flooding and which required more intensive maintenance in order to improve yields. As a result of increasing the area under active maintenance, we used more glyphosate and consequently recorded a slightly higher toxicity per hectare in 2014, despite maintaining our commitment not to use Paraquat.

Figure 8: Toxicity per hectare



Herbicide sprayer

Climate change

'Continued emission of greenhouse gases will cause further warming and long-lasting changes in all components of the climate system, increasing the likelihood of severe, pervasive and irreversible impacts for people and ecosystems. Limiting climate change would require substantial and sustained reductions in greenhouse gas emissions which, together with adaptation, can limit climate change risks.'

From Climate Change 2014 Synthesis Report Summary for Policy Makers, which forms part of the Fifth Assessment Report of the Intergovernmental Panel on Climate Change.

Our carbon footprint

As a rapidly growing industry with a large land footprint, palm oil producers have an important role to play in reducing GHG emissions and limiting the environmental and socio-economic risks posed by climate change. We intend to make a material contribution towards this common goal, and have achieved significant reductions in the GHG emissions intensity of our operations over the last four years. Although the net GHG emissions per tonne of CPO and CPKO produced by the group increased slightly between 2013 and 2014, a continued decline is seen in the net GHG emissions per hectare of oil palm planted by the group and its scheme smallholders. The difference in the trend seen in these indicators of GHG emissions intensity is due to the inclusion of the net GHG emissions associated with our KMS concession in the scope of our carbon footprint for the first time in 2014. This concession is fully planted but largely immature and thus producing only a very small volume of palm oil.

Figure 9: GHG emissions intensity 2011 - 2014

Mill	tCO ₂ eq / tCPO ex mill			
	2011	2012	2013	2014
POM	2.98	2.88	2.32	2.36
COM	1.86	1.74	1.23	1.23
SOM			2.64	2.34
Total Group	2.34	2.27	1.88	1.93

Product	REA Group tCO ₂ eq / t product ex bulking station			
	2011	2012	2013	2014
CPO	2.36	2.30	1.91	1.95
PKO	1.66	1.59	1.59	1.63

Mill	tCO ₂ eq / hectare planted (own crop and plasma only) ex mill			
	2011	2012	2013	2014
POM	18.88	14.81	11.36	12.20
COM	10.42	9.30	6.95	5.46
SOM			11.56	11.91
Total Group	13.66	11.84	9.59	9.23

To monitor our progress, we have calculated our carbon footprint annually since 2011 using the RSPO's PalmGHG tool (version 2.1.1), of which we were one of the earliest adopters. This tool uses a lifecycle assessment approach, whereby all of the major sources of GHG emissions are quantified and balanced against the carbon sequestration and GHG emissions avoidance linked to palm oil production

by a specific palm oil mill. The contribution of each source of GHG emissions to our 2014 carbon footprint is shown in Figure 10. We are pleased to report that we achieved our target of including Satria oil mill, which was commissioned in the third quarter of 2012, in the scope of our carbon footprint calculation for 2013.

Figure 10: Contribution of each GHG source and sink to REA's carbon footprint in 2014

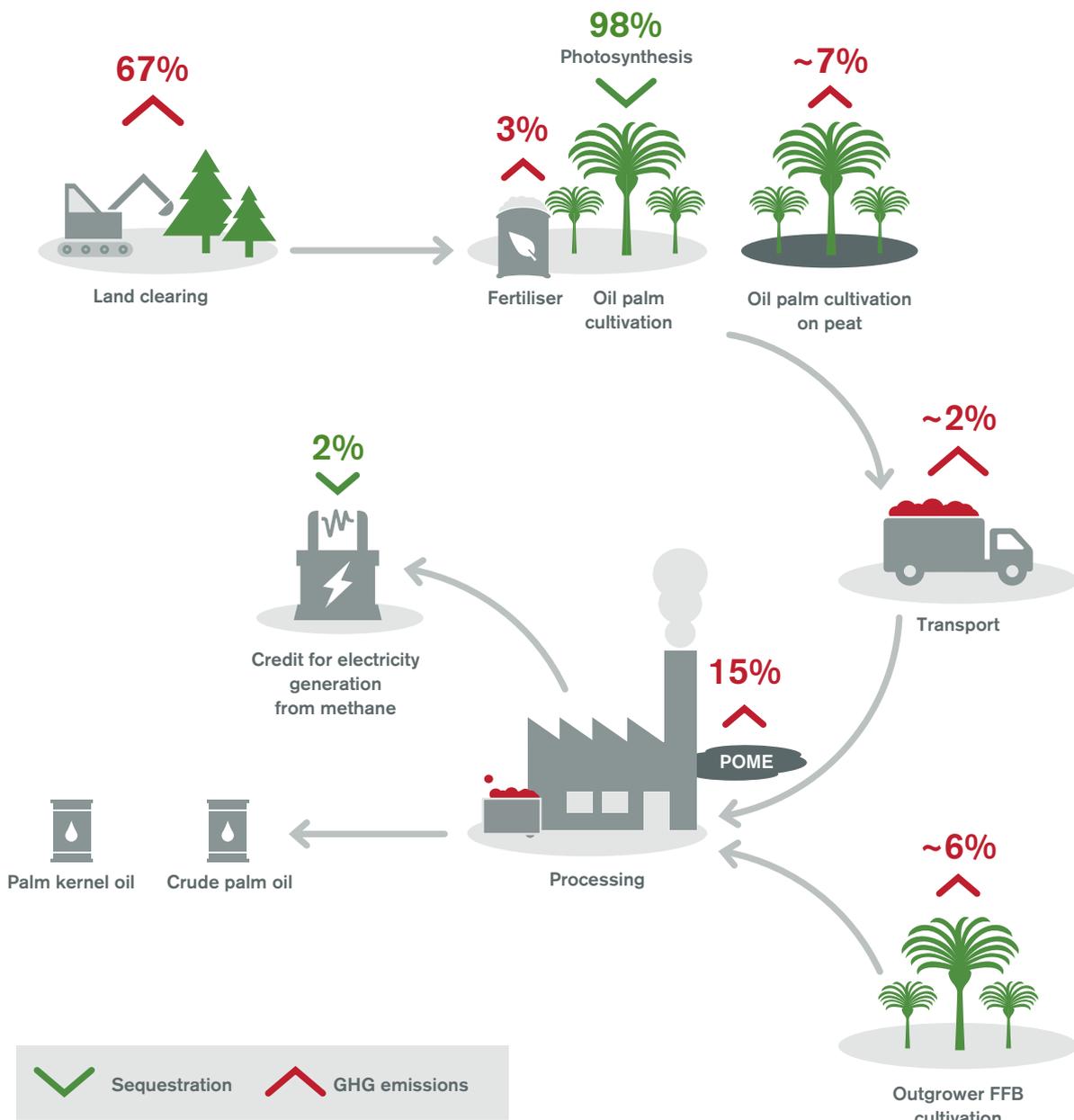


Figure 11: Group GHG emissions / sequestration 2011 - 2014

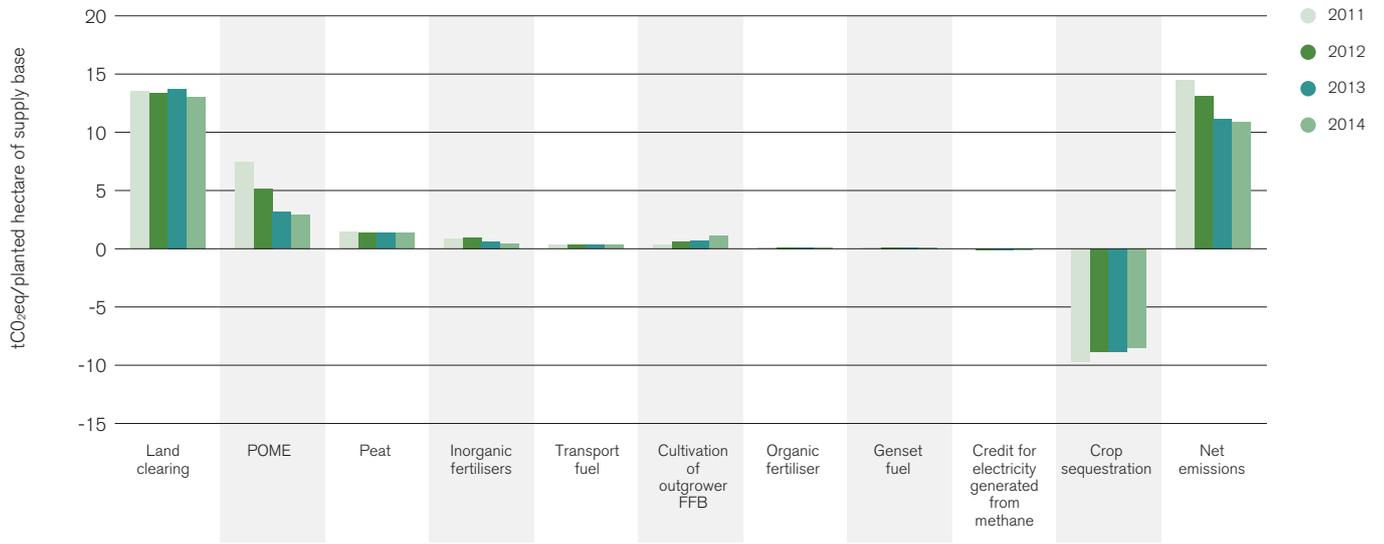


Figure 12: Perdana oil mill GHG emissions / sequestration 2011 - 2014

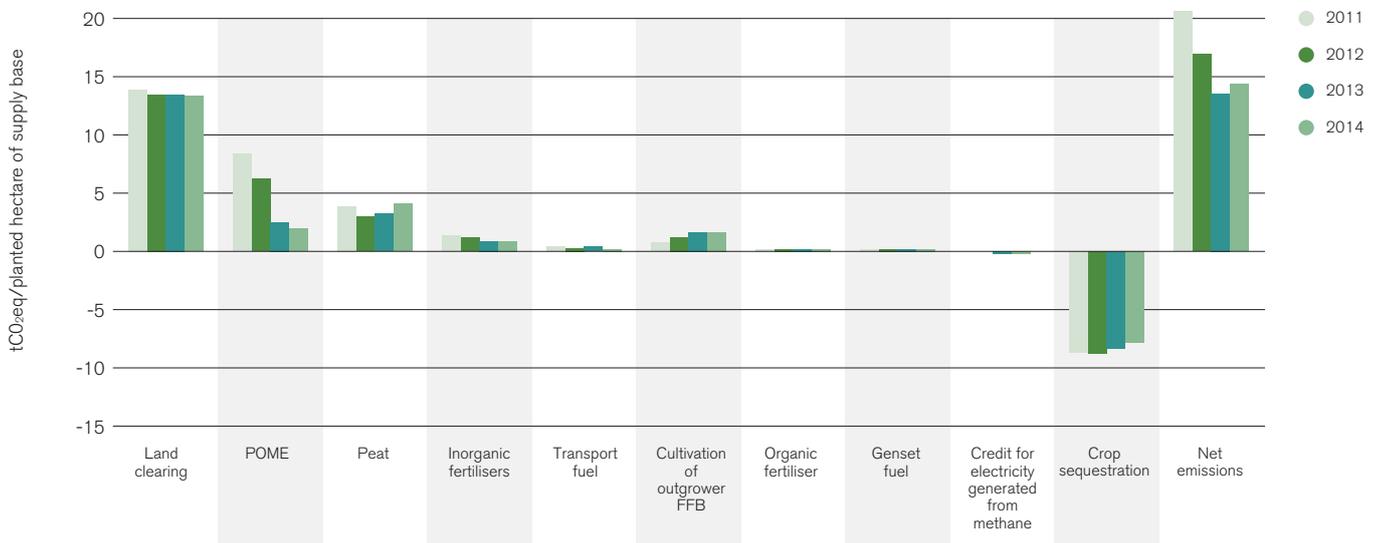


Figure 13: Cakra oil mill GHG emissions / sequestration 2011 - 2014

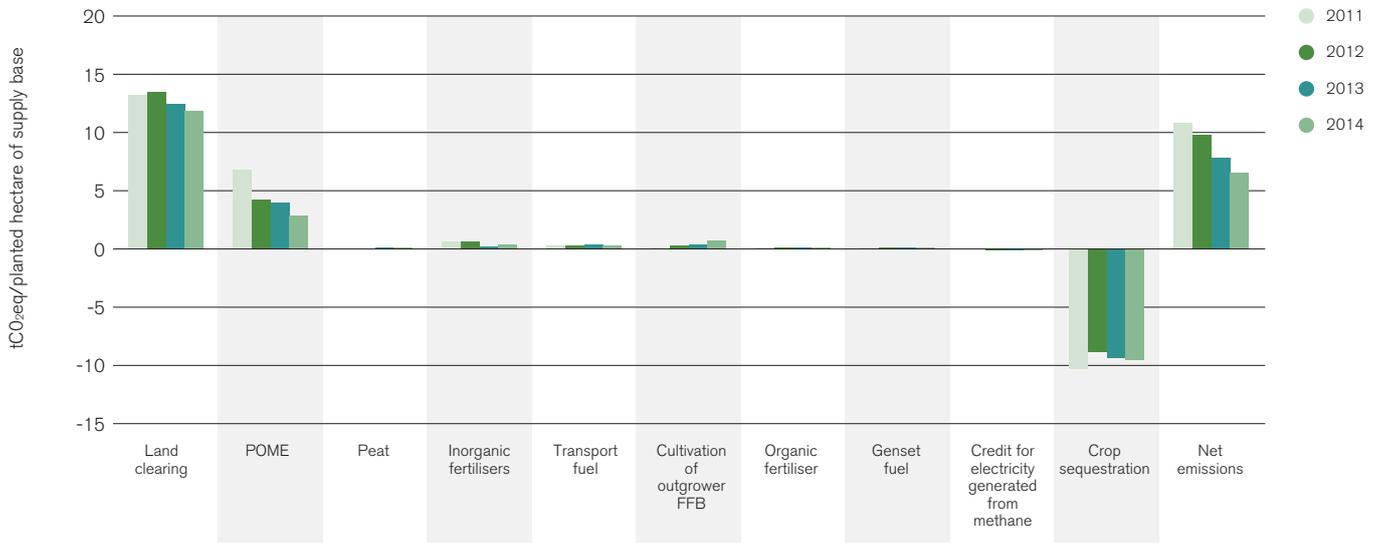
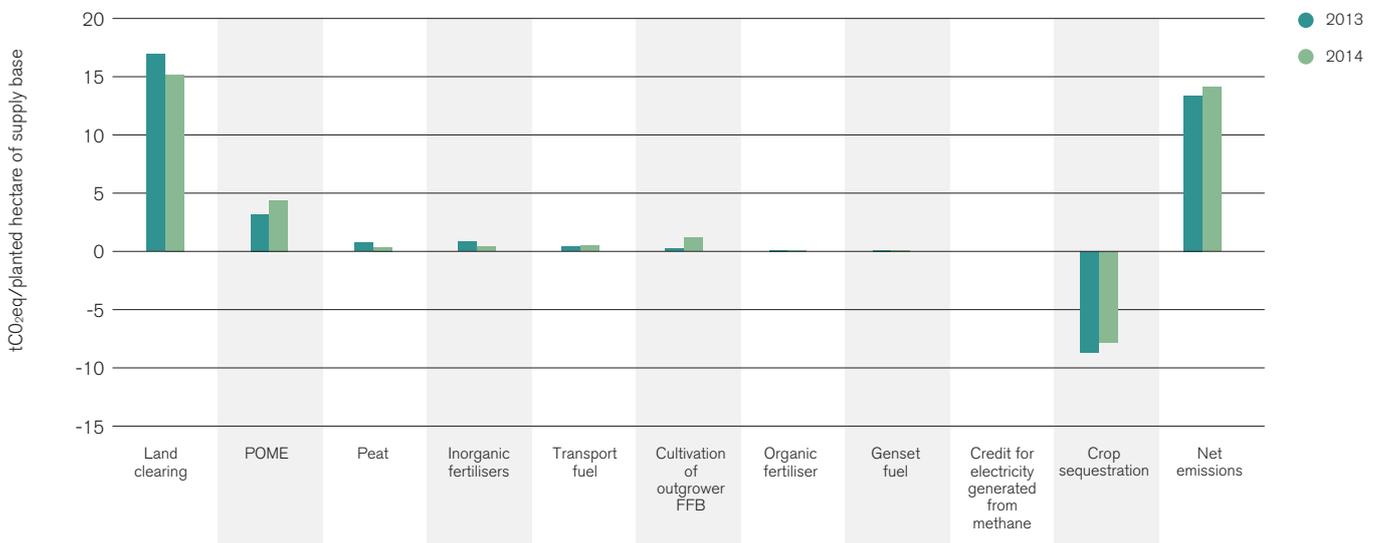


Figure 14: Satria oil mill GHG emissions / sequestration 2013 - 2014



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Land use change

GHG emissions from land use change remain the biggest component of our carbon footprint. Although this is a one-off emission that occurs when the oil palm plantation is developed, these GHG emissions are amortised over the 25 year lifecycle of the oil palm. The result of this methodology is a significant fixed annual emission from land use change for our long established plantations which cannot be reduced until re-planting. For future developments, we have the opportunity to minimise the contribution of land use change to our carbon footprint by prioritising lower carbon stock areas for oil palm development. We are actively contributing to the development of practical methodologies for conducting scientifically rigorous carbon stock assessments by participating in the RSPO's GHG emissions reduction working group. Since January 2015, we have undertaken carbon stock assessments using the RSPO's carbon stock assessment tool prior to initiating any new oil palm development. This will enable the carbon stock of the land to be taken into account in the land use planning process.

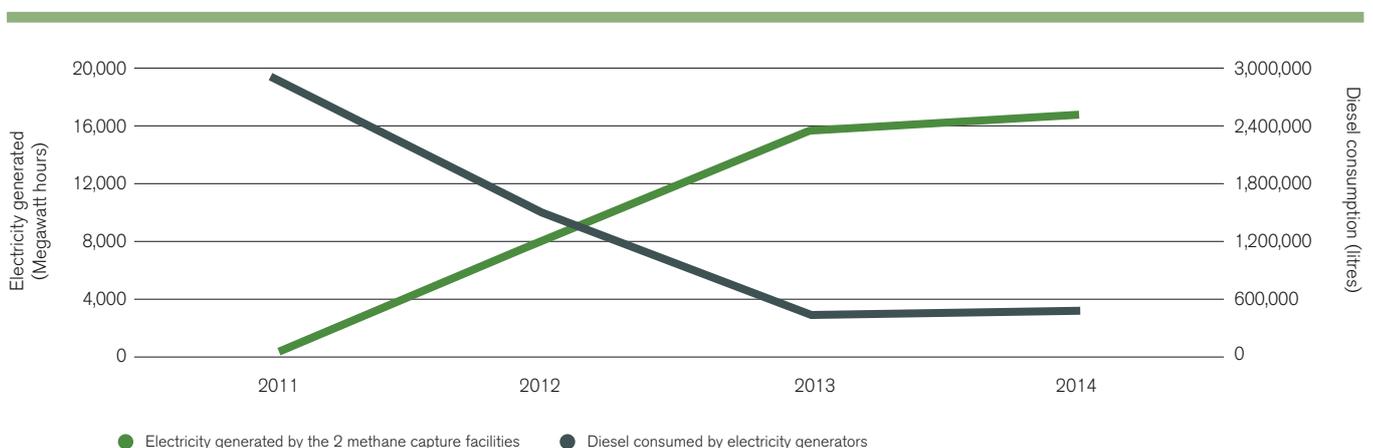
Methane capture and renewable energy

The strength of our commitment to reducing GHG emissions is demonstrated by the material capital investment we have made to install methane capture facilities at our two longest established palm oil mills. Whilst the GHG emissions associated with the treatment of POME remains the second largest component of the group's 2014 carbon footprint, a 50% reduction has been achieved since the methane capture facilities were commissioned in 2012. This is due to a total reduction of 146,000 tCO₂eq in the GHG emissions associated with the treatment of POME produced by the two mills with methane capture facilities (POM and COM). This reduction has been achieved despite the inclusion within the scope of the carbon footprint since 2013 of a mill which does not yet have a methane capture facility (SOM).

Perhaps even more remarkable than the GHG emissions savings achieved by the methane capture facilities is the fact that they also generate nearly enough electricity to power all of the group's mills and the majority of the operational and domestic buildings. Whereas in 2011 REAK and SYB used nearly 2.8 million litres of diesel to power electricity generators, this was reduced to 460,000 litres in 2014 as a result of the production of over 18,500 megawatt hours of electricity by the two methane capture facilities. Considering that the electricity demand of the REAK and SYB operations has increased since 2011, diesel savings due to the installation of the methane capture facilities are estimated to be well in excess of 2.3 million litres of diesel per year. This represents both a significant reduction to our cost of production and our GHG emissions.

Further information regarding the environmental and socio-economic benefits associated with the methane capture facilities can be found on P52.

Figure 15: Renewable and non-renewable energy consumption by REAK and SYB's operations 2011 - 2014



Peat

Our new policy on responsible development includes a commitment to avoid planting oil palm on peat soils regardless of depth. This will be strictly adhered to in the developments we are currently undertaking. However, in our longest established plantations (REAK and SYB) 1,067 hectares of oil palm was planted on peat soil prior to REA joining the RSPO in late 2007.

When oil palm is planted on peat soil it is usually necessary to lower the water table, which results in the carbon contained in the exposed portion of the soil being oxidised to produce carbon dioxide. Best practice guidelines recommend that the water table should be monitored using piezometers and maintained at between 40cm and 60cm in order to minimise GHG emissions without damaging the oil palm. In line with this guidance, we have been monitoring the water table in the peat soil areas planted with oil palm using piezometers since early 2013. Although the average level of the water table was within the recommended range in both 2013 and 2014, it was some 10cm lower in 2014 due to a prolonged dry period between August and October. This was the cause of the increased contribution of oil palm planting on peat to our carbon footprint for 2014. It does not mean that we expanded the area of oil palm planted on peat within our concessions. Going forward we aim to keep the level of the water table near constant by managing the flow of water into and out of these areas more effectively.

Climate change adaptation

We are conscious of the need to reduce the vulnerability of our operations to climate variability. This is a first step towards adapting to the predicted impacts of increasing global GHG emissions, which includes more intense and frequent extreme weather events in wet tropical regions. In preparation for the widely predicted onset of El Niño conditions towards the end of 2014, we undertook a thorough assessment, involving every department, to identify the risks posed to our plantation operations by a prolonged dry period and strategies to mitigate them. This assessment highlighted, as priorities for mitigating the identified risks, the need to increase operational and domestic water storage capacity, improve our ability to prevent and control fire by purchasing more equipment and provide more intensive firefighting training for employees. In response to the risk of a prolonged dry period we took the precaution of establishing a new loading point further downstream to which palm oil can be trucked if the river levels are too low for the barges to collect from the existing mill jetties. Although severe El Niño conditions did not materialise, undertaking this exercise has made us more aware of the risks and better prepared to cope with drought in the future.



Carbon stock assessment

Section 6

Working in partnership



The district leader (Bupati) switches on the supply of electricity from our methane capture plants to the local villages

Community relations

Our operations must have a long lasting and tangible positive impact on the welfare of everyone who is affected by them. We believe this is key to engendering the support of our stakeholders for the development of a thriving business. Strategies to achieve this include maximising the number of local people who are employed by the group, developing oil palm smallholder schemes for local villages and implementing community development projects that will assist these communities to become more socio-economically independent.

Developing and maintaining good relationships with the people who are impacted by and influence our operations is critical to the success of our business. For our established plantations⁶ alone, this comprises over 70,000 people (11,500 employees and their families who live on the plantation; 60,000 inhabitants of the neighbouring villages) and a wide diversity of ethnicities, priorities and personalities. It is perhaps not surprising, therefore, that maintaining harmonious relationships with every faction of this society can be challenging at times.



REA villager affairs team participating in a traditional 'adat' village ceremony

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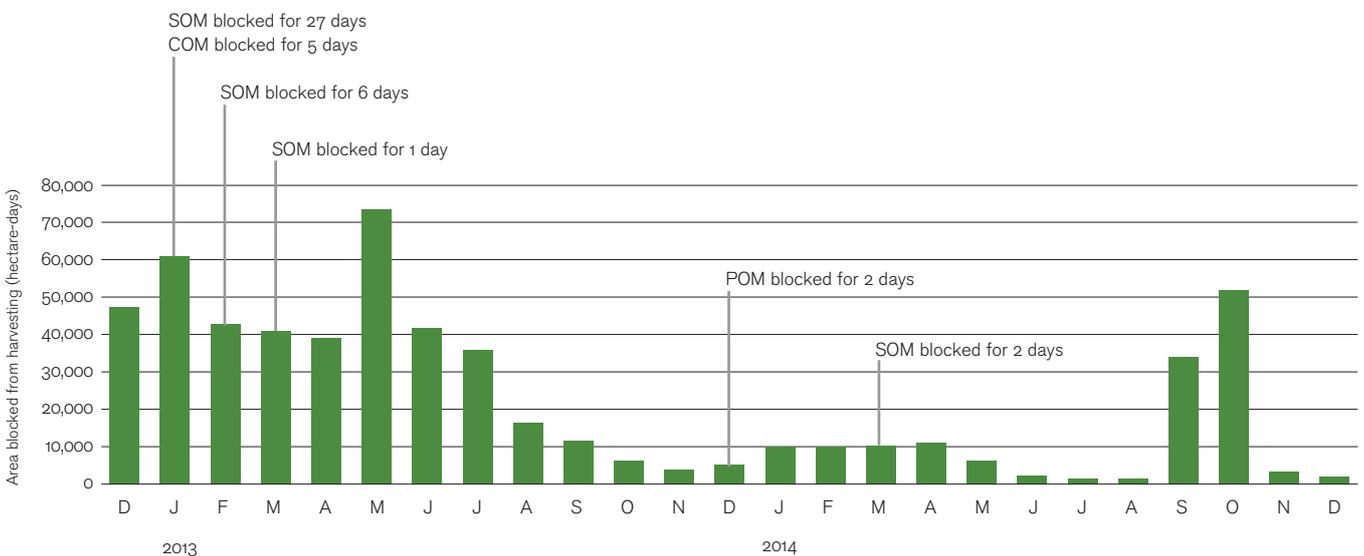
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⁶ REAK and SYB

Over the last two years we have established more effective and regular channels of communication with a wider variety of groups within the surrounding communities. As well as holding formal meetings with village leaders, our team of village ambassadors routinely interacts both formally and informally with traditional and religious leaders as well as farmer and women's groups. Creating more opportunities for constructive dialogue with these stakeholders has led to an improved and more universal understanding of REA's business and our approach and policies. We believe this has been instrumental to our success in reducing the frequency and severity of community protests between 2012 and 2015. The progress we have made in resolving outstanding claims for land compensation, which was one trigger for the protests experienced in 2012, in a way that is systematic, consistent and inclusive has also contributed to much improved community relations.

In the remote locations where we operate, government resources allocated to law enforcement are very limited. We therefore feel a responsibility to help uphold the law and safeguard our operations, employees and the surrounding communities from criminal activities. To achieve this, we work closely with local police and army personnel, who form an integral part of the local decision-making body of the central state administration in Indonesia (*Muspika*). This has included establishing joint security patrols by our internal security team and the local army. On the whole, this collaboration has been very effective, and has resulted in the successful prosecution of upwards of twenty FFB thieves over the last two years. However, we deeply regret that an encounter between army personnel involved in responding to a report of FFB theft resulted in one of the suspects, who was from a local village, being seriously injured by a bullet in November 2014. Fortunately, the injured person has recovered. A detailed investigation to determine the cause and circumstances surrounding this incident is still being processed by the military police. We have cooperated fully with this investigation and it is anticipated that a full report will be published by the military police in July 2015.

Figure 16: Impact of community protests on REA's plantation and mill operations



Community development

Over the last two years we have transformed our approach to community development. This has been spearheaded by the adoption of a new vision for this programme: *'to become a leading partner in helping the community to become socio-economically self-reliant'*. This vision was a key outcome of a programme of work, undertaken in 2013, which was designed to create a community development strategy that would have long term positive impacts on both our relationship with the local villages and their welfare.

To assist us in this task, we engaged the expertise of *Daemeter Consulting*, a leading Indonesian consultancy with long experience of providing oil palm plantation companies with strategic advice and practical solutions relating to the social, ecological and legal aspects of sustainable palm oil production. As a first step, Daemeter conducted an independent community perception audit, involving representatives from eight villages in the vicinity of our operations. The key findings of this assessment are summarised in Box 5. The information obtained by the perception audit, combined with the experience of our teams who regularly interact with the local communities, was then discussed in two workshops facilitated by Daemeter.

Over the course of these workshops, a new strategy for community development was shaped, the key elements of which are:

- to prioritise investment in infrastructure projects, particularly access to electricity, clean water and roads. We will consider supporting other infrastructure projects proposed by local communities as long as they will benefit the village as a whole
- to provide education and training that will assist members of the local communities to enter employment or establish their own business
- to involve local government and neighbouring companies in designing and implementing community development programmes wherever possible

In line with this strategy, in 2014 our community development programme focused on providing two villages with access to clean water and establishing a collaboration with the Indonesian national electricity company, PLN, to provide 21 villages in the vicinity of our operations with access to renewable electricity generated by our methane capture facilities.

Box 6: Community perception of REA

In June 2013, experts from Daemeter visited eight villages in the vicinity of REA's established plantations and new developments. The purpose of their visit was to conduct an independent assessment of the expectations and attitudes of these communities towards REA's business, and, in particular, its approach to community development and stakeholder engagement. In total, 77 people participated in the focus group discussions and the interviews conducted.

General perceptions

The majority of participants said that they expected the presence of the company to improve the economic status of their community by improving infrastructure and transportation. Many of those interviewed from the villages near REA's longest established concessions recognised that the company had already made a significant contribution towards this end. They said that since REA had been established, employment opportunities, telecommunications and access to education and basic necessities had improved. Despite this, REA was perceived by many to be slow to respond to requests for assistance, ungenerous in terms of the amount contributed and not very transparent about the company's plans and performance. The majority of participants from the villages in the vicinity of REA's newer developments said they were supportive of oil palm development. Some felt that REA should be firmer in dealing with small factions of the community who oppose the development so that the rest of the community can reap the positive benefits of palm oil production sooner.



Experts from Daemeter conducting focus group discussions



The entrance to Ritan Baru village

Attitudes to REA's contribution to socio-economic development

All of the villages visited had received some infrastructure assistance from REA, although a few complained that projects were unfinished. It was generally acknowledged that the infrastructure assistance had had a positive impact on these communities. However, some participants were dissatisfied with the lack of progress in developing plasma schemes for their village. Most of the villages estimated that approximately 10% of their residents were employed by REA. In general, it was felt that the number of people employed, particularly in permanent, skilled roles, was not yet optimal. Some said that this was because the level of experience and education required to work for REA is too high. Others said the work available is too demanding so people leave quickly or prefer to wait for the income they hope to receive from the plasma schemes. Training in skills such as driving was highlighted as something that would help to overcome the perceived barriers to local people being recruited for the better jobs.

Box 6: Community perception of REA - continued

Opinions regarding communication and conflict between REA and the communities

The majority of the people interviewed said that REA's previous management team very rarely communicated directly with the villagers, even the traditional leaders and government representatives. It was acknowledged by some interviewees that protests have been used as a means of getting the company's attention. It was the perception of some that agreements to assist communities were only made as an 'escape route' in response to claims for land compensation and that REA often made promises without considering its ability to fulfil them. Furthermore, some felt that the high turnover in senior management also helped the company to escape from the promises made to the communities. This behaviour and lack of communication has reduced community confidence in REA. However, it was recognised by several respondents that the company

is trying to improve its communication and they had noticed that over the last year REA representatives had made more frequent formal and informal visits to the village. Participants from one of the PBJ villages gave a score of 8 out of 10 for communication because they felt that the routine meetings they have with company representatives provide an opportunity to convey their opinions and understand the company and its activities in more detail. It was recommended by several of the villages interviewed that REA should arrange monthly meetings, where the community as a whole have the opportunity to discuss issues such as land compensation and community development projects, as well as the general activities and performance of the company. It was felt that this would help to reduce prejudice and improve transparency.

Figure 17: Community satisfaction with REA's performance

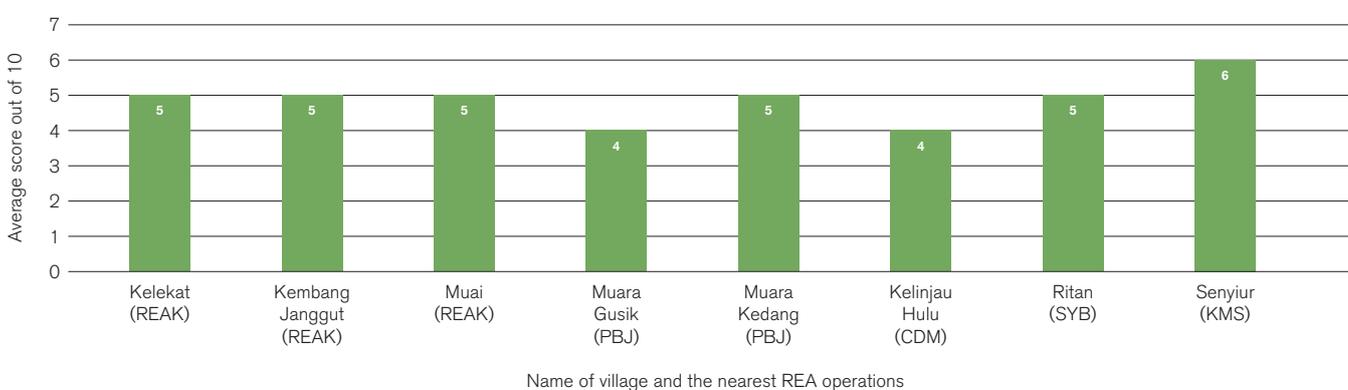
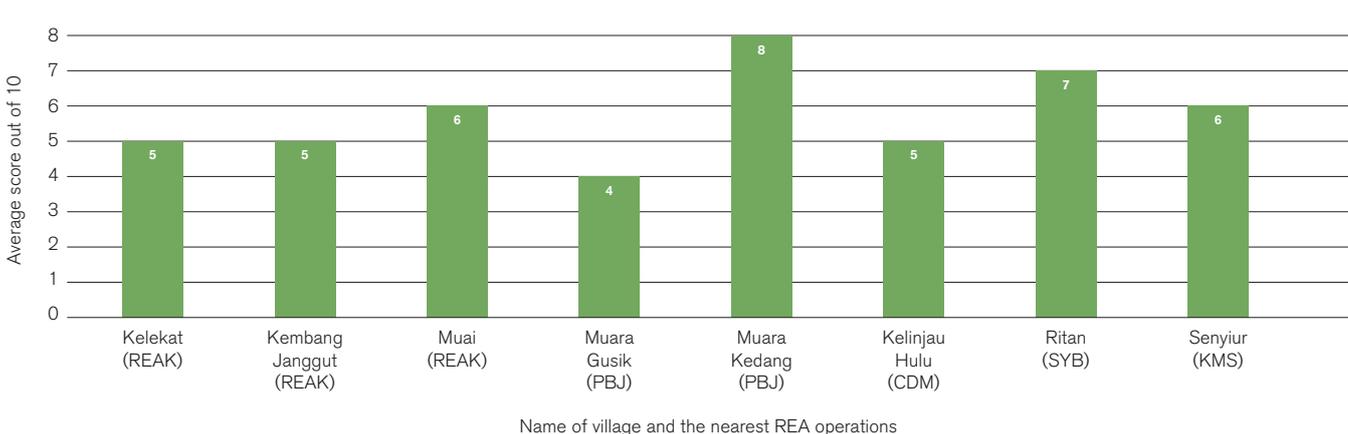


Figure 18: Level and quality of communication between the company and community





A cultural statue in Ritan village

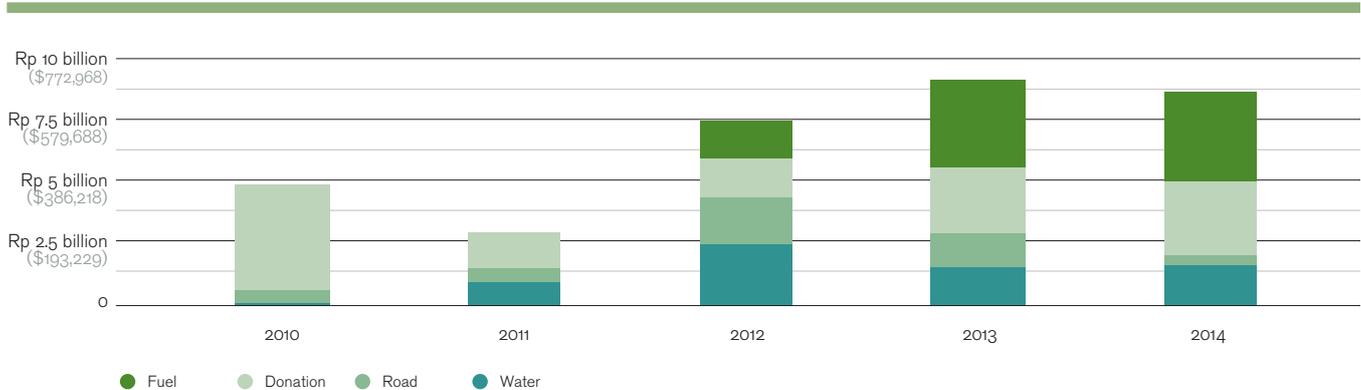
Clean water

In 2014, we invested in the installation of water treatment plants for two villages neighbouring the REAK concession. Whereas the two villages previously provided with water treatment facilities still rely on us to maintain and manage this infrastructure, responsibility for managing the new water treatment plants constructed in 2014 was handed over to the respective villages at the end of that year. This transition was facilitated by providing village operators with the training necessary to manage the plant and by working with the village government to ensure that all operating costs are covered by their annual budget.



The water supply from the new water treatment plant

Figure 19: REA's investment in local villages 2010 - 2014



REA Kaltim's President Director formally hands over responsibility for managing the new water treatment plant to the village

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Power to the people

On the 16 April 2015, our business entered an exciting new era that will bring material long term benefits for local people, the planet and our bottom line. This is due to the launch of a pioneering collaboration with the Indonesian national electricity company, PLN, which controls all sales of electricity in Indonesia, to supply rural communities with renewable electricity generated by our methane capture plants. While we have invested in the installation of the gas engines needed to generate an additional three megawatts of power, PLN has committed to install the infrastructure necessary to connect 21 villages, comprising some 8,500 households, to this supply of renewable energy. This includes 15 villages that were not connected to PLN's existing transmission line in the area, which previously supplied electricity produced from diesel powered generators. If successful, there is potential for the supply of electricity from our methane capture facilities to the surrounding villages to be increased from three megawatts to eight megawatts in future.



One of the biogas engines used to convert methane to electricity



The methane capture plant at Cakra oil mill



People

Access to a reliable source of electricity is a catalyst for socio-economic development and a high priority for many of the rural communities surrounding our operations. Although we have previously tried to address this need by providing five villages with generators and the diesel needed to power them, this is not in line with our new vision for community development as these villages would continue to rely on us for technical assistance and ever increasing donations of diesel to meet their growing demands for electricity. Creating the option for these communities to purchase electricity from PLN is therefore a far more sustainable solution.



Planet

By installing more gas engines, we will be able to convert more of the methane produced from treating the POME we produce into green electricity, as opposed to flaring it to produce carbon dioxide, which is still a GHG, albeit far less potent than methane. This will help further to reduce the carbon footprint of our operations. Enabling PLN to switch its existing power supply to six of the local villages from electricity produced by diesel powered generators to renewable electricity generated by methane capture will also help to reduce GHG emissions at a regional level.



Profit

At current prices, determined by Indonesian regulations, we will receive 915 rupiah (US\$ 0.07) for every kilowatt hour supplied into the new PLN grid. Although three megawatts of generating capacity will be available for 24 hours per day, 7 days per week, the actual amount of electricity sold will depend on demand from the villages. Based on the number of households that have installed electricity meters to date it is anticipated that the sale of electricity to PLN will generate revenue of over three billion rupiah (nearly US\$230,000) in 2015 alone. Once electricity meters have been installed in all village houses, it is expected that fluctuations in demand will result in some 60% of the capacity being utilised. In the longer term, PLN anticipate that the local grid will be joined to the national grid, at which point our full generating capacity could be sold to PLN.

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Box 7: REA's smallholder schemes

1. PPMD (Program Pemberdayaan Masyarakat Desa)

smallholder scheme: we voluntarily started this scheme in 2000, in an effort to help members of the local community with access to land to cultivate oil palm on their land. Farmers who choose to participate in this scheme manage their own plot of oil palm, but we have assisted them by providing agronomic advice and access to oil palm seedlings, fertilisers and herbicides as required. The cost of any inputs received is repaid, interest free, through deductions made when the farmers' FFB is sold to our mills.

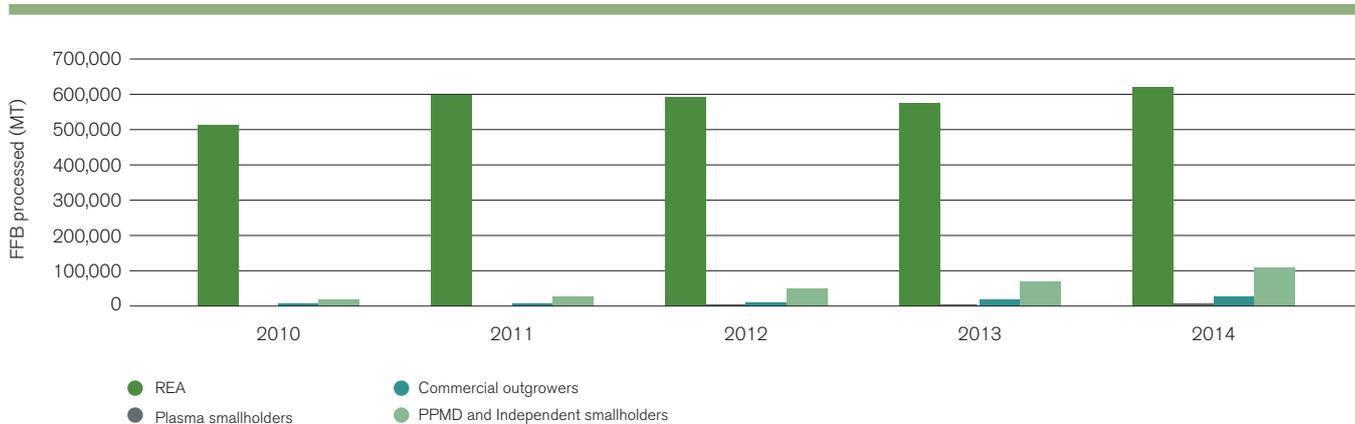
2. Plasma smallholder scheme:

Since 2007, Indonesian regulations have required companies who acquire new land for oil palm development to facilitate the establishment of plasma smallholder schemes for the benefit of the surrounding community. The area of oil palm developed under such schemes must be no less than 20% of the area developed for the benefit of the company. In contrast to the PPMD schemes, the start-up costs for the plasma schemes that we have established to date have been financed by loans to the cooperative from REAK or local development banks. A further difference is that members of the cooperative are not involved in managing the land cultivated with oil palm. Instead this is done by REA, in return for a pre-agreed management fee.

Smallholders are becoming an increasingly important component of our business. A key driver of this is that, since the introduction of a new regulation in 2007, companies acquiring a new land title for oil palm development are obliged to facilitate the establishment of plasma smallholder schemes for the benefit of the surrounding communities (see Box 7). The development of these plasma smallholder schemes has therefore become a significant focus of our expansion programme. Furthermore, semi-independent smallholder cooperatives established under our PPMD (Program Pemberdayaan Masyarakat Desa) scheme (see Box 7) and independent smallholder cooperatives are

supplying an increasing portion of the FFB processed by our mills, accounting for 14.3% of the total FFB we processed in 2014 (see Figure 20). In 2014, we purchased nearly 120,000 tonnes of FFB from plasma, PPMD and independent smallholders, which provided these local farmers with an income of 234.8 billion rupiah (US\$19.7million). This is an important source of income for the local population and can help to engender the support of these communities for the smooth running of our operations. We are therefore committed to strengthening our relationships with smallholders even though establishing and managing smallholder cooperatives can be challenging at times.

Figure 20: Suppliers of FFB processed in REA's mills



Development of plasma smallholder schemes

Over the last two years we have made steady progress in establishing plasma smallholder schemes for the communities surrounding our operations. In addition to developing plasma schemes for the concessions where this is mandatory, we have volunteered to establish a total of six cooperatives for the villages whose land overlaps with our long established REAK concession.

The process of establishing plasma smallholder schemes can be long and complex. We have been working to acquire land and put in place the necessary legal, financial and management agreements for 19 plasma cooperatives (see Figure 21). In doing so, we have faced a variety of challenges. One such challenge has been our limited access to land on which to develop plasma schemes for the villages in the vicinity of our long established operations. To fulfil our voluntary commitment to these villages we have had to obtain new areas of land solely for this purpose, which has taken

time. Furthermore, we have encountered delays in obtaining the official village boundary maps from the local government, which are necessary to determine who is entitled to benefit from such schemes. We have learnt from our experience with the first plasma cooperative that it is extremely important to ensure that **all** members of the cooperative fully understand how the plasma scheme works. We have therefore invested significant amounts of time in explaining the cost of cultivating oil palm, the terms of the financial agreements with REA and the bank, and the predicted income over time to the members of each cooperative. This should help to prevent disputes from arising once the oil palm matures.

Despite the challenges, over the last two years we have succeeded in completing the legal establishment of nine new cooperatives, and have signed management agreements with two cooperatives. Furthermore, the total area of oil palm planted under REA's plasma scheme has increased by 285 hectares and an additional 941 households have become formal members of our plasma cooperatives since 2012.

Figure 21: Progress to date in establishing REA's plasma schemes

Company	REAK						SYB			KMS		PBJ		CDM					
	1	2	3	4	5	6	1	2	3	1	2	1	2	1	2	3	4	5	6
Socialise plans to develop plasma	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013
Identify the people entitled to receive plasma	Completed before 2013	Completed before 2013	Completed before 2013	Progress made in 2013/2014	Progress made in 2013/2014	Progress made in 2013/2014	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013
Inventorise the land to identify overlapping land claims/village boundaries	Completed before 2013	Completed before 2013	Progress made in 2013/2014	Not started	Not started	Not started	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013
Finalise the list of people from each village entitled to plasma	Completed before 2013	Progress made in 2013/2014	Progress made in 2013/2014	Not started	Not started	Not started	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013
Legally establish cooperative	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013
Socialise MoU/management agreement with REA	Completed before 2013	Completed before 2013	Progress made in 2013/2014	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013			
Sign MoU/management agreement with REA	Completed before 2013	Completed before 2013	Not started	Not started	Not started	Not started	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013
Obtain bank loan	Completed before 2013	Completed before 2013	Not started	Not started	Not started	Not started	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013
RSPO New Plantings Procedure	Not applicable to this co-operative	Not applicable to this co-operative	Completed before 2013	Not started	Not started	Not started	Not applicable to this co-operative	Not applicable to this co-operative	Not applicable to this co-operative	Completed before 2013									
Land acquisition, land compensation & obtaining relevant licenses/permissions	Not applicable to this co-operative	Not applicable to this co-operative	Progress made in 2013/2014	Not started	Not started	Not started	Not applicable to this co-operative	Not applicable to this co-operative	Not applicable to this co-operative	Completed before 2013									
Land clearing & planting oil palm	Completed before 2013	Completed before 2013	Not started	Not started	Not started	Not started	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013	Completed before 2013

● Completed before 2013
 ● Progress made in 2013/2014
 ○ Not applicable to this co-operative
● Completed in 2013/2014
 ● Not started

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Figure 22: Development of plasma smallholder schemes

Smallholder scheme	Cooperative	Area planted (hectares)	Members/farmers
Plasma	REAK-1	1,354	280 households
	REAK-2	560	392* households
	REAK 3, 4, 5 & 6	0	Membership not yet finalised
Sub-total REAK		1,914	672 households
	SYB-1	462	252 households
	SYB-2	119	154 households
	SYB-3	234	787 households
Sub-total SYB		815	1,193 households
	KMS 1 & 2	0	Membership not yet finalised
Sub-total KMS		0	
	PBJ-1	218	Membership not yet finalised
	PBJ-2	0	Membership not yet finalised
Sub-total PBJ		218	
	CDM-1	51	Membership not yet finalised
	CDM-2	132	Membership not yet finalised
	CDM 3, 4, 5, 6	0	Membership not yet finalised
Sub-total CDM		183	
Group plasma total		3,130	1,865 households
Group PPMD total		1,679*	982 farmers*
Group independent total		5,163*	1,149 farmers*
Total		9,972	1,865 households 2,131 farmers

*This information is still in the process of being verified and is subject to change

Improving smallholders' practices

At the end of 2014, we established an important collaboration with the international development NGO SNV which aims to improve the practices of those smallholders within our supply chain who manage their own land. The business case for investing in measures to maximise the yield and quality of the fruit that these farmers produce is clear: it will increase the farmers' income and the profitability of REA's palm oil mills. Furthermore, improving the practices of smallholders is essential for disconnecting palm oil supply chains from deforestation.

There is a strong incentive for us to work with the PPMD and independent smallholders within our supply base to improve their practices. However, this is a big task because we purchase oil palm fruit from 25 cooperatives (15 PPMD, 10 independent) consisting of well over 2,000 farmers cultivating some 7,000 hectares of oil palm dispersed over a large area. We are therefore working with SNV to develop and implement a 'train-the-trainer' programme. Initially, this involves training REA's smallholder team and the management teams from five cooperatives in the course content and techniques necessary to provide effective training in best agricultural practices and cooperative management. Once these 'master trainers' have proven their ability to convey the training materials to others effectively, they will then train others to become 'trainers'. The ultimate aim is that each cooperative within the supply base eventually has the capability to provide training to all of their members on a regular basis.

Complementary to this training programme are the renewed efforts we have made over the course of 2014 to ensure that the smallholders understand exactly how the results of the FFB quality grading affect the price they receive for the fruit delivered to our mills, as determined by the local government plantation department's pricing formula. It is hoped that this will incentivise these smallholders to produce higher quality fruit. Furthermore, trends in the results of the fruit grading from members of each cooperative will provide an important indicator of the efficacy of the training programme.



REA staff practising the 'High Impact Training' approach



SNV's master trainers coach representatives from the PPMD co-operatives in the High Impact Training approach

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Smallholder fruit being graded at the mill



Box 8: **Re-evaluating RSPO certification for smallholders**

We are committed to obtaining RSPO certification for all of our plasma scheme smallholders and because we manage the land on behalf of these cooperatives, we are confident that this can be achieved. Our two longest established plasma cooperatives obtained RSPO certification in June 2011 and the three plasma cooperatives which supply our third palm oil mill will be included in the scope of the RSPO audit planned for the end of 2015.

In our recent RSPO surveillance audit we made the difficult decision to remove voluntarily all of the PPMD cooperatives from the scope of our RSPO certification. The primary reason for this decision was the number and nature of non-compliances with the RSPO standard identified during internal audits of these cooperatives. Whilst we remain determined to improve these farmers' practices as far as possible and are investing in training, this will take time.

In the meantime, it is important that these farmers understand that they do not yet meet the RSPO standard so that they have an incentive to participate in training sessions and improve their practices. Furthermore, it has been agreed by the RSPO secretariat that we do not have sufficient leverage over the practices of these smallholders, who manage their own land, for them to be categorised as scheme smallholders. Therefore, they are considered eligible to obtain RSPO certification against the RSPO standard for independent smallholders, which is a simplified version of the full RSPO P&C with which companies and scheme smallholders must comply.



SNV's master trainer in action

Stakeholder comment from SNV

SNV is a not-for-profit international development organisation. Founded in the Netherlands in 1965, SNV has built a long-term, local presence in 38 of the poorest countries in Asia, Africa and Latin America. Our global team of local and international advisers work with local partners to equip communities, businesses and organisations with the tools, knowledge and connections they need to increase their incomes and gain access to basic services – empowering them to break the cycle of poverty and guide their own development. In order to address the increasing impact of agriculture and energy production on forests and climate change, SNV has developed several knowledge based win-

win solutions to meet both conservation and development targets. These include incentives and support for oil palm smallholders to make a transition to more sustainable production systems and as a result, address deforestation in supply chains.

In 2014 SNV started working with REAK to support the smallholders they are sourcing from to improve the quality and quantity of their production. In order to have impact at scale, SNV is training eight members of the REAK smallholder team as well as 40 farmers from five cooperatives to use our High Impact Training (“HIT”) approach for better management practices in oil palm plantations. The strategy for achieving this is outlined in Figure 23.

Figure 23: **Our High Impact Training (“HIT”) approach**

Strategy	Objective
1. Training of trainers (ToT) in HIT methods	Teaching principles and active learning methods in order to orientate trainers to the HIT approach and methods.
2. Training on technical curriculum content	Training on the technical content of the curriculum to ensure that all trainers are aware of best practices and deliver the correct content and material.
3. Trainers assist master trainer in a full training session – act as ‘apprentice trainers’ or assistants	Understanding the content and the methods for delivery. Let trainers engage in the programme by practising knowledge acquired during the ToT, but in a supporting role, not as a fully independent trainer.
4. Debriefing session	Further coaching and revisiting content.
5. Deliver first training with support of master trainer	Master trainer attends training to guide and support the trainer. Provides on the spot mentoring and coaching to develop confidence, improve teaching technique and ensure that the correct content is taught.
6. Deliver ongoing training to beneficiaries	Trainers are self-sufficient and can implement the HIT on their own. Random visits from master trainer to check on the quality of delivery and that both methods and content are being delivered correctly and in line with the Trainer guide and course content.

In the four training sessions implemented to date we have identified the following challenges and opportunities:

Challenges:

- In order to distribute knowledge across the wider membership of the cooperatives there need to be well-defined farmer groups within each cooperative. We found that this is not the case at present and that institutional capacity is limited. This will make it more difficult to move to more effective cooperative management and potentially certification. We suggest that REAK should focus on building this capacity as a next step. As part of our existing collaboration, SNV will provide initial training on institutional development. However, this will only provide preliminary exposure to the systems that need to be developed. Getting the right management structures in place is a key challenge that should be addressed to realise the full potential of this training programme in terms of improving farmers' practices.

Opportunities:

- As a result of undertaking this training the REAK staff have the capability to build the capacity within the cooperatives for them to train their members
- The PPMD farmers are keen to learn better management practices. With consistent training, it should be possible to bring their knowledge up to a standard whereby they can meet REAK's quality requirements and significantly improve their production
- The cooperatives involved in the training have already assigned people who are responsible for managing the cooperatives' finances. This is an important starting point for expanding the institutional capacities of the group

Recommendations:

- The REAK staff who have participated in our training should provide follow up training to the farmers that have participated in our train-the-trainer programme as soon as possible to improve their capacity to conduct training sessions independently
- REAK could arrange for the most enthusiastic farmers, or early adopters of the practices covered in the best management practice training to date to visit some more established independent smallholder cooperatives in Sumatra which are already implementing best practices and have achieved RSPO certification. This would be the most effective way to explain the importance of establishing the cooperative as an effective business unit, which requires management structures including farmer groups and entities responsible for finance.

Traceability

To monitor effectively the impact of the training programme on smallholders' yields it is essential that all of the fruit processed at the mills can be traced to a specific farmer and plot of oil palm. Traceability is also critical to identifying illegal oil palm cultivation and eradicating deforestation from palm oil supply chains. It is therefore an issue of growing concern for buyers, civil society and the government. Conscious of this, we are in the final stages of mapping the land belonging to every farmer within our supply base and putting in place a system at the mill to trace all of the fruit purchased from smallholders to a specific plot of land. Due to the large number of farmers involved, the wide distribution of independent smallholders and resistance from some farmers to provide us with information, compiling this data has taken a lot longer than anticipated. However, before the end of 2015, we hope to have a fully traceable FFB supply chain.

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Our employees



A time of transition

REA has grown considerably over the last two years, both in size and expertise. Commissioning of the third mill and increased activity in the new development areas has necessitated a 30% increase in the size of the workforce (2012: 7,460; 2014: 9,790). At the same time, significant restructuring of and changes in the senior management team have strengthened our skill set in areas where improvements in performance are needed and brought fresh ideas and renewed enthusiasm for managing the business. We are pleased to report that we achieved our target of

reducing employee turnover, despite the relatively high turnover in management associated with the restructuring of the senior management team. By listening carefully to the views and concerns of our employees we hope to reduce employee turnover even further by 2016. To this end, all permanent employees were given the opportunity to participate in an independent employee satisfaction survey in August 2014. The topics covered and key results are summarised in Box 9.

Figure 24: Employee turnover 2010 – 2014

	2010		2011		2012		2013		2014	
	Resignations	Turnover								
Management	5	8%	2	3%	27	51%	6	10%	15	25%
Other permanent staff	21	9%	37	16%	33	14%	17	7%	35	13%
Workers	928	20%	1,265	29%	1,036	23%	872	17%	914	16%
Total	954	19%	1,304	28%	1,096	23%	895	17%	964	16%

Box 9: Listening to our employees

In August 2014, 81% (261) of our permanent staff participated anonymously in a detailed employee satisfaction survey. The first part of this survey asked respondents to rate how strongly they agreed or disagreed with 40 statements designed to assess their satisfaction with their job, manager, living conditions and the organisation as a whole. Participants were also asked to highlight the statements of greatest importance to them. The second part of the survey requested recommendations and comments in response to five open questions covering the same themes.

The results of this survey, as well as REA's response to the issues raised, are set out below:

Plantation facilities

- **Survey results:** medical and healthcare facilities were ranked as the most important aspect of our employees' working and living environment and, along with the mosques and churches, were the facilities with which survey participants were most satisfied. However, childcare facilities for pre-school children, schools and housing were highlighted as priorities for improvement. Furthermore, many respondents said that additional recreational facilities, particularly sports facilities and a children's playground, would help them to enjoy more their non-working time on the plantation.
- **REA response:** the requests for specific recreational facilities made in this survey will be taken into account in the design for the new central housing complex, which we hope to start developing before the end of 2015. Furthermore, REA's educational foundation is focusing on expanding and improving the secondary education provided by the plantation schools.

Continued overleaf...

Box 9: Listening to our employees - continued

Career development

- **Survey results:** the provision of training and opportunities for career progression was highlighted as an area where improvement would be valued, as well as one of the most common responses to the question 'What would encourage you to remain a REA employee for another 10 years?'
- **REA response:** one of the priorities for 2015 is to review and improve our annual training programme. We remain committed to our policy of filling vacancies through internal promotion wherever possible.

Salaries and bonuses

- **Survey results:** ensuring that salaries and bonuses are competitive was another of the key factors that would encourage respondents to stay with REA.
- **REA response:** each year our pay structure is benchmarked against salaries for the Indonesian oil palm plantation sector, using data compiled by the Hay Group. Based on the results of the 2014 review, significant revisions were made to the remuneration being offered to junior staff. We are confident that our salary structure for 2015 is competitive in relation to the rest of the Indonesian palm oil industry.

Evaluating performance

- **Survey results:** it is perceived that rewards and sanctions are not always properly aligned with work performance and that some managers favour certain races or religions and exhibit nepotism. Fairer and more frequent evaluations of work performance and employee development by managers are needed.
- **REA response:** we continue to strengthen and expand our system for rewarding employees based on objective Key Performance Indicators ("KPIs"). Furthermore, in early 2015 we adopted a new human rights policy, which reinforces our commitment to equal opportunities and no discrimination. This policy has been actively communicated to employees in each area of our operations.

Communication

- **Survey results:** the aspects of REA as an organisation with which respondents were least satisfied were management's willingness to listen to complaints and suggestions and the amount of information provided about changes in the organisation and the business situation.
- **REA response:** we have introduced a biannual publication, called the REA Review, which aims to inform employees at every level within the organisation about the group's performance, organisational changes and other important issues. A new committee has also been appointed for the 'Bi-partit', which is a forum that provides employees with an opportunity to raise concerns and make recommendations to the management team.

REA KALTIM REVIEW No. 1 14 July 2014

REA REVIEW

News | Reviews | Information

Editor

REA REVIEW is designed to bring you news of recent events, changes, developments, company performance, etc. It will also provide reviews of key initiatives in the business and information about a whole variety of issues and forthcoming events.

The intention is that REA REVIEW will cover all areas of the business and incorporate contributions from all levels of the company, so please feel free to send your contribution to matus.raharjo@rea.co.id, be it work related, serious, funny, sport related, general hobbies etc. We may not be able to use everything we receive but we will endeavour to include as much as we can that contributes to an open, useful and informative newsletter for all in REAK.

REA REVIEW will be issued on a periodic basis depending on the interest shown and support we receive in running what is a voluntary project.

Thank You. ED



SBY Awards for REAK

REAK is among a number of East Kalimantan companies to be awarded certificates of excellence by President Susilo Bambang Yudhiono for the development of projects of a scale or nature that make a significant contribution to the development of East Kalimantan and Indonesia as a whole. REAK's Methane Capture Plants (above) and the Satria Oil Mill were each awarded prizes - congratulations to all those involved in the planning, development, construction and ongoing management of these projects.

Great Start to 2014

After disappointing production in 2013, the 1st half of 2014 has seen a healthy increase in Inti FFB harvested and total crop processed, compared to the same period in 2013.

Unfortunately, performance in our mills remains below expectations with extraction rates still materially below past levels. As a result, the increase in CPO production has been less satisfactory. A significant amount of money, time and effort is being spent on refurbishing POM and COM to return

REAK - Why not be the best? We can be if you can be! 1

Our employees

Employee benefits and facilities

In addition to a competitive salary, our policy is to provide all permanent employees who wish to live on the plantation with housing, equipped with electricity and potable water, for themselves and their families. In our established plantations, nearly 11,500 people live in company housing, which accounts for 74% of the 5,595 permanent employees of our REAK and SYB subsidiary companies and 7,300 family members⁷.



Employee housing

In 2014 we introduced two new initiatives designed to encourage our employees to take more responsibility for maintaining pleasant living conditions in the estate villages and create a stronger sense of community. The inaugural best estate village and best house competitions were a great success due to widespread and enthusiastic participation. It resulted in significant improvements in the appearance and cleanliness of the estate villages and a strongly fought contest.



The winner of the best house competition

In September 2014, REA's first neighbourhood watch team ('Pam swakarsa') was formed in one of REAK's estates, which currently comprises 15 women and 70 men. This team will receive training in basic security and firefighting and will initially focus on promoting cleanliness and safety in the estate villages, as well as assisting with special events such as sports competitions and other company celebrations. It is the intention that this initiative will be replicated in other estates in 2015.

Within each estate village we have established essential amenities, including a clinic, school, church, mosque, shops and sports facilities. We are aware that the standard of education available at the plantation is often a key factor in determining whether a candidate will accept a plantation based role and how long they will stay. In recognition of this, in July 2013 we introduced secondary level education at our existing primary school in REAK's Perdana estate. As at December 2014, 118 secondary school children were enrolled at our schools, in addition to 1,765 primary school and 460 pre-school children. In April 2014, we received an award from the Kutai Kartanegara District leader in recognition of our contribution to education in the region.



REAK primary school children

⁷ As at 21/02/2015

Getting the best from our employees

Our ability to recruit, develop and retain skilled, motivated and committed employees is critical to the success of our business. Our long established cadet programme is one of the key mechanisms by which we recruit graduates with the variety of skills we need to run our business and develop existing employees who demonstrate management potential. Each year, we select between 30 and 50 cadets, who are provided with 12 months of theoretical and practical training before being placed in a particular department.

Figure 25: Participants of REA's cadet programme 2011-14

	2011 intake	2013 intake	2014 intake
Existing employees	10	19	10
Fresh graduates	26	13	36
Total	36	32	46

*We did not run the cadet programme in 2012

In an effort to equip employees at every level with the skills and knowledge necessary to do their existing job effectively and advance their career we also run an annual training programme. This is designed by our training manager based on input received from each department and consists of both in-house training and participation in external courses and conferences. By investing in our employees and assisting them to realise their potential we aim to be able to fill vacancies through internal promotions wherever possible (see Figure 26).

We aspire to create a culture at every level within the organisation whereby employees are rewarded based on their performance. To achieve this, the performance of everyone from assistant to director level is now evaluated biannually in relation to a pre-agreed set of quantitative and objective KPIs. In 2015, we aim to further align these KPIs with the company's overall targets by ensuring that 30% of each employee's KPIs relate to corporate objectives, including FFB yields, oil extraction rates and cost of production, whilst the remainder will relate to more specific departmental objectives and personal performance. In an effort to improve performance in our mills and ensure that there is a clear link between wages and productivity, we recently introduced a performance related pay scheme for mill workers. Although no employee will receive less than the Indonesian minimum wage, we now offer a bonus that is determined by the quarterly performance of the mill against a range of production and management parameters. If this scheme is successful, we intend to develop a similar scheme to encourage greater efficiency in the transport department.

Complementary to our efforts to motivate employees to perform better has been a drive to reduce overtime, particularly in the mills and transport department. In the past, overtime has been perceived as a reward by many employees and there have been incidents of overtime fraud. Measures introduced to combat this include the installation of fingerprinting technology in all of our mills and offices. Tighter controls on overtime are essential to protect the safety of our workers, to ensure that we comply with Indonesian labour regulations and to minimise costs. However, such measures have been unpopular amongst our workforce and have resulted in some minor strikes. These have all been resolved swiftly and amicably by our industrial relations officer.

Figure 26: Percentage of appointments that were internal promotions of existing permanent employees



Respecting workers' rights

Our human rights policy

- No child labour
- No forced or trafficked labour
- No harassment
- No violence by security personnel
- Freedom of association for employees
- Equal opportunities
- Protection of reproductive rights
- Fair pay and decent living conditions
- Respect for legal and customary land use rights
- Land will only be developed if the free prior and informed consent ("FPIC") of land use rights holders is obtained.
- Conflicts will be resolved through an open, transparent and consultative process
- Anonymity for complainants and whistle blowers

We take our duty to protect and respect the human rights of any person affected by our operations very seriously and are committed to adhering to the core conventions of the International Labour Organisation's Fundamental Principles and Rights at Work, as well as the Indonesian labour regulations. In an effort better to communicate these commitments to our employees at every level we recently adopted a new policy on human rights, which is displayed at every site. We consider the following human rights issues to be of particular relevance to our business:

Decent pay and conditions

Irrespective of whether or not performance targets are achieved, all of our male and female permanent and casual workers receive a wage that is in line with the minimum monthly wage for the district of Indonesia where they work. This is revised annually by the local government, and has increased by between 51% and 65% between 2012 and 2014 in the three districts where our plantations are located (see Figure 27).

In addition to their basic wage, all permanent employees and their families who live on the plantation are entitled to housing with water and electricity, primary education and healthcare. These benefits in kind materially increase our remuneration levels.

A relatively high proportion of workers are employed on a temporary basis. As the development of the younger plantations progresses we aim to reduce our reliance on casual workers. This is desirable because it provides workers with job security and better benefits and promotes stability and productivity within our workforce. We will continue, however, to offer casual employment to people from local villages who want to supplement their income from other activities, such as small scale farming, and spouses of full time employees wishing to balance work with family life. We will ensure the terms under which they are employed are in line with the Indonesian labour regulations for casual employment.

Figure 27: Minimum monthly wage for the districts where REA's plantations are located 2012 - 2014

	2012	2013	2014
Kutai Kartanegara	Rp 1,254,712 (US\$96.98)	Rp 1,908,146 (US\$147.48)	Rp 2,070,530 (US\$160.03)
Kutai Barat	Rp 1,268,500 (US\$98.04)	Rp 1,769,557 (US\$136.77)	Rp 1,920,000 (US\$148.40)
Kutai Timur	Rp 1,280,000 (US\$98.93)	Rp 1,765,000 (US\$136.42)	Rp 1,956,535 (US\$151.22)

Exchange rate used: US\$1 = Rp 12,938 (23/04/2015)

No child labour

We take great care to verify the age of all new employees by checking identity cards, school certificates and family registration information and will not employ anyone under the age of 18. Although all employees are prohibited from allowing their children to accompany them to the field whilst they are working, we are aware that harvesters do occasionally allow their children to assist them in collecting loose fruits. We frequently remind all employees of the safety risks this poses and require field supervisors to be vigilant on this issue.

No forced labour

All employees are provided with clear terms of engagement, which include pre-agreed notice periods. We will never unlawfully withhold wages, insurance cards, identity cards or money from employees in an attempt to force them to work or prevent them from leaving.

Freedom of association and collective bargaining

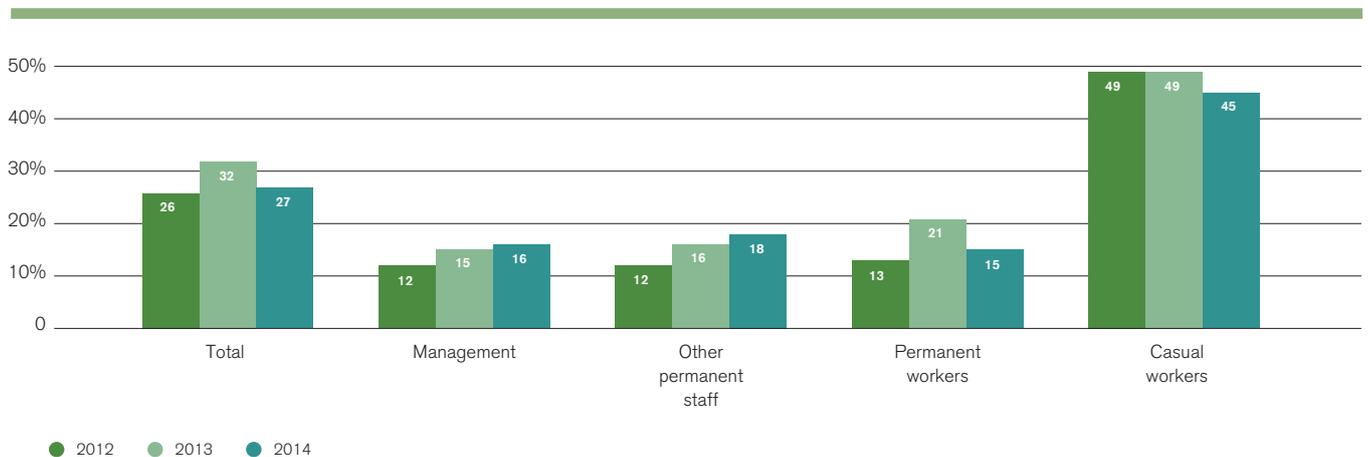
We respect the right of employees and contract workers to form or join trade unions and bargain collectively, in accordance with national and international regulations. Whilst at the time of publishing our previous report there was one active trade union at our Perdana oil mill, this trade union is no longer active due to the introduction of a membership fee by the union leaders.

Equal opportunities

We actively promote diversity and equality in the workplace. We will not tolerate discrimination based on age, disability, ethnicity, gender, marital status, political opinion, race, religion or sexual orientation. 41 ethnicities⁸ and five religions are represented within our workforce.

Women currently account for 27% of the workforce, including 16% of the management team. The palm oil industry has traditionally been male-dominated, but we are working to address some of the gender stereotypes that fuel this. For example, in 2013 we introduced a scheme to provide free driving tuition to women who already live on the plantation but are not currently employed. So far, seven women have participated in this scheme, and we currently employ three women as drivers, one of whom has obtained a heavy vehicle licence. We are in the process of recruiting up to 15 more women to participate in the driving training course in 2015. In line with the requirements of the RSPO we have established gender committees, which provide a regular forum for gender-related challenges in the workplace and suggestions for improvements to be discussed with the management team.

Figure 28: Percentage of women in our workforce



⁸ In our 2012 Sustainability Report we stated that our workforce comprised 87 ethnicities. However, our definition of ethnicity has been revised and these previous 87 ethnicities have been reclassified as 40 different ethnicities.

Our health and safety policy

- Integrate occupational health and safety considerations into all of our operations
- Achieve zero work-related fatalities and continuously reduce lost time accident rates
- Provide training and raise awareness to promote safe working practices
- No drugs or alcohol in the workplace
- All employees and contractors must use the appropriate personal protective equipment
- Develop and maintain effective emergency preparedness and response procedures

We believe that every employee is entitled to a safe working environment. Accordingly, we are implementing an Occupational Health and Safety (OHS) management system that will conform with the internationally recognised OHSAS 18001 standard. As part of this process a series of audits and Hazard Identification, Risk Assessment and Risk Control (“HIRARC”) exercises have been conducted over the course of the last two years at our mills and established plantations by both external consultants and our safety team. These assessments identified numerous examples of unsafe working practices and areas where structural improvements are needed, particularly in the older mills. A variety of measures have been taken to address the issues identified. These include:

- Introduction of a more comprehensive safety induction for new employees and contractors
- Provision of training to ensure that high risk tasks are carried out safely, including working at height and in confined spaces
- Integration of the actions necessary to eliminate and control hazards into existing Standard Operating Procedures (SOPs), as well as the development of new SOPs
- Introduction of a more rigorous and inclusive incident investigation procedure, which is designed to ensure that the cause of any incident is identified and the senior management team and operations team understand the remedial action needed to prevent such an incident from recurring
- Structural improvements, particularly in the mills, to control physical hazards.

With safety a high priority, we have already embarked on a programme of investment to make the structural improvements required to control the hazards identified. Whilst the resources required to achieve this are substantial, the biggest limiting factor to obtaining OHSAS 18001 at present is the speed at which we can realise the fundamental behavioural change necessary for safety considerations to become a habitual part of every employee’s working routine. We view this to be critical to our ability to uphold the OHSAS 18001 standard on a daily basis and so prefer not to obtain the certification until meaningful behaviour change has been achieved. However, we recognise that this will take time and will require a variety of different approaches. We have made the difficult decision to delay our target for obtaining OHSAS 18001 certification until 2016.

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Accidents and fatalities

We are greatly saddened and concerned by the involvement of five of our employees in fatal traffic accidents in 2013 and 2014, four of which involved motorbikes. Although only one of these incidents is considered a work-related accident, all involved our employees and occurred within, or in close proximity to, our operations. All have been subject to detailed investigations to determine the cause of the accident and the corrective actions required. The circumstances in which each of these accidents occurred are summarised in Figure 31. We aim continuously to reduce lost time accident rates and accident severity rates, which are important indicators of the

effectiveness of our OHS management system. The decline in the group's average lost time accident rate since 2012 suggests that we have made some progress in creating a safer working environment. However, the increase seen in the severity of accidents, particularly in the mills, emphasises the fact that further improvements are needed. Whilst a concerted effort has been made to standardise procedures for recording accidents over the course of the last two years, inconsistencies were still identified in 2013 and 2014 so the data is not yet considered to be completely reliable.

Figure 29: Lost time accident rates (lost time accidents per 200,000 working hours)

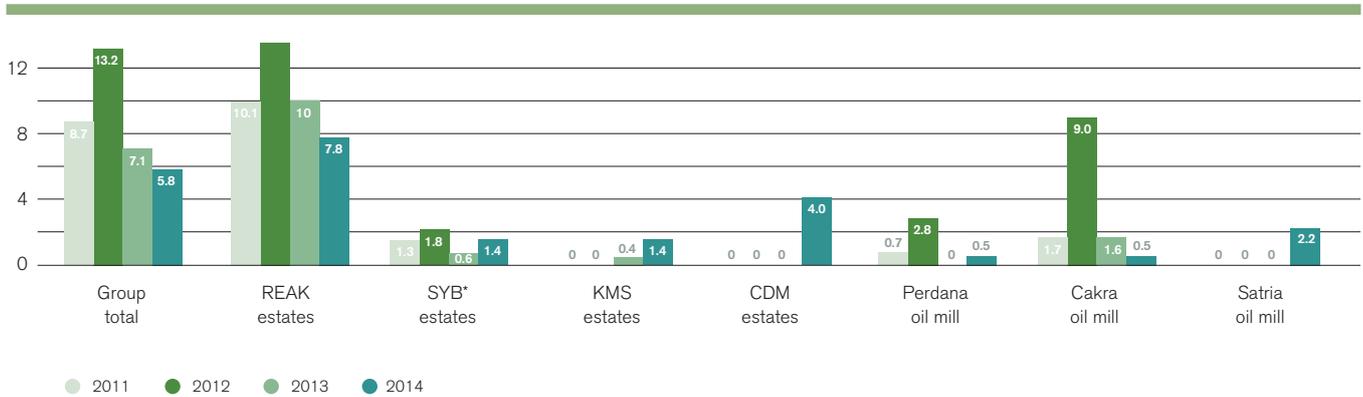
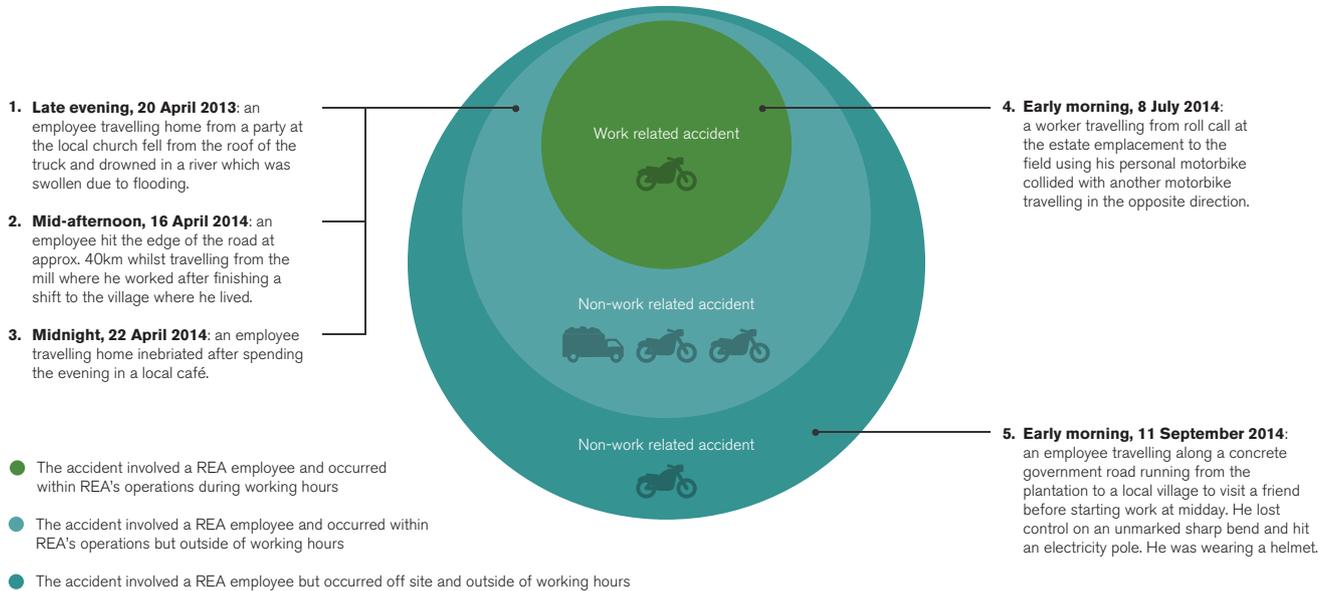


Figure 30: Accident severity rate - (average lost days per accident)



Figure 31: Circumstances in which the fatal traffic accidents occurred 2013 – 2014



Box 10: Traffic safety

Over the last twenty years we have established an extensive network of roads within and around our plantations, which are used by both employees and the local communities. This improvement in infrastructure, combined with population growth and increased wealth, has resulted in a rapid increase in the number of people travelling by road rather than by river. Consequently, road safety is becoming an increasingly important issue, as highlighted by the spate of fatal motorbike accidents in 2014. In an effort to prevent future traffic accidents we have introduced a company driving licence scheme for all types of vehicles, from heavy equipment to motorbikes. To obtain a licence, an employee must have the appropriate police driving licence and pass an additional theory and practical test designed by our safety manager. The number of warning signs on the roads has also been increased in an effort to promote safer driving practices. All employees have been reminded that wearing a helmet is mandatory when riding a motorbike.

Healthcare

Healthcare facilities are extremely limited in the remote locations where we operate. Consequently, we have established a network of 18 clinics, which treat employees, their families and also members of the local communities. In 2013 and 2014, a total of 2,137 patients from the local villages were treated at our clinics. Medical care is provided by two doctors, a dentist and a team of paramedics and midwives. Whilst both permanent and casual employees are entitled to free consultations in our clinics, all permanent employees are also provided with health insurance, which covers in-patient and out-patient treatment off-site for themselves and their families.



Estate health clinic

Section 8

About this report



Scope

Our first sustainability report was published in July 2013. Therefore, in publishing this our second report in June 2015, we have fulfilled our commitment to produce a Sustainability Report biennially. Although the focus for this report is our performance during the 2013 and 2014 calendar year, we have also covered material developments between January and May 2015. Unless stated otherwise, the information and data included in this report relates to all of the oil palm plantations, mills and storage facilities in which R.E.A. Holdings plc had a shareholding as at 31 December 2014. REA's small mining business, which accounts for less than 1% of our assets and generated no revenue in 2014, has not been included within the scope of this report. Similarly, this report does not provide detailed information about our small offices in London and Singapore, which employ 11 people in total.

We have endeavoured to ensure that the data included in this report is comprehensive and will provide stakeholders with an accurate insight into our sustainability performance. Where inconsistencies have been identified between the data currently available and information published previously this has been highlighted and explained.

We will aim to publish our third sustainability report in 2017, alongside the annual report for 2016.

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Stakeholder engagement

Although we have always been open to engaging with stakeholders, over the last two years we have been more pro-active in our efforts to engage in regular, structured dialogue with a wider variety of stakeholders, particularly representatives of local communities and of government and our own employees. This has provided us with valuable insight regarding the diverse priorities and expectations of these stakeholders in relation to our business and this has

helped to shape our approach to sustainability. We believe that by working in partnership with our stakeholders we can augment our positive socio-economic and environmental impact. Accordingly, over the last two years we have sought to strengthen some of our existing relationships and to develop new collaborations with government, civil society and scientific institutions.

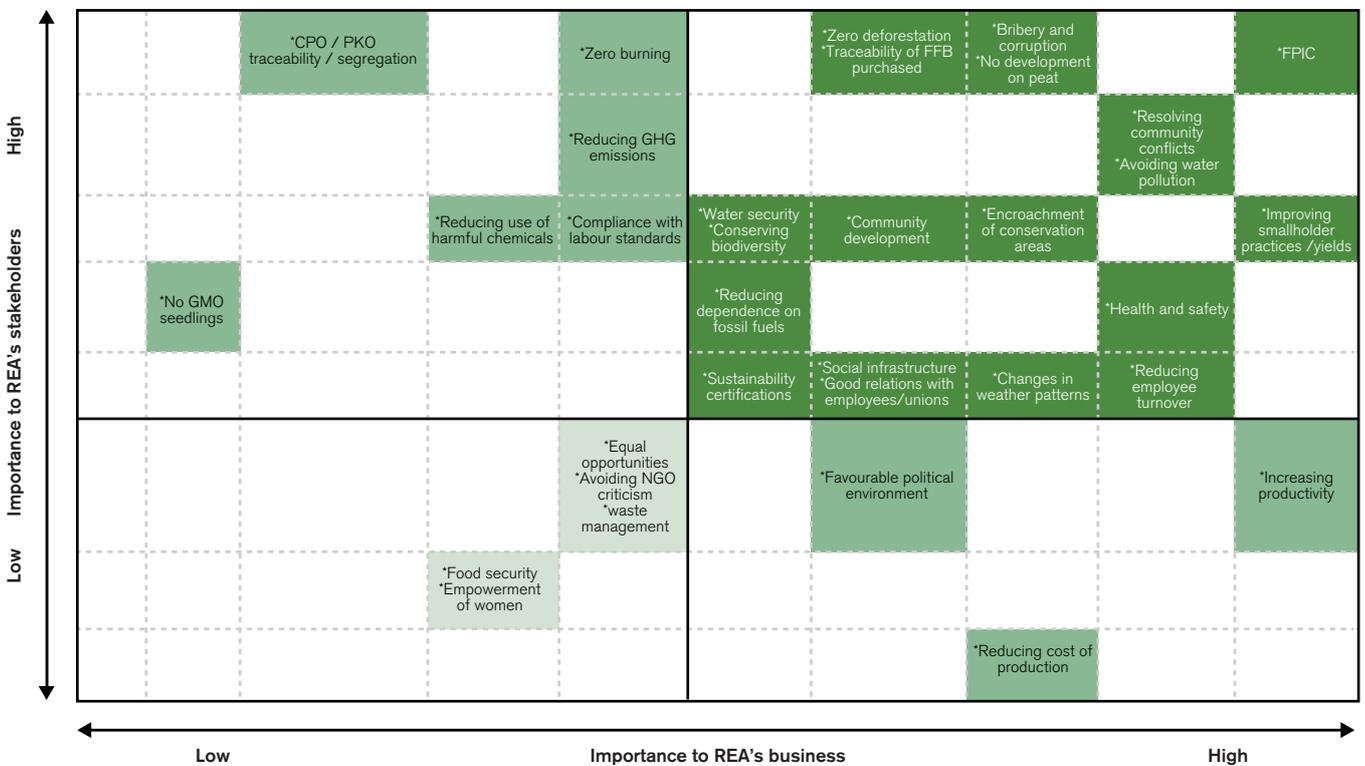
Stakeholder group	Organisation and details of engagement	Issue
Scientific institutions	Indonesian universities: provided training and supported undergraduate and graduate research projects	Biodiversity conservation and HCV management
	Indonesian Institute of Sciences (“LIPI”): invited scientists to conduct rapid biodiversity assessments of REA’s conservation reserves	Biodiversity conservation and HCV management
	International Union for Conservation of Nature (“IUCN”) Crocodile Specialist Group: facilitated a crocodile survey of the Mesangat wetlands	Biodiversity conservation and HCV management
	Natural History Museum of London: scientists visited REA’s plantations to provide training and conduct insect surveys	Biodiversity conservation and HCV management
	CIRAD: advice on fertiliser regimes and trials of inorganic vs organic fertilisers	Best agricultural practices
	SarVision: production of carbon stock maps and field testing the use of Unmanned Aerial Vehicle (UAV) imagery to inform sustainable plantation management as part of a project funded by the European Space Agency	GHG emissions reduction; HCV management; best agricultural practices
Multi-stakeholder organisations	<p>The Roundtable on Sustainable Palm Oil (“RSPO”):</p> <ul style="list-style-type: none"> • Represented the Indonesian growers on the RSPO’s biodiversity and HCV working group, HCV compensation task force and GHG emissions reductions working group. • Submission of annual communication of progress to the RSPO and participation in the annual general meeting of members 	Biodiversity conservation and HCV management; GHG emissions reduction; compliance with international sustainability standards
NGOs	Zoological Society of London’s (ZSL) Indonesian conservation programme: training in the use of the SMART tool for HCV monitoring	Biodiversity conservation and HCV management
	SNV: implementation of a ‘train-the-trainer’ programme to improve the practices of independent smallholders	Smallholders; best agricultural practices

Stakeholder group	Organisation and details of engagement	Issue
Government	Indonesian national electricity company (PLN): collaboration to supply electricity generated by the REAK methane capture facilities to local villages	GHG emissions reduction; community development
	The regional Department for the Conservation of Natural Resources (BKSDA): management of human-orangutan conflict	Biodiversity conservation and HCV management
	Local government: production of village boundary maps; mediation of claims for land compensation; ongoing dialogue regarding FPIC, local security and development of plasma cooperatives	Smallholder schemes; FPIC; Social Impact Assessments; community development
Local communities	Plantation and village school children: hosted weekend conservation education camps and routine extra-curricular activities in plantation primary schools	Biodiversity conservation and HCV management
	21 villages: facilitating access to a supply of clean, reliable electricity	GHG emissions reduction; community development
	Ongoing dialogue with all villages in the vicinity of REA's operations by REA's department of villager affairs and community perception audit by Daemeter	Smallholder schemes; FPIC; Social Impact Assessments; community development projects
Employees	Employee satisfaction survey, exit interviews, bi-annual assessment of performance against KPIs, gender committee meetings and management-employee forums	Employee satisfaction and performance
	Routine dialogue with REA Kon to explain the importance of maintaining the integrity of the conservation reserves	Biodiversity conservation and HCV management
Oil palm growers	PT. Pacific Agro Sentosa (PAS): Fauna and Flora International's Indonesian conservation programme arranged for representatives from PT PAS to visit REA Kon to learn more about best practices for biodiversity conservation in oil palm landscapes	Biodiversity conservation and HCV management
	Indonesian growers association: member, attended meetings and annual conference	Industry trends
Financial institutions	Investor presentations and participation in due diligence exercises	Compliance with sustainability standards
Customers	Participation in due diligence exercises	Compliance with sustainability standards

Materiality

In deciding the content of this report we have sought to focus on the issues that are considered to be of critical importance to our business and of greatest concern to our stakeholders. A materiality assessment was conducted based on the input received through dialogue with a wide variety of stakeholders over the last two years and input from members of the REA board of directors in London, the REAK board of directors in Indonesia and key members of our senior plantation management team in November 2014.

Figure 32: Our materiality matrix



Glossary

Biodiversity	This refers to the variety of different organisms found in a particular region.	Our business
Biological Oxygen Demand (BOD)	This is the amount of dissolved oxygen that would be needed by micro-organisms to break down all of the organic matter present in a sample of water at a certain temperature over a specific time period. It is frequently used as an indicator of water quality.	Our business
Book and Claim System (Greenpalm)	This system enables buyers looking to support the production of RSPO certified palm oil to purchase Greenpalm certificates from RSPO certified palm oil producers. Each Greenpalm certificate represents one metric tonne of RSPO certified CPO or CPKO. Greenpalm certificates can be purchased from producers who are not part of the buyer's physical supply chain.	Commitments and targets
Carbon Footprint	A carbon footprint measures the total greenhouse gas emissions caused directly and indirectly by a person, organisation, event or product.	Commitments and targets
European Union's Renewable Energy Directive (EU RED)	This directive, which was introduced in 2009, provides the regulatory framework needed to promote the use of renewable energy by EU member states in order to assist the EU to meet its targets for renewable energy consumption. It also lays out a set of sustainability criteria for the production of biofuels, which must be complied with in order for the consumption of biofuels to contribute towards targets for the use of renewable energy.	Sustainability: from policy to practice
Free, Prior and Informed Consent (FPIC)	This is the principle, which is rooted in international human rights law, that a community has the right to give or withhold its consent to a proposed project that may affect land or natural resources that they customarily own, occupy or otherwise use. It necessitates that communities that may be affected are consulted well in advance of a project commencing, provided with sufficient details regarding the nature of the project to make an informed decision, and that consent is granted without coercion or intimidation.	Responsible development
Global Reporting Initiative (GRI)	The GRI has developed an internationally recognised framework for organisations to report on their economic, environmental and social performance.	Responsible development
Greenhouse Gas (GHG)	A gas which traps the sun's energy in the earth's atmosphere. Scientific research suggests that increasing levels of GHGs are causing the climate to change in a variety of ways, including increases in global temperature, sea level rise and changing patterns of drought and flooding events.	Protecting our natural capital
High Conservation Values (HCVs)	HCV areas are natural habitats that are considered to support biodiversity, ecosystem functions or socio-cultural values that are considered to be of outstanding significance or critical importance.	Protecting our natural capital
Lethal Dose 50% (LD50)	LD50 is used as an indicator of the toxicity of a substance. The LD50 is the dose of a substance (mass per kg of bodyweight) which would kill 50% of the population of a test organism when administered in a particular way over a specified period of time. For example, LD50 oral rats is the dose of a substance which, when administered orally, would kill 50% of the rat population tested.	Working in partnership
Mass Balance	A mass balance system allows certified and uncertified palm oil to be mixed at any stage in the supply chain. An accounting system is used to track the proportion of palm oil at each stage in the supply chain which corresponds to the volume of certified palm oil produced.	Working in partnership
Stakeholders	An individual or group with a legitimate and/or demonstrable interest in, or who is directly affected by, the activities of an organisation and the consequences of those activities.	Our employees
Sustainability	The creation of the environmental, social and economic conditions necessary to enable something to continue for the foreseeable future	Our employees
CO₂ equivalents (CO₂eq)	Emissions of GHGs other than carbon dioxide are converted to tonnes of carbon dioxide equivalent by estimating the amount of gas emitted and multiplying it by its global warming potential. This allows the potential impact on global warming of the GHG emissions associated with a person, organisation or product to be compared even when they comprise different GHGs.	Our employees

Base data and notes

Calculations

Employee turnover: the employee turnover rate is calculated by dividing the total number of resignations over the course of the year by the average number of employees in each category (e.g. management, permanent staff) at the end of each month during the year.

Lost time accident rates: the lost time accident rate is calculated by dividing the total number of accidents for which the clinic recommended the patient to take one or more calendar day as rest, by the total number of man hours worked (man days x 7 hours) and multiplied by 200,000. This includes fatalities. The data included relates to REA's employees only; independent contractors have not been included.

Accident severity rates: the accident severity rate is calculated by dividing the total number of lost days caused by accidents by the total number of accidents for which the clinic recommends one or more day of rest to be taken. Fatalities are not included.

GHG emissions: version 2.1.1 of the RSPO's PalmGHG calculator has been used to calculate our carbon footprint for 2011 – 2014 for the purposes of this report. The PalmGHG calculator is free to download from the RSPO website (www.rsपो.org/certification/palm-ghg-calculator)

Toxicity per hectare: a toxicity index for each herbicide used was calculated by multiplying the amount of active ingredient per litre or kg of product applied (in grammes) by the inverse of the Lethal Dose for 50% of the rats tested when the active ingredient is administered orally (LD50 rats, oral). The toxicity per hectare is calculated by multiplying the total amount of each product applied by its toxicity index and dividing this by the total planted area in each estate.

$$\frac{\text{Active ingredient (mg)}}{\text{LD50 oral rats (mg)}} \times \frac{1}{\text{Planted area}} \times \frac{\text{Amount of product applied}}{\text{Planted area}}$$

Restatements of data

Herbicide toxicity: due to an error in the calculation of toxicity per hectare in the previous sustainability report, the figures for toxicity per hectare for 2010, 2011 and 2012 have been adjusted for the purposes of this report. This does not change the overall trend in toxicity per hectare over time.

GHG emissions: our carbon footprint for 2011, 2012 and 2013 has been recalculated using the latest version of the PalmGHG (version 2.1.1). As a result of this, many of the values linked to our carbon footprint, including GHG emissions intensity, have changed in comparison to those published in our previous sustainability report and REA's annual report for 2013. Previous calculation errors and significant changes in the methodology and emission factors used include:

- whereas previously a three year rolling average was used for inputs such as fertilisers and fuel, the PalmGHG calculation is now based on data for the year of reporting
- we have excluded the fuel used for transporting staff and general materials to and from the plantation as this has been deemed to be outside the boundary of the calculation
- the default value for the ratio of Fresh Fruit Bunches: Empty Fruit Bunches has changed from 0.23 to 0.22
- the default value for the kilograms of methane produced per tonne of POME ($\text{kgCH}_4/\text{tPOME}$) digested in open ponds has changed from $12.36\text{kgCH}_4/\text{tPOME}$ to $13.1\text{kgCH}_4/\text{tPOME}$
- the emission factor for petrol has changed from $3.12\text{kg CO}_2/\text{litre}$ to $2.75\text{kg CO}_2/\text{litre}$
- the volume of POME treated in the methane capture plants and the volume of methane produced that was flared or converted to electricity in 2013 was incorrect in the original carbon footprint calculation for 2013 and has been corrected.

Smallholder plasma schemes: in the previous sustainability report the area of oil palm planted under the plasma scheme was incorrectly stated as 2,943 hectares. This figure has been restated as 2,845 hectares.

Ethnicities: the definition of ethnicity used by our human resources department has changed since 2012. As a consequence of this, the 87 different ethnicities represented in our workforce in 2012 have been reclassified as 40 different ethnicities.

Base data

Financial	FY 2012	FY 2013	FY 2014
Income statement	\$'000	\$'000	\$'000
Revenue	124,600	110,547	125,865
Operating profit	37,848	28,078	32,116
Profit before tax	30,558	25,216	23,744
Net profit	17,703	12,672	21,981
Balance sheet			
Total assets	569,010	600,946	608,687
Total liabilities	253,980	301,505	302,062
Shareholders' funds	315,030	299,441	306,625
Segmental sales' revenues			
Palm oil	122,134	110,547	125,865
Coal	2,466	0	0
Total	124,600	110,547	125,865
Regional sales revenue			
Indonesia	73,448	110,547	125,865
Rest of asia	51,152	0	0
Segmental operating profit			
Plantations	47,802	37,356	37,239
Coal and stone	(3,781)	(3,786)	(254)
Head office	(6,173)	(5,492)	(4,869)
Land	As at 31 December 2012	As at 31 December 2013	As at 31 December 2014
REA estates	(Hectares)	(Hectares)	(Hectares)
Oil palm planted			
REAK	22,986	22,986	22,986
SYB (post-swap)	5,050	5,050	5,050
KMS	1,904	4,459	4,538
PBJ1	351	351	809
CDM	1,216	1,216	1,231
Group total	31,507	34,062	34,614
of which mature oil palm	26,688	27,102	28,275
of which immature oil palm	4,819	6,960	6,339
Conservation reserves			
REAK	5,363	5,363	5,324
SYB (pre-swap)	2,676	2,676	2,676
KMS	2,027	2,027	2,055
PBJ1	3,268	3,268	2,211
CDM	6,876	6,876	5,050
Group total	20,210	20,210	17,316
Titled land area			
REAK	30,106	30,106	30,106
SYB (pre-swap)	11,771	11,771	11,771
KMS	7,321	7,321	7,321
PBJ1	11,602	11,602	11,602
CDM	9,784	9,784	9,784
Group total	70,584	70,584	70,584

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Financial	FY 2012	FY 2013	FY 2014
Land allocations			
SYB (pre-swap)	2,212	2,212	2,212
KMS	0	1,964	1,964
PBJ1	0	0	2,564
CDM	9,802	6,280	6,280
KKS (area adjacent to CDM)	0	0	5,150
KKS (provisional allocation)	12,050	12,050	12,050
PBJ2	7,537	7,537	7,411
Group total	31,601	30,043	37,631
Land bank			
Group total	102,185	100,627	108,215
Plasma scheme smallholders			
Oil palm planted	2,845*	3,117	3,130
*This figure was incorrectly stated as 2,943 in the 2012 Sustainability Report			
Production	2012	2013	2014
Mining operations			
Coal production (MT)	0	0	15,684
Coal sales (MT)	45,678	643,975	0
Plantation operations			
FFB produced from group land areas (MT)	597,722	578,785	631,728
FFB yield per mature hectare (MT)	22.4	21.4	22.3
Mill operations			
FFB purchased from plasma smallholders (MT)	1,277	7,222	8,875
FFB purchased from PPMD and independent smallholders (MT)	51,281	69,980	110,414
FFB purchased from commercial outgrowers (MT)	12,031	21,026	30,232
FFB processed in REA mills (MT)	661,736	678,133	780,730
CPO extraction rate (%)	22.9	21.8	21.7
PK extraction rate (%)	4.6	4.54	4.62
Crude Palm Oil (CPO) production (MT)	151,516	147,649	169,466
Palm Kernel (PK) production (MT)	30,734	30,741	35,764
Palm Kernel Oil (PKO) production (MT)	11,549	11,393	12,596
Certified Sustainable Palm Oil (CSPO) production			
ISCC and RSPO certified CPO (MT)	45,799	92,788	89,052
RSPO only certified CPO (MT)	75,787	13,719	11,690
RSPO only certified sustainable PKO (MT)	9,342	8,031	9,563
Environmental impact	2012	2013	2014
Average BOD levels of POME applied to the land (the regulations require this to be below 5,000 mg/litre)	mg/litre	mg/litre	mg/litre
POM	798	531	357
COM	529	394	311
SOM	Not operational	No Data	1,328

Financial	FY 2012	FY 2013	FY 2014
Fertiliser inputs	MT	MT	MT
Total inorganic fertiliser applied (REAK & SYB)	13,603	9,120	9,063
Inorganic fertiliser per planted hectare	0.48	0.32	0.32
Total compost applied (REAK & SYB)	96,058	110,661	106,445
Herbicide inputs			
Toxicity per planted hectare	332	281	361
Carbon footprint	2012	2013	2014
Group GHG emissions by source	tCO ₂ eq	tCO ₂ eq	tCO ₂ eq
Land clearing	416,875	427,287	474,282
Methane from POME	160,737	100,594	106,583
Peat CO ₂ emissions	43,702	42,488	51,568
Inorganic fertiliser	29,793	18,739	19,452
Fuel for transport and storage	10,343	12,168	12,844
Cultivation of outgrower FFB (estimated)	20,451	24,485	39,871
Organic fertilisers	1,963	1,343	1,175
Fuel for gensets	2,344	695	803
Group carbon sequestration and GHG emissions avoidance	tCO ₂ eq	tCO ₂ eq	tCO ₂ eq
Credit for electricity generated from methane	3,175	5,529	5,753
Crop sequestration	275,378	275,831	308,716
Community investment	2012	2013	2014
	IDR (US\$)	IDR (US\$)	IDR (US\$)
Fuel	3.59 billion (122,953)	3.57 billion (276,054)	3.71 billion (287,025)
Donations	1.6 billion (123,792)	2.67 billion (206,045)	3 billion (231,630)
Water	2.53 billion (195,752)	1.55 billion (119,577)	1.67 billion (129,228)
Roads	1.85 billion (142,981)	1.41 billion (108,858)	0.37 billion (28,408)
Employees	2012	2013	2014
REA Holdings - London	9	9	9
REA Holdings - Singapore	1	1	1
Coal companies - Indonesia	27	22	15
Plantation companies - Indonesia:			
REAK	5,494	6,234	6,672
SYB	1,165	1,327	1,611
KMS	473	718	723
PBJ	222	340	463
CDM	106	403	321
TOTAL	7,460	9,022	9,790

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Financial	FY 2012	FY 2013	FY 2014			
Plantation companies' employees, by level and gender	2012		2013		2014	
	Male	Female	Male	Female	Male	Female
Management	44	6	50	9	53	10
Other permanent staff	213	30	210	41	226	49
Permanent workers	3,948	613	4,203	1,145	4,798	855
Casual workers	1,342	1,264	1,717	1,647	2,076	1,723
Total	5,547	1,913	6,180	2,842	7,153	2,637
Employee turnover	2012		2013		2014	
	Total no. resignations	%	Total no. resignations	%	Total no. resignations	%
Management	27	51%	6	10%	15	25%
Other permanent staff	33	14%	17	7%	35	13%
Workers	1,036	23%	872	17%	914	16%
Health and Safety	2012	2013	2014			
Lost time accident rates						
REAK estates	15.0	10.0	8.5			
SYB estates	1.8	0.6	1.4			
KMS estates	No Data	0.4	1.4			
CDM estates	No Data	No Data	4.0			
PBJ estates	No Data	No Data	No Data			
Perdana oil mill	2.8	0.0	0.5			
Cakra oil mill	9.0	1.6	0.5			
Satria oil mill	Not operational	0.0	2.2			
Group total	13.2	7.1	6.3			
Severity rates						
REAK estates	1.3	1.6	1.8			
SYB estates	1.3	1.4	3.6			
KMS estates	No Data	1.0	1.0			
CDM estates	No Data	No Data	3.3			
PBJ estates	No Data	No Data	No Data			
Perdana oil mill	3.5	0.0	1.0			
Cakra oil mill	1.2	1.0	6.0			
Satria oil mill	Not operational	0.0	1.7			
Group total	1.3	1.6	1.9			

Global Reporting Initiative (GRI) Index

The Global Reporting Initiative (GRI) framework is the most widely used and comprehensive sustainability reporting standard in the world. Therefore, in preparing this report we have sought to comply with the latest GRI standard, G4, as this will ensure that we measure and explain our sustainability

goals, performance and impacts in a way that is comparable with other organisations. We believe that this report fulfils the core requirements of this standard. However, the assurance column required by G4 has not been included as no sections of this report have been formally assured.

General standard disclosures

General Standard Disclosures		Level of reporting	Location of disclosure or reason for omission	Page
Strategy and analysis				
G4-1	Statement from the most senior decision maker of the organisation	Full	Statement from the board of directors	4
Organisational profile				
G4-3	Name of organisation	Full	Operations and sales	7
G4-4	Primary products, brands and services	Full	Operations and sales	7
G4-5	Headquarters location	Full	Operations and sales	7
G4-6	Countries of operation	Full	Operations and sales	7
G4-7	Nature of ownership and legal form	Full	Corporate governance and management structure	12
G4-8	Markets served	Full	<ul style="list-style-type: none"> Operations and sales Power to the people 	7 52
G4-9	Scale of the organisation	Full	<ul style="list-style-type: none"> Operations and sales Base data and notes 	7 78
G4-10	Organisation's workforce	Full	<ul style="list-style-type: none"> Operations and sales Base data and notes 	7 78
G4-11	Total employees covered by collective bargaining agreements	Full	<ul style="list-style-type: none"> Respecting workers' rights 	67
G4-12	Organisation's supply chain	Full	<ul style="list-style-type: none"> Operations and sales Smallholders 	7 54
G4-13	Significant changes during the reporting period regarding size, structure, ownership or its supply chain	Full	<ul style="list-style-type: none"> Operations and sales 	7
G4-14	Explanation of whether and how the precautionary approach or principles is addressed by the organisation	Not reported		-
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives	Full	<ul style="list-style-type: none"> Business ethics Sustainability certification 	14 20
G4-16	Memberships of associations and national/international advocacy organisations	Full	<ul style="list-style-type: none"> Stakeholder engagement and materiality 	74

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General Standard Disclosures		Level of reporting	Location of disclosure or reason for omission	Page
Identified material aspects and boundaries				
G4-17	Entities included in the organisation's consolidated financial statements or equivalent documents	Full	Annual Report and Accounts REA Holdings plc	-
G4-18	Process for defining report content and the aspect boundaries	Full	Scope	73
G4-19	List all of the material aspects identified in the process for defining report content	Full	Stakeholder engagement and materiality	74
G4-20	Aspect boundary within the organisation	Full	Stakeholder engagement and materiality	74
G4-21	Aspect boundary outside of the organisation	Full	Stakeholder engagement and materiality	74
G4-22	Restatements of information provided in the previous report	Full	Base data and notes	78
G4-23	Significant changes from previous reporting of the scope and aspect Boundaries	Full	No significant changes from previous reporting of the scope and aspect boundaries	-
Stakeholder engagement				
G4-24	List of stakeholder groups engaged by the organisation	Full	Stakeholder engagement and materiality	74
G4-25	Basis for identification and selection of stakeholders with whom to engage	Full	Stakeholder engagement and materiality	74
G4-26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Full	Stakeholder engagement and materiality	74
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	Full	Stakeholder engagement and materiality	74
Report profile				
G4-28	Reporting period	Full	Scope	73
G4-29	Date of most recent previous report	Full	Scope	73
G4-30	Reporting cycle	Full	Scope	73
G4-31	Contact point	Full	Contact us	88
G4-32	GRI content index	Full	GRI Index	83
G4-33	External assurance	Full	This report has not been externally assured	-
Governance				
G4-34	Organisation's governance structure	Full	Corporate governance and management structure	12
Ethics and integrity				
G4-56	Organisation's values, principles, standards and norms of behaviour	Full	<ul style="list-style-type: none"> • Business ethics • Our new policy framework 	14 19

Specific standard disclosures

Material aspects	Disclosures on management approach and indicators	Level of reporting	Location of disclosure or reason for omission	Page	
Category: Economic					
	Disclosure on management approach	Full	<ul style="list-style-type: none"> Corporate governance and management structure Business ethics Sustainability: from policy to practice 	12 14 18	
Economic performance	G4-EC1	Direct economic value generated and distributed	Partial	Base data and notes	78
	G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Partial	Climate change	38
	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Full	Respecting workers' rights	67
Indirect economic impact	G4-EC7	Development and impact of infrastructure investments and services supported	Full	Community development	47
Procurement	G4-EC9	Proportion of spending on local suppliers at significant locations of operations	Full	Smallholders	54
Category: Environmental					
	Disclosure on management approach	Full	<ul style="list-style-type: none"> Sustainability: from policy to practice Responsible development Protecting our natural capital 	18 23 26	
Materials	G4-EN1	Materials used by weight or volume	Full	<ul style="list-style-type: none"> Reducing chemical usage Climate change Base data and notes 	36 38 78
Energy	G4-EN3	Energy consumption within the organisation	Full	Climate change	38
	G4-EN6	Reduction of energy consumption	Partial	Climate change	38
Water	G4-EN9	Water sources significantly affected by withdrawal of water	Partial	Water	34
Biodiversity	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity areas outside of protected areas	Full	<ul style="list-style-type: none"> Operations and sales Conserving biodiversity 	7 27
	G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Full	<ul style="list-style-type: none"> Conserving biodiversity Water 	27 34
	G4-EN13	Habitats protected or restored	Full	<ul style="list-style-type: none"> Conserving biodiversity Stakeholder engagement and materiality 	27 74

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Material aspects	Disclosures on management approach and indicators	Level of reporting	Location of disclosure or reason for omission	Page	
Category: Environmental					
	G4-EN14	Total numbers of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Full	Conserving biodiversity	27
Emissions	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Full	Climate change	38
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Partial	Climate change	38
	G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Partial	Climate change	38
	G4-EN18	Greenhouse gas (GHG) emissions intensity	Full	Climate change	38
	G4-EN19	Reduction of greenhouse gas (GHG) emissions	Full	Climate change	38
Products and services	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Full	Climate change Reducing chemical usage	38 36
Compliance	G4-29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Full	<ul style="list-style-type: none"> Water No monetary fines were received in 2013 or 2014 	34 -
Environmental grievance mechanisms	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	Full	Water	34
Category: Social – labour practices and decent work					
Disclosure on management approach			Full	<ul style="list-style-type: none"> Sustainability: from policy to practice Our employees 	18 55
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Partial	A time of transition	56
Occupational health and safety	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and gender	Partial	Occupational health and safety	69
Diversity and equal opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Partial	<ul style="list-style-type: none"> Corporate governance and management structure Respecting workers' rights Base notes and data 	27 67 78

Specific standard disclosures - continued

Material aspects	Disclosures on management approach and indicators	Level of reporting	Location of disclosure or reason for omission	Page
Category: Social – human rights				
	Disclosure on management approach	Full	<ul style="list-style-type: none"> Our new policy framework Respecting workers' rights 	19 67
Child labour	G4-HR5 Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	Partial	Respecting workers' rights	67
Forced or compulsory labour	G4-HR6 Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	Partial	Respecting workers' rights	67
Assessment	G4-HR9 Total number and percentage of operations that have been subject to human rights reviews or impact assessments	Partial	<ul style="list-style-type: none"> Responsible development A time of transition Respecting workers' rights 	23 56 67
Category: Social – society				
	Disclosure on management approach	Full	<ul style="list-style-type: none"> Business ethics Responsible development Our new policy framework Working in partnership 	14 23 19 44
Local communities	G4-SO1 Percentage of operations with implemented local community engagement, impact assessments, and development programmes	Full	<ul style="list-style-type: none"> Responsible development Community relations Community development Occupational health and safety Respecting workers' rights 	23 45 47 69 67
	G4-SO2 Operations with significant actual and potential negative impacts on local communities	Full	<ul style="list-style-type: none"> Community relations Community development 	45 47
Anti-corruption	G4-SO3 Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Full	Business ethics	14
	G4-SO4 Communication and training on anti-corruption policies and procedures	Full	Business ethics	14
	G4-SO5 Confirmed incidents of corruption and actions taken	Full	No cases in 2013. Two cases in 2014, both employees dismissed immediately	- -
Public policy	G4-SO6 Total value of political contributions by country and recipient/beneficiary	Full	No contributions in 2013/2014	-
Anti-competitive behaviour	G4-SO7 Total number of legal actions for anti-competitive behaviour, antitrust and monopoly practices and their outcomes	Full	None in 2013/2014	-
Compliance	G4-SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Full	None in 2013/2014	-
Grievance mechanisms for impacts on society	G4-SO11 Number of grievance about impacts on society filed, addressed, and resolved through formal grievance mechanisms	Full	<ul style="list-style-type: none"> Community relations Water (RSPO complaint) 	45 34

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We value feedback from our stakeholders as this helps us to evaluate our approach to sustainability and improve our performance. Any comments or questions relating to the contents of this report or our sustainability performance more generally should be directed to:

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