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Member of Control Union World Group

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RSPO NOTIFICATION OF PROPOSED NEW PLANTING

This notification shall be on the RSPO website for 30 days as required by the RSPO procedures for new plantings (<http://www.rspo.org/?q=page/535>). It has also been posted on local on-site notice boards.

1. Date of notification: 2nd June 2011

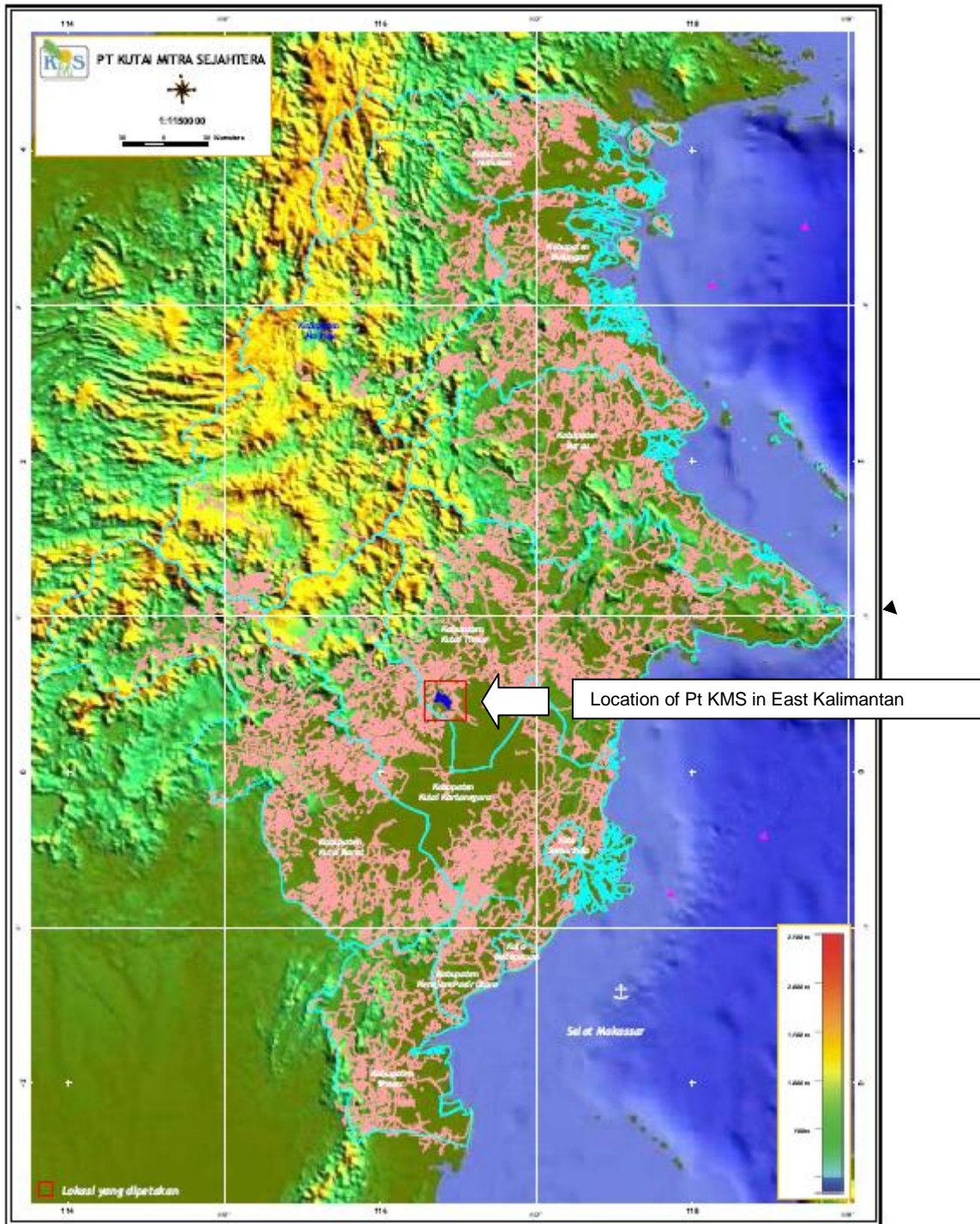
Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	This is a completely new development and stakeholders may submit comments.
Yes <input type="checkbox"/> No <input type="checkbox"/>	This is part of an on-going planting and is meant for notification only.

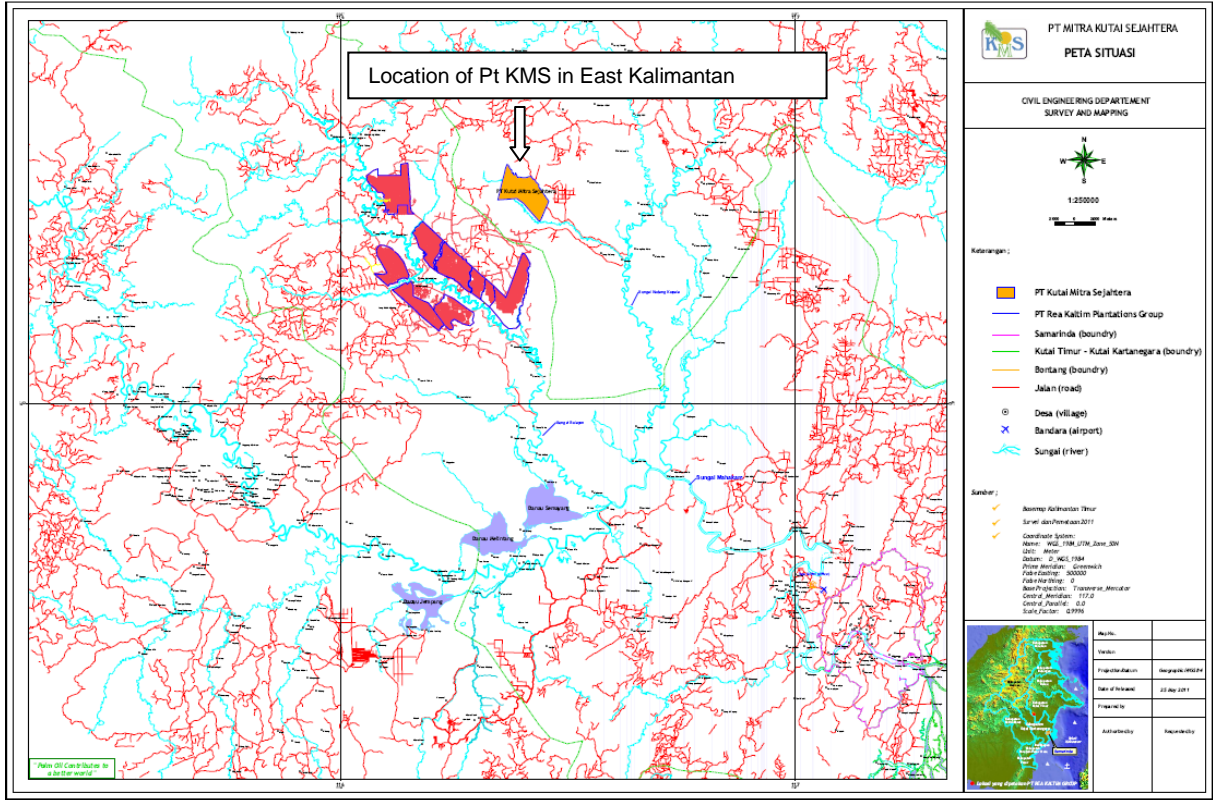
2. Company and contact details:	
Company Name:	Rea Holdings Plc.
Address:	Rea Holdings Plc. First Floor, 32-36 Great Portland Street, London. W1W 8QX
Type of business:	Limited Liability Company.
Contact person:	Geetha Govindan
Email address:	geetha.govindan@rea.co.id
Phone number:	+62 542593707
RSPO Membership No:	079-07(O)

3. Subsidiaries of the above company included in this notification (if any):
Pt Kutai Mitra Sejahtera is the proposed new planting area and is wholly owned by Rea Holdings PLC who is the RSPO member and whose other plantations in East Kalimantan have under-gone a full RSPO pre and main assessment (Pt Rea Kaltim).

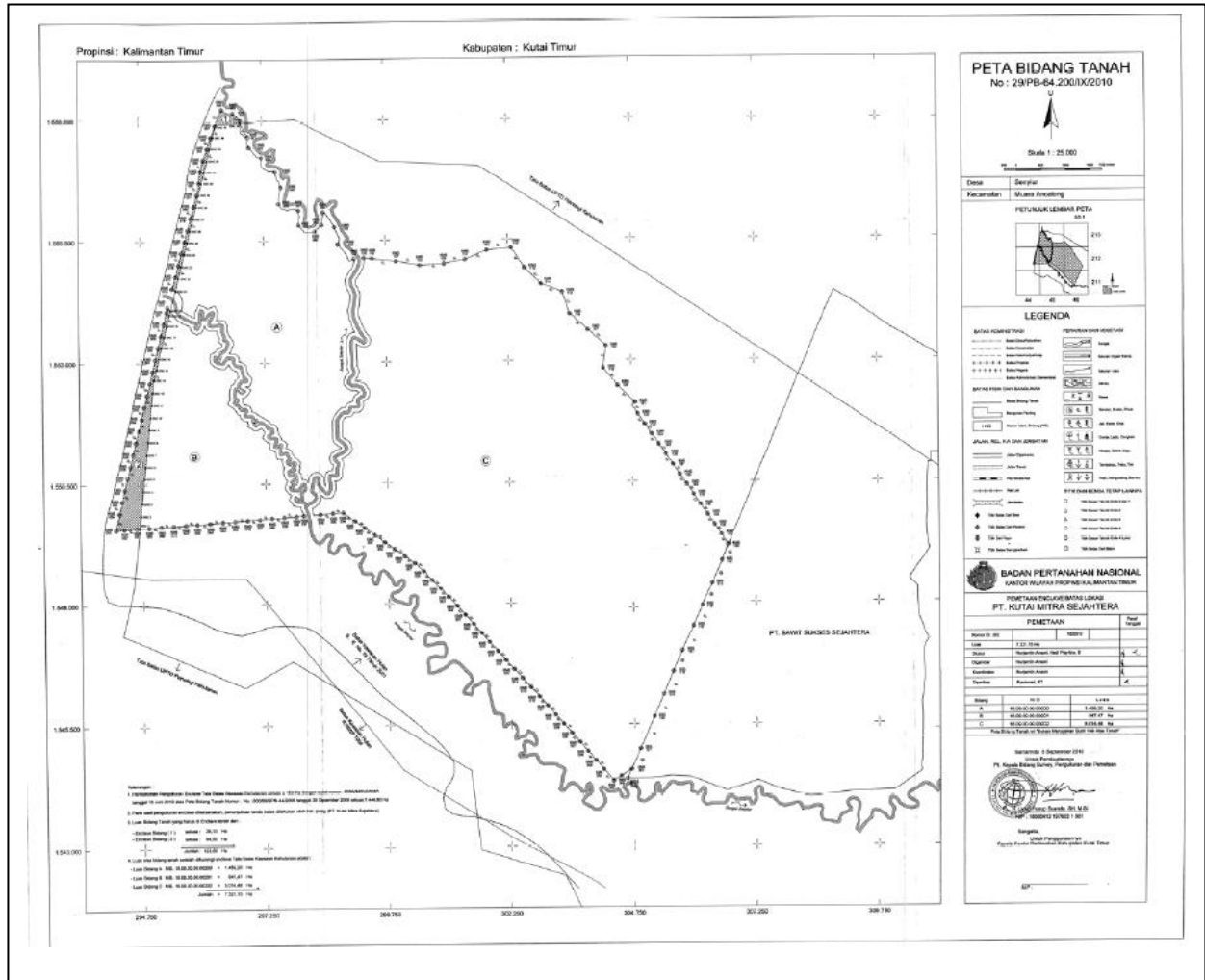
4. Summary of the proposed new planting area:	
Status of land:	PT. Kutai Mitra Sejahtera is a wholly owned local company based in East Kalimantan and was established on 22nd March 2007.
The following legal documents are final versions and the approval dates are given:	
	Name
	Approval date:
	Decree of the Bupati of Kutai Timur No.500/197/Eko.2-II/2008 pertaining Plantation Business Permit (IUP). 28th February 2008
	Decree of the Bupati of Kutai Timur No.1160/660.1/2.1/LH/XI/2008 concerning approval for AMDAL (EIA), RKL and RPL. 27th November 2008
	Decree of the Head of National Land Affairs Agency No. 6/HGU/BPN RI/2011 pertaining granting of Right to Cultivate (HGU) to PT Kutai Mitra Sejahtera. 18th February 2011
Gross area:	7,420 ha. (The HGU area as given by the government is 7,321.15ha. However, the actual measured area on the ground is 7,420ha).
Conservation area:	2,027 ha.
Net development area:	5,393 ha. New planting: 4,726ha Roads, drains and buildings: 667 ha
Location:	East 116°24'54,2". North 00°28'03"

5. Location maps of the proposed new planting:





PT KMS HGU Map



6. Summary from the SEIA/HCV assessment:

The summary of the full SEIA/HCV assessment is posted on the RSPO web site as an integral part of this Notification of Proposed New Planting.

The HCV assessment was conducted by Malaysian Environmental Consultants SDN BHD who are an RSPO approved consultancy firm. The culmination of the assessment was to present the findings to an open public consultative forum which took place on the 12th May 2011 in Samarinda and which was attended by over 50 people representing co-operatives, local government, local NGOs and local communities. Records of this meeting show that a number of issues / queries were raised covering HCVs, PLASMA, endangered species and legal aspects of the development. The company and the HCV consultants answered all queries to the satisfaction of the meeting.

Methodology.

Using "The High Conservation Value Forest Toolkit" for Indonesia, Edition 1 December 2003, and the Toolkit for Identification of High Conservation Values in Indonesian, June 2008 as the general guidelines to assess and to determine the occurrence and potential of the six High Conservation Values (HCV), the following activities were undertaken to assess the project site:

1. Undertake desk top review using available map and remote sensing data.
2. Build landscape GIS map models of the land use and resources of the project site.
3. From the GIS map models, identify potential sites for field survey.
4. Review field data to revise the map model and describe the current state of the environment.
5. Compile working lists and maps to identify potential HCV areas with biodiversity, environmental and social considerations.
6. Make recommendations for management that would conserve high conservation values.

It is noted that the gross area as covered by the HGU is 7,420ha of which 2,027 ha is classified as having potential HCV and is therefore excluded from the management plan. The areas containing potential HCV are categorised by ecological function and type and clear locations are given in maps. An HCV assessment summary is given with potential threats and management objectives and these have been taken forward into the management plan.

Potential and actual HCV identified:

The HCVs are principally associated with the wetland areas and riparian zone. By classifying those areas as "conservation areas" and by excluding them from any development, the company is taking a very precautionary approach. Conserving habitats for identified (Non HCV species) the company is by default conserving the environment for potential but unidentified HCV species.

HCV 1.2 Critically endangered species.

Possible presence of *Crocodylus siamensis/ranius* but not confirmed.

HCV 1.3 Areas that contain habitats for viable populations of HCV 1.2 species.

Identified in wetlands.

HCV 2.1 Large natural landscapes with capacity to maintain natural ecological processes and dynamics.

Identified wetlands.

HCV 2.2 Areas that contain 2 or more contiguous ecosystems.

Identified wetlands and ecotone with drylands.

HCV 3 Rare or endangered ecosystems.

Identified limestone.

HCV 4.2 Areas of importance for the prevention of erosion and sedimentation.

Steep sections identified and excluded from development. Riparian zone management in accordance with Indonesian law and best practice will help to reduce the erosion of river banks.

HCV 4.3 Areas that function as natural barriers to the spread of forest or ground fire.

Whilst there is no history of fire problems in the area, this HCV is included in the management planning.

Conclusion of Ecological Survey.

- The KMS area has a gentle undulating terrain and comprises mainly dry lowland mixed dipterocarp forest of the alluvial flood plain (empran) subtype. In the undisturbed state it is dominated by *Eusidoroxyton zwageri*, *Koompassia* and *Scaphium*.
- The soils in steep areas and along the river banks are continuously being eroded as evidenced by the brown colours of the river water.
- The forest in the KMS area has been logged for a long time and the forest stand is degraded to a state where the stand is dominated by secondary species such as *Ficus*, *Artocarpus*, *Geunisia*, *Callicarpa* and *Macaranga*.
- Over 180 species of plants – trees, shrubs and lianes – were recorded from the survey. Most of them are associated with disturbed forests and thus reflect the generally disturbed conditions found in the estate.
- Stand characteristics indicate that the stands are at a relatively early stage of succession or recovery to a state that resembles a primary forest stand.

- Two species of dipterocarps were considered critically endangered by the IUCN (Redlist) – *Dipterocarpus validus* and *Hopea nervosa*- but these species are generally widely distributed and commonly found even in secondary forests in the region.
- *Eusideroxylon zwageri* (ulin) is still commonly found in the forest and is still being harvested.

The key to subsequent management of identified potential HCV sites in KMS is the identification of issues relating management actions and monitoring implementation. A concise table recording the necessary actions needed to promote the preservation and enhancement of the potential HCV sites in KMS is included in the HCV report and a summary of the management actions for specific issues is presented and incorporated into the management plans.

SEIA.

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

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

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

Summary of findings of social survey:

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

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

7. Summary of the management plans.

(Recommendations from SEIA and HCV assessments are taken into planning and management of the new plantings.)

The full management plan is available for inspection upon request and the summary management plan is posted on the RSPO web site as an integral part of this Notification of Proposed New Planting.

The CUC lead auditor who prepared this statement was also the lead auditor for the pre and main RSPO assessments for Pt Rea Kaltim, which is the other oil palm holding of REA Holdings Plc in Eastern Kalimantan. Part of the same management team is responsible for the development of Pt Kutai Mitra Sejahtera and it is confirmed that the same management principles and systems will used as for Pt Rea Kaltim. Pt KMS is located about 83 km north east of PT Rea Kaltim.

Conservation.

The retention of 2,027 ha as conservation areas goes beyond those areas identified as HCV and beyond legal requirements but is indicative of the company's responsible approach to conservation which is also evident at Pt Rea Kaltim. Their main goals are to ensure that all operations are sustainable and that they can market their produce as CSPO (Certified Sustainable Palm Oil) by 2014.

A net area of 4,726 ha will be planted with oil palm with clear demarcated boundaries for the conservation belt's in 2011 and 2012. KMS objective is to produce high quality Certified Sustainable Palm Oil (CSPO) and Certified Sustainable Palm Kernel Oil (CSPKO) and is committed to recycling all its waste product into useful by-product, and it is intended to recycle all empty fruit bunches and palm kernel cake into organic fertilisers thus achieving zero waste. This will be in line with the current industry requirement and moral obligation towards sustainable palm oil.

Plasma.

1,080 ha (20% of the HGU will be allocated and developed for the smallholder project.

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

The villagers are being organized into co-operatives and training will be provided for the administration of the co-operatives. Proper housing amenities will be provided as per normal company standards.

Certification.

To ensure that KMS plantation and mill is ISO 14001 / RSPO certified by end 2014.

Quality of life.

To embark on projects to improve the quality of life amongst all employees and surrounding communities e.g. improve housing, entertainment of employees, to provide free water and electricity.

To consolidate and improve the quality of life of all employees and the local community by having better infrastructure such as good roads, community development plans, better terms and conditions and conducive working environment.

Management summary.

A total of 110 able bodied workers will be required for setting up the nursery in 2011 and an additional 91 workers for oil palm planting.

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

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

Survey work will identify all the conservation areas to be retained on the ground. All plantation development and management will then be in accordance with SOP of Agronomy Manual of Oil Palm (March 2010) which includes the following sections:

1. Land Clearing
2. Nursery Practice
3. Planting Density, Pattern, Technique of Planting.
4. Soil Erosion, Terrain Conservation & Terrace Making.
5. Weeding, Weed Control.
6. Manuring, Leaf Sampling.
7. Pests & Disease.
8. Pruning of fronds.
9. Harvesting.

A new palm oil mill also be built and managed in accordance with SOP for Palm Oil Mills (January 2008) which has the following sections:

1. Receiving of FFB.
2. Sterilizing of FFB.
3. Threshing & Pressing.
4. Purifying process.
5. Nut process.

6. Kernel process.
7. Water Treatment.
8. Steam Energy & Electricity.
9. Machine Maintenance.

8. Verification statement.

(Confirmation from Control Union Certifications, as an approved RSPO certification body, that the assessment and plan are comprehensive, professional and compliant of RSPO principles, criteria and indicators.)

The assessment and plan are comprehensive, professional and compliant of RSPO principles, criteria and indicators.

Results from the SEIA and HCV assessments are incorporated into planning and management for the new plantings and related development that:

- Is based on the free, prior and informed consent of any local peoples whose lands are affected (see RSPO criteria 2.2, 2.3, 6.4, 7.5, 7.6)
- Provides for the maintenance or enhancement of all identified HCVs (see RSPO criteria 5.2 & 7.3).

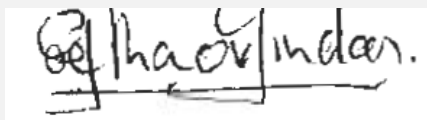
9. Formal signing.

Signed on behalf of Control Union Certifications:



David Ogg FICFor.
Senior Lead Auditor.
Date: 27th May 2011

Signed on behalf of Company:



Geetha Govindan
Date: 27th May 2011