



PUBLIC SUMMARY REPORT

FIRST ANNUAL SURVEILLANCE ASSESSMENT (ASA1)

RAMU AGRI INDUSTRIES LTD (RAIL)

Lae, Morobe Province, Papua New Guinea

Report Author

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TABLE of CONTENTS

Page N^o

SUMMARY	1
1.0 Scope of Certification Assessment	1
1.1 National Interpretation Used	1
1.2 Certification Scope	1
1.3 Location and Maps	1
1.4 Description of Supply Base.....	4
1.5 Date of Plantings and Cycle.....	4
1.6 Other Certifications Held	4
1.7 Organisational Information / Contact Person	4
1.8 Time Bound Plan for Other Management Units	4
1.9 Area of Plantation	5
1.10 Approximate Tonnages Certified	5
1.11 Date Certificate Issued and Scope of Certificate.....	5
2.0 ASSESSMENT PROCESS.....	6
2.1 Certification Body.....	6
2.2 Qualifications of the Lead Assessor and Assessment Team	6
2.3 Assessment Methodology, Programme, Site Visits	7
2.4 Stakeholder Consultation and List of Stakeholders Contacted.....	7
3.0 ASSESSMENT FINDINGS.....	9
3.1 Summary of Findings.....	9
3.2 Detailed Identified Nonconformities, Corrective Actions and Auditor Conclusions (Also included as Appendix D).....	29
3.3 Noteworthy Positive Components	30
3.4 Issues Raised By Stakeholders and Findings with Respect To Each Issue	30
3.5 Acknowledgement of Internal Responsibility and Formal Sign-off of Assessment Findings.....	30

LIST of TABLES

1. Mill GPS Locations	1
2. Plantation FFB Production	4
2A PK Production 2010 – 2011	4
3. Small holders and FFB Production	4
4. Age Profile of Company Estate Planted Palms.....	4
5. Estates Hectare Statement	5
6. Small holders Planted Area.....	5
7. Approximate Tonnages Certified	5

LIST of FIGURES

1 Location Maps.....	2-3
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List of Appendices

A RAIL RSPO Certificate Details	
B Certification Audit Programme	
C Continuous Improvement Plan	
D Nonconformities, Corrective Actions and Observations Summary	

SUMMARY

BSi has conducted the first surveillance assessment of the RAIL operations comprising 1 mill, supply base, support services and infrastructure. BSi concludes that RAIL operations comply with the requirements of RSPO Principles & Criteria: 2007 and PNG NIWG Indicators and Guidance March 2008 for the following scope:

Sustainable production of crude palm oil (20,012 tonnes CPO) and crude palm kernel oil (1,110 tonnes of CPKO).

BSI RECOMMENDS THE CONTINUATION OF THE APPROVAL OF RAIL AS A PRODUCER OF RSPO CERTIFIED SUSTAINABLE PALM OIL.

ABBREVIATIONS USED

BOD	Biological Oxygen Demand
CIP	Continuous Improvement Plan
CLUA	Clan Land Usage Agreement
COP	Code of Practice
CPO	Crude Palm Oil
CWS	Central Vehicle Workshop
DEC	Department of Environment & Conservation
DOH	Dept. of Health
EFB	Empty Fruit Bunch
EMS	Environmental Management System
FFB	Fresh Fruit Bunch
FPIC	Free, Prior and Informed Consent
GHG	Green House Gas
GPPOL	Guadalcanal Plains Palm Oil Ltd
HACCP	Hazard Analysis of Critical Control Points
HCV	High Conservation Value
HCVF	High Conservation Value Forests
IE	Independent Estate (a class of Smallholder)
ILG	Incorporated Land Group
IPM	Integrated Pest Management
IRCA	International Registration of Certified Auditors
ISO	International Standards Organisation
LBT	Lae Bulk Terminal
LLB	Lease-Lease Back
LSS	Land Settlement Scheme (a class of Smallholder)
LTI	Lost Time Injuries
MG	Management Guidelines
MSDS	Material Safety Data Sheets
NARI	National Agriculture Research Institute
NLDD	Native Land Dealing Document
OHS	Occupational Health & Safety
OPRA	Oil Palm Research Association
PCD	Pollution Control Device
PMP	Pest Management Plan
PNG NIWG	Papua New Guinea National Interpretation Working Group
POME	Palm Oil Mill Effluent
POPA	Palm Oil Producers Association
PPE	Personal Protective Equipment
RAB-QSA	Internal Auditor Accreditation Body

RAIL	Ramu Agricultural Industries Limited
RFI	Request for Information
SADP	Smallholder Agriculture Development Project
SABL	Special Agriculture Business Lease
SEIA	Social and Environmental Impact Assessment
SG	Smallholder Grower
SIA	Social Impact Assessment
SM	Company Sustainability Manager
SOP	Standard Operating Procedure
TRP	Timber Rights Purchase
VOP	Village Oil Palm (a class of Smallholder)

1.0 SCOPE OF CERTIFICATION ASSESSMENT**1.1 National Interpretation Used**

The operations of the mill and their supply bases of FFB were assessed against the PNG NIWG: March 2008 of the RSPO Principles and Criteria: 2007.

1.2 Certification Scope

This certification assessment includes the production from ONE (1) Palm Oil Mill and 2 company owned plantations and Small holders.

1.3 Location and Maps

The RAIL palm oil mill is located in Morobe province while the plantations are located in Morobe and Madang Provinces of Papua New Guinea.

The GPS locations of the mill are shown in Table 1.

Table 1: Mill GPS Location

MILL	EASTINGS	NORTHINGS
Gusap	E 145° 59' 04.5"	S 06° 04' 23.5"

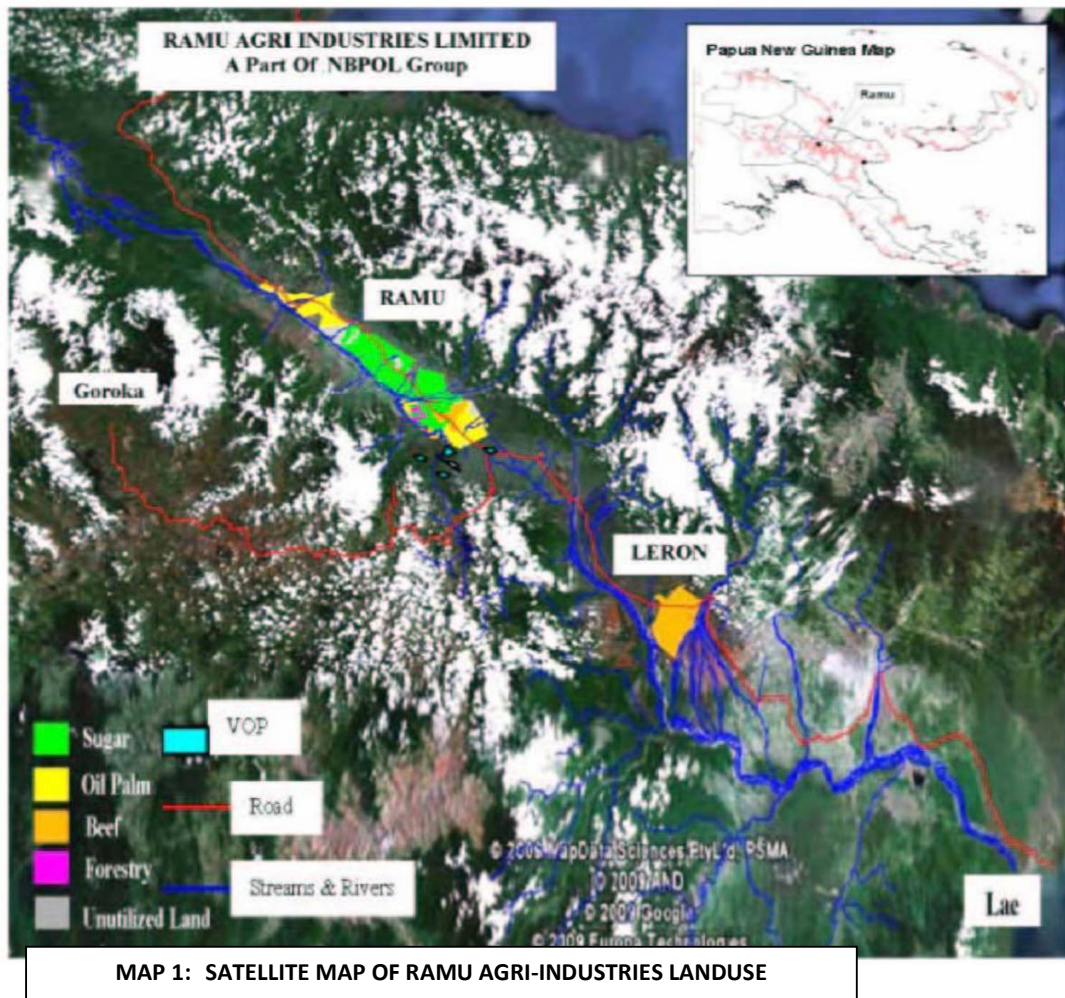


Figure 1 SATELLITE MAP OF RAMU

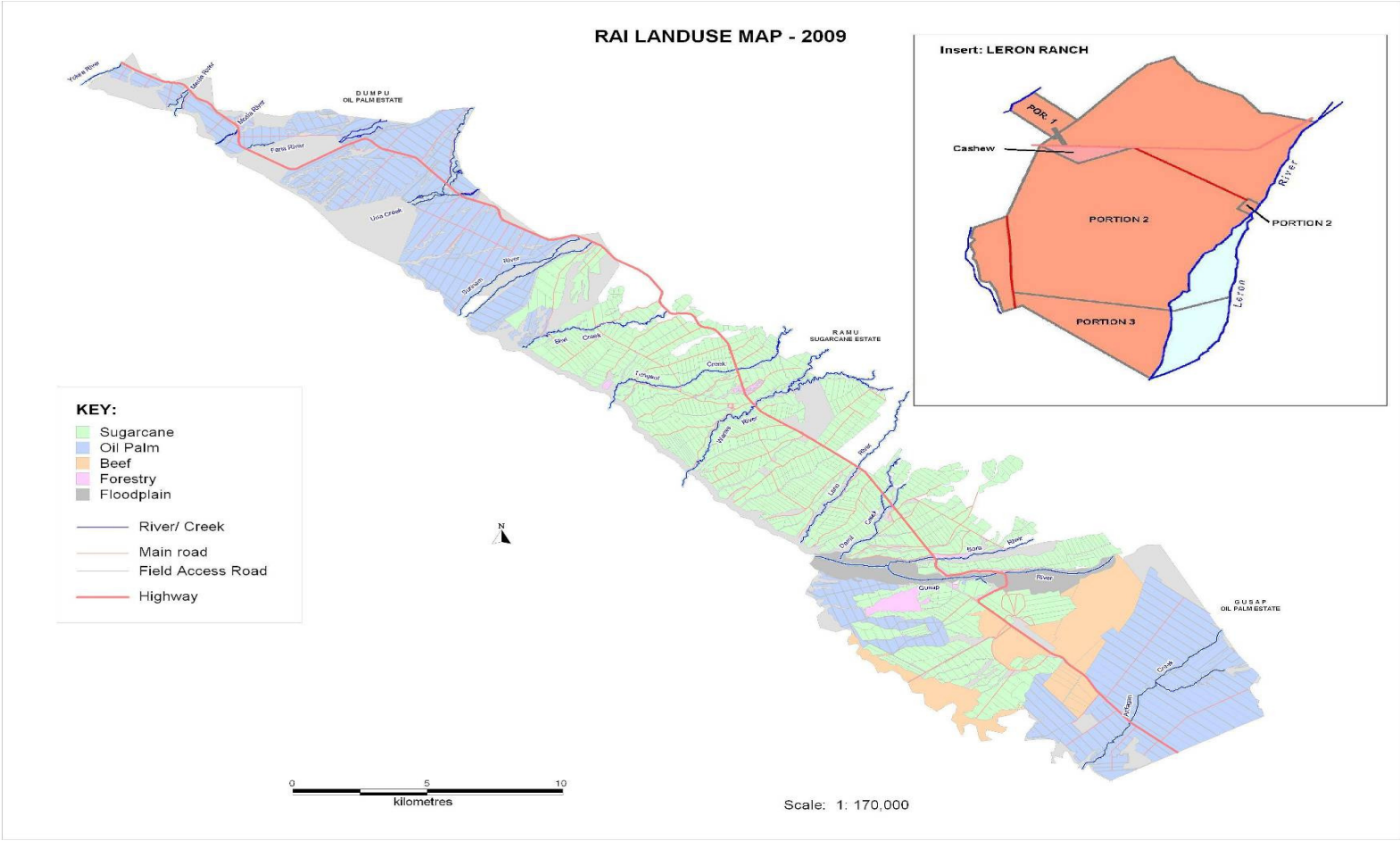


Figure 2 MAP OF RAMU LIMITS OF PLANTATION

1.4 Description of Supply Base

Oil palm fruit is sourced from company managed Plantations and from Small holders.

Operations designated as Plantations are company owned and managed oil palm that has been planted on State Agricultural Leases held by RAIL. The FFB production from plantations is listed in Table 2.

Table 2: Plantation FFB Production 2010

Plantation	FFB (tonnes)
Gusap	72,787
Dumpu	8,178
TOTAL	80,965

Table 2A PK Production 2010 - 2011

Year	Amount
2010	3,330
2011 (August)	2,253
2011 Projected	3,545

Smallholder Growers (SG's) supply approximately 1.2% of oil palm fruit processed by the Mill.

RAIL has held comprehensive discussions with the SG's on RSPO implementation. RAIL has stated its commitment to work with the SG's on the implementation of the RSPO P&C with the aim of achieving certification.

The SG's comprise small holdings of oil palm that were developed under a Village Oil Palm scheme (VOP) that were developed on customary land. The VOP was developed independently of the company. The SG's manage all aspects of their small holdings of oil palm, including harvesting. FFB production is shown in Table 3.

Table 3: Small holders and FFB Production 2010

Small holders (Total No)	FFB (tonnes)
130	952.68

1.5 Date of Plantings and Cycle

The company owned plantations were developed since 2003 under Ramu Sugar (previous owners). The age profile of the palms on Plantations is detailed in Table 4.

Table 4: Age Profile of Company Estate Planted Palms

Year	Age	Ha	%
2002	8	14	0.13%
2003	7	1,015	9.6%
2004	6	1,068	10.1%
2005	5	51	0.48%
2006	4	1,900	17.9%
2007	3	1,285	12.15%
2008	2	1,213	11.47%
2009	1	1,142	10.80%
2010	0	2,518	23.80%
2011		364	3.40%
Total		10,570	100.0%

1.6 Other Certifications Held

RAIL holds no other certification although they are working towards both HACCP and ISO 14001:2004 certifications.

1.7 Organisational Information / Contact Person

Ramu Agri Industries Limited
GUSAP DOWNS
PO 2183 LAE
MOROBE PROVINCE
PAPUA NEW GUINEA

Contact Person: Dr. Lastus Kuniata
Head of Research & Development
Phone: (675) 474 3236
Fax: (675) 474 3476

EMAIL: lkuniata@rai.com.pg

1.8 Time Bound Plan for Other Management Units

RAIL is part of a group owned by New Britain Palm Oil (NBPOL). NBPOL estates and mills in West New Britain were certified to PNG National Interpretation of the RSPO in 2008 and recertified in 2009 and 2010.

Guadalcanal Plains Palm Oil Limited (GPPOL) comprises of a mill and approximately 6,000 ha planted to palms, in the Solomon Islands. This operation was certified in March 2011.

NBPOL has submitted to BSI a time-bound plan to achieve RSPO Certification for the Kula Group comprising of Poliamba Estates in New Ireland Province by November 2011, Milne Bay Estates in Milne Bay Province

by July 2012 and Higaturu Estates in Oro Province by September 2012. All properties are located in PNG.

BSi considers this to conform to the RSPO requirements for certification.

1.9 Area of Plantation

The areas of planted palms at company owned and managed Plantations are listed in Table 5.

Table 5: Estates Hectare Statement

Plantations	Mature (ha)	Immature (ha)
Gusap	3,754	1,793
Dumpu	2,791	2,232
TOTAL	6,545	4,925

The areas of Small holders planted palms listed in Table 6.

Table 6: Small holders Planted Area

Mature (ha)	Immature (ha)
186	74

1.10 Approximate Tonnages Certified

Table 7: Approximate Tonnages Certified 2010

MILL	CPO	PK	CPKO
Gusap	20,012	3,330	1,110
TOTAL	20,012		1,110

1.11 Date Certificate Issued and Scope of Certificate

Scope

Scope of the Certificate is for the production from the single palm oil mill and its supply base (refer Table 7 for tonnages).

Certificate details are included as Appendix A. The Certificate issue date will be the date of the RSPO approval of the Assessment Report.

Inclusion of Small holders

During the audit of RAIL operations, the audit team became aware of the magnitude of the effort and resources that RAIL had committed to the RSPO implementation for its Small holders. In particular, RAIL had initiated RSPO awareness for small holders back in 2006 through the Papua New Guinea National Interpretation Working Group (PNG NIWG) process and

worked with the local RAIL smallholder representative. RAIL worked closely with the Smallholder representative in the development of a "Planting Approval Form" which is used for environmental screening of SG applications for development of new areas of land to oil palm. The PNG NIWG submitted the "Planting Approval Form" along with the NI to the RSPO, EB and the public review process. Since late 2007, no new Small holders have been accepted without being subjected to a field assessment in accordance with the "Planting Approval Form".

Small holders

The PNG NIWG had previously established the status of the SG's as "independent" and this was endorsed by the RSPO EB. All Small holders at RAIL fall under this classification.

Small holders are not under any obligation or contract to supply to the mill but are associated to the company through geography and logistics. The Government National extension service is not yet present on Morobe Province in PNG. RAIL has therefore included Small holders in the company wide awareness programs, compliance surveys and other RSPO related work

RAIL has a defined list of all their small holders and ascertained each of their location and status. This is compiled into a Company database. RAIL has agreed to collect the fruit from these defined independent Small holders.

RAIL operates an Out Grower's Department that is dedicated to support the small holders who supply fruit to the company's mill. The small holders' land has been mapped and RAIL is assisting in the continuing verification of their rights to the land. RAIL supplies oil palm seedlings to the small holders and assists them by coordinating pest and disease surveys and treatment of pest outbreaks. RAIL also helps to facilitate soft loans to its small holders with the National Development Bank for purchase of seedlings, tools and fertiliser, which it delivers to them.

RAIL has implemented awareness training of SGs on the RSPO P&Cs at Field Days (Training for Small Holders) in each of the small holder Divisions, commencing in October 2007. RAIL has provided training of Small holders via Field Days on the RSPO P&C, (the latest was at a workshop in **May 2011**). RAIL has also completed a baseline survey of Small holders determining their compliance with the RSPO guidelines for Independent Small holders. The survey process involved the physical inspection of all smallholder blocks and interview of each block holder to assess their understanding of sustainable practices and conformance with the relevant RSPO P&Cs.

In consideration of RAIL's close involvement with the individual small holders, they can be regarded as being "Associated" with RAIL. On the basis of this conclusion, RAIL has complied with its commitment to achieve certification of its "Associated" small holders within three years from the date of Initial Certification.

In consideration of the above information, the audit team concluded that it is appropriate for inclusion of the small holders in the RAIL Certificate.

BSi examined in detail the smallholder survey database and concluded that the information showed the great majority of small holders met conformance with the relevant Indicators of the PNG NIWG (March, 2008). The validity of the smallholder survey results was tested by selecting a sample of 20 Small holders that were representative of a range of conditions and subjecting these to field audits. This figure is well in excess of the RSPO sampling guidelines and equates to 15% of small holders. BSi also interviewed Smallholder representatives who had been involved in the baseline survey and confirmed their knowledge of the relevant RSPO P&C's.

BSi concluded that the survey results for 130 Small holders plus the 70 physical audits and the interviews of the smallholder representatives provided substantive evidence of conformance with the RSPO P&C.

2.0 ASSESSMENT PROCESS

2.1 Certification Body

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BSi is a leading global provider of management systems assessment and certification, with more than 60,000 certified locations and clients in over 100 countries. BSi Standards is the UK's National Standards Body. BSi Management Systems provides independent, third-party certification of management systems. BSi has a Regional Office in Singapore and an Office in Kuala Lumpur.

2.2 Qualifications of the Lead Assessor and Assessment Team

Allan Thomas Lead Assessor

Allan Thomas holds a tertiary qualification in commerce and accounting from Wollongong University in 1973 and has more than 19 years experience in systems management and auditing of large organisations in construction, forestry, agriculture, manufacturing and in private and Government sectors both in Australia, South East Asia and the South Pacific. During the past 15 years, he has been the Manager of a large certification body based in Australia with responsibilities throughout SE Asia. He has performed over 100 comprehensive audits of management systems throughout the Palm Oil industry including Occupational Health and Safety, Environmental and Quality Management Systems. He

has also advised companies on the implementation of OHS in the Oil Palm Industry. He has worked in Indonesia, Malaysia and PNG in the Oil Palm industry. Allan has conducted over 2000 system audits in the last 12 years and controlled over 50 auditors when Certification Manager of SGS-ICS.

He is a Lead Environmental Auditor (ISO 14001) with IRCA, A Lead OHS Auditor (OHSAS 18001 & AS 4801) with IRCA, a Lead Quality Auditor (ISO 9001:2008) with RABQSA and also an accredited Heavy Vehicle Auditor. He has also implemented strategies for implementing and maintaining SA 8000. Allan has also been appointed a Federal Safety Officer by the Australian Commonwealth Government.

He has conducted Integrated Management assessments of a large number of palm and kernel oil mills and many oil palm plantations in Indonesia, Malaysia and Papua New Guinea. He has worked closely with RSPO in developing an audit checklist for the Principles and Criteria and developed an audit methodology. This was carried out at the instigation of Dr. Simon Lord – in 2005 prior to RT3. Dr. Lord is a former member of the Executive Board – this audit checklist was bought by RSPO in early 2006 He also performed the first base line assessment of the applications of the P&C. He is a strong advocate of environmental, safety and social accountability.

Tom Diwai – Technical Expert- Small Holders & HCV

Tom Diwai Vigus holds a tertiary qualification in Forestry, graduating from the University of Wales (Bangor) in 1970. He has 40 years experience in the areas of forestry, environment, conservation and socio-economics in the Pacific Islands, particularly Papua New Guinea and the Solomon Islands as well as the Northern Territory of Australia. In 2003/4 he was Field Team leader/Professional Forest in the most extensive audit of existing large scale logging operations in PNG, the Independent Review of Existing Logging Projects, completing 14 in depth reports and contributing to the final report which contained recommendations for all stakeholders to improve the sustainability of PNG the Forestry Sector.

Since 2003 he has been the environment and social advisor to the World Bank during the preparation of the Smallholder Agriculture Development Project, which aims at improving the livelihoods of oil palm growers, both in Land Settlement Schemes and Village Oil Palm, as well as providing capacity building and funding support to Ward Development Committees, CBOs and Local Level Governments in small scale infrastructure projects.

More recently he has been working for the Oil Palm Research Association (OPRA) in identifying areas with High Conservation Values in numerous proposed Mini-Estates, as an independent consultant but in association with the Worldwide Fund for nature (WWF).

Tom is fluent in Tok Pisin

Mike Finlayson - Technical Expert Social

Mike has 20 years experience as a development specialist in Australia, Asia and the Pacific and has worked in PNG since 1985. Mike focuses on the social impact assessment (SIA) of large-scale resource projects and has recent experience in Australia, Papua New Guinea, China and the Philippines:

In 2009 Mike conducted a SIA of an expansion of oil palm for Hargy Oil Palms Limited, in West New Britain;

In 2008 Mike provided advice and participated in the conduct of an SIA for the development of a large bauxite mine on traditionally-owned land in the Cape York area of northern Australia;

Between 2007 and 2009 Mike led a team conducting a SIA of an oil & gas project in Gulf and Central Provinces of PNG;

Since mid-2008 Mike has worked with Ok Tedi Mining Limited to prepare socio-economic data for mine-impacted communities, prepare a social and economic report (as an attachment to the 2009 mine closure plan), and provide advice on social and economic monitoring;

In early 2009 Mike provided advice to the University of Inner Mongolia (China) on the design and conduct of a SIA to examine the impact of mining and petroleum operations on traditional herding activities; and

In 2007 Mike conducted an economic analysis of the proposed Tampakan copper and gold mine in the Southern Philippines.

Mike aims to maximize sustainable development through the promotion of effective and practical solutions in large-scale resource industries by working with local consultants and local organizations while ensuring high quality outcomes in line with current international best practice. Mike is a member of the International Association for Impact Assessment (IAIA) and is familiar with, and has conducted studies in accordance with the Equator Principles and Global Reporting Initiative.

Mike is also a director of Project Design & Management Pty Ltd (PDM), a company specializing in development assistance and humanitarian aid, with a long history in PNG. Mike is fluent in Tok Pisin.

2.3 Assessment Methodology, Programme, Site Visits

The pre audit for RAIL was conducted from 16th to 20th November 2009. The certification assessment was conducted from the 1st to 5th of March 2010.

This first annual surveillance assessment was completed from 17th – 20th August 2011.

The single mill and its supply base including Small Holders is a single certification unit as defined by RSPO. Therefore the mill was audited together with the plantation and Small holders as they represented 100% of its supply base. The 2008 PNG National Interpretation of the RSPO Principles and Criteria (as found on the

RSPO website) was used throughout and all Principles were assessed. The methodology for collection of objective evidence included physical site inspections, observation of tasks and processes, interviews of staff, workers and their families, review of documentation and monitoring data. Checklists and questionnaires were used to guide the collection of information. The comments made by external stakeholders were also taken into account in the assessment.

Small holders were also included in this audit. A total of 20 blocks were audited out of the 130 smallholder blocks. This equates to a sample size of 16%. They were all Village Oil Palm (VOP).

After the interview with each small holder was concluded the auditor inspected each block with the block holder and in the absence of any officers from RAIL in order to gain an understanding of any issues of concern that the block holder wished to raise about the oil palm company (RAIL).

2.4 Stakeholder Consultation and List of Stakeholders Contacted

Stakeholder consultation involved external and internal stakeholders. External stakeholders were notified of this audit, its timing and purpose by placing an invitation to comment on the RSPO, BSI and RAIL websites and an advertisement in each of the PNG national newspapers.

Letters were written to individual stakeholders and telephone calls were made to arrange meetings. Within the audit process itself, meetings were held with stakeholders to seek their views on the performance of the company with respect to the sustainability practices outlined in the RSPO and aspects where improvements could be made.

Stakeholders included those immediately linked with the operation of the company such as employees; Small holders, contractors and the research staff of the Oil Palm Research Association.

A specific point was made to interview representatives of the RAIL Oil Palm Workers Union during the course of this assessment as well as those representing the Sugar workers union.

External stakeholders included organizations such as Provincial Government, NGOs and Civil Societies, who have an interest in the Morobe and Madang area and resident communities in and around RAIL.

Stakeholder consultation took place in the form of meetings and interviews. Meetings with government agencies and NGOs were held in their respective premises.

In all the interviews and meetings the purpose of the audit was clarified at the outset followed by an evaluation of the relationship between the stakeholder and the company before discussions proceeded in

accordance with relevant RSPO principles, criteria and indicators. Apart from the environmental NGO's, most of the stakeholders had not heard of RSPO prior to 2007 but they agreed with its objectives and expressed their willingness to collaborate in the promotion of sustainable palm oil in the Morobe Province. In a number of interviews and meetings, the presence of company representatives did not restrict discussion of both the positive and negative aspects of RAIL's operations. Although company representative were present they were on the periphery and did not influence the process.

The company representatives only introduced the team and where requested to leave during meeting with stakeholders. For internal stakeholders the same procedure was followed and company representatives left once the consultations started (this was the occurred with senior management. Employees are involved in consultation and committees).

List of Stakeholders Contacted

Company employees:

- Lastus Kuniata, Head of Research & Development, RAIL
- William Unsworth, Sustainability Manager, RAIL
- David Alderdice, Company Secretary, RAIL
- Ruari Macwilliam, Head of Oil Palm, RAIL
- Polo Possiri, Human Resources Manager, RAIL
- Matthew Daniels, Community Relations Manager, RAIL
- Mathew Tawea, Land Development Officer, RAIL
- Parim Chiru, Personnel/Admin Manager, RAIL
- Yongue Kambue, Medical Officer, RAIL
- Rebecca Minne, Training Officer, RAIL
- Sharon Onsa-Pople, Public Relations Officer, RAIL
- Lama Kuri, Estate Manager Dumpu, RAIL
- Mary Soondrawu, Welfare Officer, RAIL
- Mary Gigmai, Financial Accountant & Gender Committee, RAIL
- Also Gusap Mill management and staff
- Gusap Estate Management and staff
- Dumpu Estate Management and staff
- Surinam Estate Management and staff
- CWS Management and staff

- Central Stores Management and staff

Government:

- Felix Icarpai, OIC - Gusap Health Centre, Madang Provincial Administration
- Samuel Kulu, Deputy Head Teacher, Ramu Vocational Centre, Madang Provincial Administration
- Fidelish Tioka, Deputy Head Teacher, St Lukes Primary School, Ramu
- Cletus Moses, Acting Police Senior Constable – Ramu, PNG Royal Constabulary
- Thomas Bib, Division of Agriculture, Madang Provincial Administration

Compound residents (names withheld):

- Village 2, Ramu Compound (selected residents)
- Dumpu Compound (selected residents)

Civil society:

- Judy Muliap, Soroptimist International
- Paster Moale Doriga, Gusap Baptist Church
- Jessie Paul, Youth Representative
- Alex Tirua, Sports Representative
- Elizabeth Wangu, Haus Mama Representative
- Magdeline Klomes, Sports Representative
- Nancy Muliap, Mari Women's Representative

Union:

- Vavine Ipi, Secretary, Ramu Sugar National Employees Union
- Hoffin Quenza, Ramu Sugar National Employees Union

Community leaders/others:

- Johanes Namele, Secretary – Dumpu Resource Owners Association
- Paul Pekorifa, Manager – Private Contractor
- Nabura Morisa, Local Leader
- Julie Timothy, Ward Councillor
- Simon Kifro, Ward Councillor
- Tari Francism Ward Councillor
- Sangi Bisimo, Ward Councillor
- Doris Embe, Community Representative
- Polou Sangi, Community Representative
- Melena Baina, LLG Women's Representative

Other Local Government

- **Felix Icarpai, OIC - Gusap Health Centre, Madang Provincial Administration**
- **Provincial Division of Lands**
- **Department of Environment & Conservation**
- **Provincial Division of Health**
- **Provincial Division of Labour**
- **Provincial Division of Primary Industry**
- **Provincial Education Office**
- **Provincial Planning Office**

2.5 Date of Next Surveillance Visit
June 2012

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings

As outlined in Section 2.3, objective evidence was obtained separately for each of the RSPO Indicators for the Mill and the Estates. The results for each indicator from each of these operational areas have been aggregated to provide an assessment of overall conformance of the Company's operations with each Criterion. A statement is provided for each of the Indicators to support the finding of the assessment team.

Five (5) Nonconformities were assigned against Minor Compliance Indicators. RAIL has prepared a Corrective Action Plan (Appendix D) for addressing the identified nonconformities that was reviewed and accepted by BSi.

However, as noted, further work is required in relation to indicators 6.1.3 and 6.2.2, although for different reasons to those described in previous NCR's raised during initial certification assessment.

Nine (9) Observations/Opportunities for Improvement were identified. Details of the Nonconformities and Observations are given in Section 3.2 (Page 28-9).

BSi's assessment of RAIL operations, comprising one palm oil mill, estates, Small holders, infrastructure and support services, concludes that RAIL operations comply with the requirements of RSPO Principles & Criteria : 2007 and PNG-NIWG Indicators and Guidance : 2008.

BSi recommends that RAIL be approved as a producer of RSPO Certified Sustainable Palm Oil.

Criterion 1.1: Oil palm growers and millers provide adequate information to other stakeholders on environmental, social and legal issues relevant to RSPO Criteria, in appropriate languages & forms to allow for effective participation in decision making.

This criterion has been implemented and evidence is in place to support this.

RAIL ensures that any requests for information s are recorded and makes records of informal requests and telephone enquiries.

Requestors name, address and contact details and specifics of the request are recorded. There is a record kept of the action taken including timeliness or where requests are denied.

It includes all stakeholders, both internal and external and includes a response time for answering such enquiries.

Requests for information are recorded by the relevant department and if information cannot be made available the reason for this decision is also recorded and explained to the relevant stake holders.

Where document requests were denied the audit found these to be mainly of a confidential financial nature.

The Morobe Provincial Government had not furnished the surveyed maps of the blocks, the Development Bank has provided copies of Clan Land Usage Agreements (CLUA) for the majority of blocks. Therefore the audit found CLUA can be made available.

RAIL has line maps for all small holder areas and are converting these to individual block maps using GPS readings.

All block holders hold relevant CLUAs.

However see note on wording of typical CLUA indicating that the agreement is "for the lifetime" of the Block Holder (Appendix 3).

Criterion 1.2: Management documents are publicly available, except where this is prevented by commercial confidentiality or where disclosure of information would result in negative environmental or social outcomes.

This criterion has been implemented and evidence is in place to support this.

Management have decided which documents are to be made available to the public and a list of these documents is in place widely throughout the organisation in estates and mill offices. There is a register available of all documents which have been made publicly available which has been approved by top management.

A large number of documents are available through the relevant Government authorities. A number of documents are not available due to commercial confidentiality or at the discretion of the GM.

Documents are able to be viewed free of charge however a charge may be made for copies of documents.

Most of required policies are published and are widely available in the Group Sustainability Handbook (www.nbpol.com.pg).

The list of documents that can be made available on request includes:

1. Land titles/Leases
2. Maps of lease areas
3. Annual Reports
4. Sustainability Reports
5. RAIL Policies and Guidelines
6. Environmental Policies
7. Equal Employment Opportunity
8. Water Management Plans
9. Sexual Harassment Policy
10. Environment Plans & Environment Permits
11. Copies of Government laws, regulations, Code of Practices.
12. DEC compliance Monitoring Reports
13. Waste Management Plans
14. Production Reports
15. FFB Pricing Information
16. Financial report
17. Employee Training.

Documents pertaining to financial information can only be shared upon the discretion of the RAIL General Manager.

Land Titles will be made available on request if appropriate. Land Titles are in the public domain and are readily available through Provincial Government offices.

Group Policies such as OHS, Environmental, HIV-Aids, Equal Employment Opportunities and Sexual Harassment Policies are all available. RAIL has separate policies for the following: Health and Safety, HIV/AIDS, Sexual Harassment, Whistle Blower, Malaria and Domestic violence amongst others. These are also widely available in all operational areas.

The RAIL OHS Plan will be made available on request. All managers also have a copy of the OHS Plan. It is also made available on the company's web site. It is also posted in all work areas in a prominent position on noticeboards were workers congregate at certain times. During the audit it was sighted in many areas including the mill and field offices and other areas such as workshops, stores and clinics.

There is a documented procedure for dealing with complaints.

The Documented system for access to customary land and negotiation procedures for settling disputes is available on request.

There is a Continuous Improvement Plan (CIP), available for all operations including the mill and estates as well as all other ancillary operations. This includes: Housing, Medical, Workers welfare, EMS, OHS, Social Issues,

Health, and Communication with stakeholders, Free Prior and Informed Consent (FPIC).

The required improvements identified in the Social Impact Assessment (SIA), are being incorporated into the long term financial plan and CIP.

Criterion 2.1 – There is compliance with all applicable local, national and ratified international laws and regulations.

There is in place a documented system which includes the process for ensuring that legal requirements are known and documented. This information is passed on to the relevant areas of operations to ensure that all involved are aware of any changes to laws or any new laws introduced.

There is a system in place for tracking changes to laws and regulations which is by subscription to PNG law and other bodies providing information on law changes.

Out growers are aware of the relevant customary, local and national laws.

Examples of methods of ensuring laws are being implemented include external re-conformation with such agencies as the Department of Conservation (DEC), Dept. of Labour, and Dept. of Health (DOH). This is further supported by internal physical inspections to ensure that certificates, permits etc. are current.

There is register of PNG legal and regulatory requirements including codes of practices, environmental permits, etc. and nationally ratified conventions. Copies are held by the Company Secretary and the Sustainability Manager. These two company officials also keep abreast of any changes to legal or regulatory requirements and update the list / register if and when required. The register presented was quite extensive and included all legal and regulatory requirements known to concern RAIL.

It appears that all applicable local, national and ratified international laws and regulations have been identified. This includes areas such as: land rights, labour laws, chemical use, environmental regulations, storage etc.

There is evidence that all Permits, Licences and Certificates have been obtained and are up to date. There was evidence available that although Boiler Operators certificates were not available this was due to the fact that the responsible authority has not issued them. There is evidence in place that all fees were paid on time and the no issue of current certificates is out of the control of RAIL.

Observation: The Code of Practice for motor vehicles workshops in PNG calls for a triple interceptor however this has not yet been constructed and is in the CAPEX for 2011/12.

Therefore it was stated that at times PNG government agencies are slow at issuing current or new permits once the previous permit etc. expires. This issuing of new

permits is outside the control of RAIL. RAIL is however proactive in renewing permits due to expire, taking the initiative to contact the official regulatory bodies to follow up on permits etc.

A record is maintained of these instances when enquiries have been made to determine the position in relation to these new permits etc. Letters to government departments following up on expired permits can be provided on request and were sighted during the audit.

Outgrowers are aware of the relevant customary, local and national laws. In many instances clan leaders have signed their family members as VOP block holders using the appropriate CLUA.

Criterion 2.2 – The right to use the land can be demonstrated and is not legitimately contested by local communities with demonstrable rights.

RAIL landholdings are State Agricultural Leases that were established by the former owners of RAIL. RAIL holds a copy of the State Leases and the use of the land is consistent with the terms and conditions (2.2.1). These documents also show a history of land tenure and the actual legal use of the land and include records of any transfers of deeds. *Ownership has been legally transferred to RAIL. The leases are for a period of 99 years from 2002.*

Therefore Documents indicate legal ownership or lease of land and all original leases and land titles are available in Head Office as well as any copies in operational areas.

Boundaries are normally landmarks such as Roads and Rivers which have been identified through participatory means with the Customary landowners. RAIL engaged a registered independent surveyor to identify the legal boundaries of its estates (Gusap and Dumpu.) Boundary pegs now identify these boundaries and in addition they are located and marked via GPS and included in Satellite Imaging of all RAIL estates. During this assessment boundary pegs and other means of identification such as natural markers such as streams were sighted. Also sighted the recording of the GPS position of boundaries.

During the audit sightings of maps for both Gusap and Dumpu Estates were made. Maps of boundaries identified the position of boundary pegs.

There are no operations outside the legal boundaries of the plantations as far as RAIL is aware.

There have been some disputes. But at present there are no ongoing disputes. There is evidence that where disputes have been resolved that the process and outcome is documented. RAIL negotiates with the party in dispute and uses either the PNG legal system (village court or district court) or the more informal village system discussing matters directly with the village elders.

In the past RAIL has used the District Administrator for dispute resolution and seeking advice from the

Department of Primary Industries on compensation to be paid and also included Valuer Generals Dept.

Records of all resolutions are maintained with Sustainability Manager. An example of the compensation paid to claimants was viewed and involved a third parties in ensuring compensation paid was fair and equitable. A record of the more recent Portion 5, Gusap, dispute was sighted.

There is a New Planting area at Ngaru to the south of Gusap and this is a lease-lease back area. Copies of all agreements on this area are available – see Principle 7 for further details.

There are no disputes on current smallholder blocks. Brubri Small holders when interviewed confirmed that there had been disputes in the past but that the courts had resolved these to all parties' satisfaction.

The company Legal Department maintains copies of all CLUA's. The CLUA assists in minimising disputes by splitting land into smaller family groups (this reduces disputes). Copies of all CLUA's are also held with the bank.

Criterion 2.3 – Use of the land for oil palm does not diminish the legal rights of other users without their free, prior and informed consent.

Current maps are available showing occupied state land and include tenure. There is no customary land within RAIL boundaries. There are no operations on alienated land.

All Land Titles are in place.

There are copies of negotiated agreements available detailing processes of consent - Copies of negotiated agreements are available in Land Title Officer Office and with company lawyer.

Sketch maps for VOP were available during this assessment.

VOP's blocks are established on Customary Land. The CLUA is an agreement whereby the clan leaders allow the VOP grower to plant oil palm on a particular piece of land. The CLUA recognizes that that particular person has ownership rights or usage rights over that particular piece of land. Copies of CLUA's sighted at RAIL – for privacy reasons these were not recorded in this report but samples are available in audit notes. See 1.1 and 2.2 The VOP Blocks are on customary land by agreement with Clan Leaders.

Maps showing areas for potential Lease-Lease Back have been produced. The lease – lease back agreements commenced in May 2011 and have been registered by the Surveyor General in Port Moresby. Maps are therefore be available of lease – lease back Maps of SEIA and HCV forest evaluations were completed prior to the signing of any sub lease agreements.

2.3.2 Observation. There should be no new VOP established without proper road access.

The smallholders associated with RAIL have proven that if given the correct training and information, and fertilisers, they can produce as well as the estates.

Criterion 3.1: There is an implemented management plan that aims to achieve long-term economic and financial viability.

All requirements of this indicator have been met.

The management of RAIL can demonstrate commitment to long term economic and financial viability through long term planning.

Annual replanting programme is in place but no replanting will take place for at least another 20 years as the earliest plantings were done in 2003.

There is a five year business plan for RAIL. It is available from the General Manager. There are business plans in place that take into account crop projection, mill extraction rates, costs of production, annual replanting programmes, forecasts and financial indicators. The auditor sighted crop projections for all estates and associated SG's. All mill extraction rates are documented.

The cost of production is reviewed and compared against expenditure each year with projects in place for future years. This includes costs per tonne.

Forecasts are in place for the next 5 years on a rolling basis.

The Five Year plan is reviewed on, at least, a yearly basis with the CEO of the Group. The latest review and update was completed in May 2011.

Criterion 4.1: Operating procedures are appropriately documented and consistently implemented and monitored.

RAIL defines its Standard Operating Procedures in what it terms Management Guidelines (MG's). MGs are used as the framework for all operations. RAIL refers to MG's and the Recognised Industry Field Handbooks for guidance. Other publications are used for reference only.

These documents are available for Mill, Estates, Lae Bulk Terminal (LBT), Transport, Buildings departments, Clinics and all operational areas. Standard Operating Procedures (SOP) are in place for each station in the process of palm oil production from weighbridge to storage.

The mill has in place Work instructions for all mill activities. They are available in the mill and at the area of operations. Mill SOP's have been translated into Tok Pisin and have been well positioned in the vicinity of operational areas. Adequate document control in the form of issue date and approval is to be put in place.

Many current SOP's in Tok Pisin were sighted throughout operational areas.

For the mill there is in place a mechanism for monitoring effectiveness of procedures. The shift supervisors check that all log books are completed for all SOP's and operations when required. This is done by completing each required inspection and signing the log book, a copy of which is kept by mill management and also includes planned scheduled inspections. The operators at the mill had completed the required log sheets at each station on the required timetable from the areas sampled. These log sheets are collected and reviewed on a daily basis. The log sheets are used to identify breakdowns and cases of wear and tear where breakdowns may be imminent. Any potential problems are also reported to prevent further breakdowns. Records of any service or repairs are also documented.

Since the initial certification assessment a new Palm Kernel Mill has been constructed and commissioned. SOP's have been provided for this mill where required. The production from this mill in Crude Palm Kernel Oil is now recorded under output rather than Palm Kernels previously recorded.

The SOP's are further supported by routine regular scheduled preventive maintenance. This is planned and carried out under the Mechanical and Electrical Engineering divisions to ensure ongoing production capability is maintained and that operating machinery is safe. Any deviation from standard procedures is reported and followed up to ensure documented practices are being followed.

The system requires that records of monitoring are kept. E.g. drain and pollution control devices (PCD's) as well as use of PPE etc. - any actions taken such as cleaning needs is recorded. This also needs to include action taken for any OHS breaches.

There are also SOP's in place for all mill workshops, Central Vehicle Workshop and Stores – these are all available in the local language and in place near the areas of operations.

The estates are similar to the mill in that scheduled field inspections are in place by a team of field inspectors.

The estate managers carry out regular field inspections to ensure SOP's are being followed and supervisors issue instructions at each morning muster and follow up to determine the quality of work and that procedures are being followed. This is further supported by the Oil Palm General Manager who carries out regular extensive field inspections which are further supported by the issuing and circulating of an inspection report to the relevant sections. Any non-conformances are recorded and followed up in a specified time frame. These inspections occur monthly and include each division in each estate. The inspections are scored to indicate areas for improvement and record if improvements have been made since the previous inspection. Further inspections are also completed by the Group Field Managers office or the Field Inspectors based in West New Britain at least quarterly. This is a more far reaching inspection to

ensure product quality is maintained and correct practices are being followed.

National Codes of Practice are referenced within each SOP or Management Guidelines if applicable to that particular operation. There is Code of Practice (COP), for Oil Palm Processing. This document is referenced in the legal register, SOP's and MGs. There are also Codes of Practices for Hydrocarbon and the Central Vehicle Workshop (CWS) these are again referenced in the MG's. Other COP's which affect estates are referenced in documentation and include Logging and Landfill.

The latest issues of MG's are controlled by the Sustainability Manager who ensures current applicable PNG COP's are in place.

Criterion 4.2: Practices maintain soil fertility at, or where possible improve soil fertility, to a level that ensures optimal and sustained yield.

RAIL has soil maps. Soil sampling was completed by R&D Dept. during 2008-9 and reports are available which includes outcomes and recommendations. This soil sampling also included maps of areas under planting. Evidence of soil sampling was available and was reviewed during the certification assessment.

There is evidence of regular periodic tissue analysis– the latest tissue analysis was completed in 2011.

Tissue analysis completed by external testing body has taken place and records where viewed at this assessment. Tissue analysis interpretation is available from the R&D Dept. which works closely with AAR Laboratory, Malaysia.

Fertiliser use is being recorded and monitored. Fertiliser inputs are recorded for each estate including monitoring application against recommendations.

Records indicate type of fertiliser used and the field and block numbers where it is applied.

All palm by-products including fronds, EFB, compost, effluent and expeller are recycled. These are used as nutrients and are put in place to improve organic matter and to substitute or supplement inorganic fertiliser.

Maps are available of where by-products are applied.

Most of the smallholder blocks visited showed excellent agronomic management. All block holders were recycling palm fronds by laying them between rows of palms to allow for composting, household vegetable waste was also used to improve fertility. They were all applying fertiliser appropriately. However more awareness and training for small holders on the benefits of maintaining soil fertility, e.g. by the use of fertilisers, mulches and cover crops was identified at the pre audit. RAIL has recently commenced a Small holders training programme along these lines.

Criterion 4.3: Practices minimise and control erosion and degradation of soils.

RAIL is situated in a wide flat valley. Many rivers are deeply etched (canyons) and well below land levels. As such the areas is not prone to major erosion.

There are maps produced from soil surveys done in 2003 and 2008 indicating different soil types for assisting in developing soil management strategies.

There are no known fragile or problems soils at RAIL.

There are no slopes over 25° in the valley and therefore no oil palm plantings on these.

There is no planting on the gentler slopes over 9°.

There is no peat at RAIL.

Erosion risk assessment for each block been done. Maps are available which indicates any blocks which could be prone to erosion. Seasonal factors are considered such as wet and dry seasons however due to flat land there are no extreme conditions and techniques to control erosion include the following: provision of adequate legume ground cover, avoidance of over spraying of herbicides, review of road design and provision of adequate maintenance including appropriate drainage and use of culverts.

RAIL is using irrigation practices which are designed to prevent erosion in the nursery - this area is controlled with regards to erosion due to flat terrain. Fronds are also used to prevent erosion following pruning and after harvesting of FFB.

A plan for road maintenance including roads, blocks and time frames as well as budgets has been produced for 2011 for Gusap, Dumpu and the new area of Ngaru. This includes management of rainfall run off The Maintenance plan indicates priority of grading and which roads are to be included on an annual basis.

The road maintenance plan is monitored continuously to ensure management are aware of the status of the plan.

The road programme is monitored to ensure it is up to date and that areas with potential and actual erosion areas are given priority over less risky areas.

Blocks that needed drainage have been drained using company machines and are now green and healthy after the application of fertilisers.

There is no peat deeper than 3 metres in the growing area

Small holder plantings at RAIL are under three years old and already producing. There are a few blocks which needed further drainage. RAIL has programs to dig drains where required once the rainy season is over in 2011.

Criterion 4.4: Practices maintain the quality and availability of surface and groundwater.

RAIL has issued a Water Management Plan (November 2009).

The Water Management Plan has now been issued and is current and includes all water management strategies.

The General Manager has now signed off on this plan.

The Water Management plan is comprehensive and includes all areas of water use including drinking, mill and other water usage. The water management plan includes management of storm water, control of mill drains, nursery water use and control of run-off. The plan goes on to formalise how stormwater and mill drains are regularly inspected and includes templates of records of any actions taken. Much of the plan is already being implemented.

The plan includes testing regimes and schedules for all water types. The plan identifies how the quality of domestic water is to be monitored in all areas and referenced the Department of Environment and conservation water quality criteria for PNG. Monitoring of water quality is now completed by an independent NATA accredited organisation who at this stage appear to provide records of samples much more readily.

4.4.1 Observation: All bore holes for water extraction need to be properly identified and recorded on a map to ensure all can be located.

Water courses are tested both upstream and downstream where entered by treated water discharged by RAIL to ensure that water quality is not adversely affected for downstream users by the activities of RAIL.

BOD levels of discharges are being monitored as the POME is used for land application and BOD must be less than 5,000. There were no occasions recorded when BOD was over 5,000. In fact BOD is always well below this limit on all records produced. There is in place a permit to allow the land application of POME. BOD is monitored in the pond system at various points which are sign posted. RAIL monitors BOD for all discharges of treated POME which will be used for land application.

RAIL monitors the water flow in the mill as a number of flow meters have been installed (records started. March 2009).

4.4.2 Observation: Since mill has been in production since on April 2008 it is not possible for Gusap Mill to have trends of water use per tonne of FFB for 5 years. Evidence of such monitoring will be required at the surveillance audit next year.

Water use for domestic and nursery is monitored and reported on as part of the water extraction permit conditions.

Hazardous Chemical residues prevented from entering water courses in a number of areas. Of particular note

are the CWS, Buildings and Central Stores where management practices are in place to prevent chemicals and hydrocarbons from entering water course and drains – New drains have been constructed to improve these areas. Ongoing improvements are required. And a substantial plan has been approved with Capital Expenditure and time frames and been incorporated into the Continuous Improvement plan (See 8.1).

These improvements will provide much improved protection for both ground water and surface water from possible contamination. A number of new triple interceptors and sediment traps have already been completed and are proving to be effective in preventing pollution of storm water.

The riparian buffer zones are maintained in good condition. The buffers in existing plantations were inspected and found to be within the limits as prescribed by the environmental permits and logging code of practice for each estate. All permanent water courses have buffers in place and with signage indicating the location and extent.

Since 2003 (the date of planting) there are no known areas where the buffer zones encroach the waterways.

Extensive training takes place to ensure that workers are aware of the proper disposal of any chemical wastes including pesticides etc.

Growers interviewed show clear understanding of the requirements and the techniques required to maintain the quality and availability of surface and ground water, however more awareness on buffer zone requirements recommended particular for new growers.

Criterion 4.5: Pests, diseases, weeds and invasive introduced species are effectively managed using appropriate Integrated Pest Management (IPM) techniques.

There is an Integrated Pest Management Programme (IPM) for specific pests which include white grubs and broomstick. The Programme includes the following techniques – pest monitoring, selective use of chemical treatment, and encourage establishment of bio-control agents. Records of locations and application timeframes for all chemicals used are kept. There is a measurement of the amount of each pesticide used and type for each specific pest e.g. for White Grub - use confidor. RAIL monitors pests and disease as part of the IPM. There are very few significant pest and diseases identified at RAIL. Also with broomstick during recent trials RAIL have successfully used Ladybirds which are released under control to attack the pest. Gall flies are similarly used to control Siam Weed – this is a preferred method not using pesticides.

There is a twice yearly survey of oil palm pests which extends as far as Lae (well outside the estate

boundaries). This was most recently completed in June 2011.

RAIL is maintaining records of all the control methods being used. Workers are trained in the implementation of the IMP as well as in monitoring its continued success. There are available records of training in IPM for all workers.

The Pest Management Plan (PMP) has been recently updated (10.5.11) and includes the control of all pesticides and the methodology for both reducing use of pesticides and / or changing to less toxic chemicals. All pests and diseases which are identified are monitored constantly. The use of pesticides is being monitored and use is being reduced and data is kept.

A policy of minimal use of pesticides (herbicides in particular) is in place. Growers are aware of PPE requirements for sprayers. The main pests in the RAIL area are white grub and broomstick which are now biologically controlled as described above.

All “pesticide” use is by growers who have been trained in the application of herbicides and there was ample evidence of RSPO requirements and PPE.

Criterion 4.6: Agrochemicals are used in a way that does not endanger health or the environment. There is no prophylactic use of pesticides, except in specific situations identified in national Best Practice guidelines. Where agrochemicals are used that are categorised as World Health Organisation Type 1A or 1B, or are listed by the Stockholm or Rotterdam Conventions, growers are actively seeking to identify alternatives and this is documented.

There is a formal justification for agro chemical use and this is documented within the management guideline specific for pesticide usage (MG6) which attempts to ensure that the most effective and least harmful chemicals are always first choice and there is avoidance prophylactic and indiscriminate spraying. The justification includes what each pesticide is used for such as path and circle spraying or selective weed control.

The SOP (Management Guideline) has documented what chemicals are used and where and in what situation. It stipulates the maximum dose possible for each application. There are also plans in place to gradually reduce the use of Agrochemicals. There are time frames in place in the IPM whereby chemical use is reduced. There are records of pesticide use and they include active ingredients used, area treated, amount applied per hectare and number of applications.

Paraquat is used in the nurseries and on immature areas. It is also used for selective spraying of volunteer oil palm seedlings and if continuous rain precludes use of alternatives. Use is being slowly reduced. As with all chemicals records are kept of any paraquat applications. There is a plan within RAIL to completely stop using

paraquat in any form. This plan will come into place form 1st January 2012.

No suitable alternative to paraquat has been identified by the RSPO at this time. It is RAIL policy not to supply paraquat to any small holders. This policy is strictly monitored.

All chemicals have to have top management approval prior to use and only chemicals listed for use by DEC, and as per PNG Oil Palm Industry practice. RAIL has determined chemicals which have been approved by PNG Government. This list has been distributed to chemical users to ensure that they have no un-approved chemicals which are being used.

Specific products are being used to target pest and diseases which have a minimal effect on non-target species. Pesticides are selected to minimise risks to health and environment. This is outlined in the Pesticide Usage Management Guidelines. However due to the fact that very few pesticide types are available pesticides are not routinely rotated to reduce the possibility of resistance.

Usage of pesticides is compared with records of previous year and this information is used to monitor and plan reduction in use.

There is in place an ongoing SOP which is controlled via the MG with regards to the use of WHO Type 1A or 1B chemicals. RAIL is able to demonstrate that Type 1A & 1B chemicals are not used by application records and purchasing records/stock control.

There is no aerial spraying of pesticides in oil palm plantations.

Records of training are kept in each estate for the following:

- Pesticide Mixers
- Pesticide Sprayers
-

All mixers and sprayers interviewed for this assessment indicated that training was adequate. All were very aware of requirements for the use of pesticide and handling.

The training data is also maintained to show the nature and content of the training covered.

There is a minimum requirement of PPE that must be worn / used in the handling and application of pesticides. PPE specifications are stated in the MG and further demonstrated in training manuals.

PPE for sprayers is supplied and its use demonstrated in the training programs. The company supplies two sets of overalls to all pesticide operators so that one can always be considered clean. Overalls are washed at the pesticide mixing areas in specially constructed wash areas so that sprayers and mixers do not need to take them home and therefore the risk of cross contamination with family members is reduced and eliminated.

Some chemicals such as methamidophos require more extensive protection and this is nominated in the MG's for pesticide application. All sprayers and mixers sighted during the assessment were using the correct PPE which is supplied by RAIL.

Material Data Safety Sheets (MSDS) are obtained for all chemicals used and are available at the areas of mixing. No concentrates are taken into the field as all spray solutions are pre-mixed in a designated area. All MSDS are centrally controlled by the main store and this ensures all operational areas such as pesticide sheds have the most current available at the place of use.

Where required MSDS are translated into the local language.

All areas where chemicals are stored appear to be adequately ventilated through cross flow ventilation. All chemicals containers are triple rinsed and pierced prior to being placed in the designated pesticide waste pit (landfill). Records of containers disposed are kept including numbers sent to landfill. These records all appeared to be kept up to date.

Methods of storage and disposal of chemicals (pesticides) are included in training provided. RAIL is using only chemicals that are registered with DEC and a reference list had been obtained from them.

A number of new pesticide storage facilities have now been completed which in turn is providing better storage facilities for storage of chemicals in a secure locked area. All planned pesticide facilities have now been constructed and are now in use.

RAIL policy is not to use either pregnant or breast feeding mothers to work with pesticides. None were sighted.

Health checks are conducted for pesticide operators. This is carried out by a medical officer on a twice yearly basis and records of these checks are kept in the relevant clinic. All pesticide operators/handlers had been screened in July 2011 and the company doctor maintains records of screening and schedule.

RAIL does not use organophosphates or methamidophos. Currently there are no sexava problems at RAIL thus no methamidaphos is used on the plantation.

RAIL follows industry best practice with regards to disposal of containers. All containers are recorded and after use are, triple rinsed, and punctured and then placed in separate, signed, pesticide pit. Numbers of containers (including empty ones are recorded). The audit visits showed that the pesticide pits are under full management control.

Small holders do not use chemicals categorised as World Health Organisation Type 1A or 1B, or listed by the Stockholm or Rotterdam Conventions.

Chemicals are only applied by trained persons in accordance with the product label. There are certificates indicating that training has been carried out (as evidenced in the VOP Office, during the audit) and the longer term growers are proficient in the use of chemicals.

Small holders demonstrated that they use appropriate safety equipment and observe the precautions attached to products. They also demonstrated that they store chemicals away from children and other vulnerable people and dispose of waste material and containers safely.

There are however no National regulations for disposal of chemical containers and the Small holders adopt the best practices introduced by RAIL.

There was some confusion amongst small holders when responding to question on type of chemical use as gramoxone (paraquat) was used by them in the past (prior to RAIL taking over) and is still available in local stores. However during the audit the only herbicide observed in use by Small holders was glyphosate. Block owners are aware of potential poisoning danger to children and many have ceased using any chemicals because of this and the costs of chemicals.

Growers satisfy this criteria, where there is chemical use all standard operation procedures are instigated. Many growers abhor the use of "poison chemicals" and RAIL should encourage this non-use where there is sufficient labour.

Growers using herbicides in the field were observed to be using full PPE.

Criterion 4.7: An occupational health and safety plan is documented, effectively communicated and implemented.

There is an OHS Plan in place in all the following areas:

- Estates
- Mill
- Bulk Terminal
- Workshops
- Clinics
- Stores

RAIL has in place a health and safety policy which has been implemented and is being monitored. The policy is widely available to all workers, visitors and contractors. The policy is publically displayed on notice boards and within documentation.

All areas have implemented and monitored this plan although some areas are more consistent than others. The situation has improved considerably since the RSPO pre-certification audit.

Hazards and Risks have been identified for all operations and in all areas. This also includes the degree of risk as well as the controls in place. Procedures and plans are in

place to address all operations. These have been distributed to all areas and to the respective managers and supervisors. There are regular documented inspections taking place which ensure that OHS Policy is being implemented. These are carried out at least 3 monthly and more often in higher risk areas. Risk assessments are reviewed at least annually.

An area of improvement is the availability and distribution of MSDS. These are now centrally controlled by Central Stores. There is a list of all chemicals used which is updated as new products are used or other products are no longer used. During this assessment all areas did have current MSDS in place.

It is concluded that all precautions with regards to products are being observed.

4.7.2 Minor NCR: A Minor Non Conformity was raised due to the fact that there were some issues with regards to electrical safety. The contract Project Manager of the housing project at Gusap 3 did not observe safety with electrical leads which on the ground in very long lengths and there was no safety switch attached.

4.7.2 Observation: RAIL's OHS system does not at times correctly address the residual risk that remains once control measures have been implemented. Whilst the likelihood of an occurrence may be reduced the consequence of occurrence remains unchanged.

RAIL has provided the required PPE appropriate to the task after the hazard has been identified and the risk assessed. The level of proper use of PPE is now almost universal for both workers and contractors in all areas including mill, workshops, estates etc. with very little evidence of non-use by anyone on site... In fact all areas of Safety Management have improved greatly since the certification assessment.

Regular work place inspections now take place to ensure that the Health and Safety plan is being properly implemented.

4.7.3 Observation: It should be ensured that work place inspections continue at the prescribed interval and that any outstanding OHS matters are followed up to ensure rectification occurs.

Workers involved in areas of high risk are being trained in work practices – this includes pesticide operations, fire fighting, construction safety and plant repair and service. Records of training are being maintained.

Signage largely supports the use of PPE addressing when and what type of PPE is to be used and under what circumstances. Sign management and placement has continued to improve and is now controlled adequately.

There are emergency procedures in each area and these are tested to a degree. All areas had in place records of testing the emergency procedures including fire drills and other possible emergency situations.

It is now ensured that all records of evacuation drills are kept in full and any recommendations for improvement are documented.

An overall company OHS Manager has been appointed for RAIL who coordinates the implementation and management of the OHS policy. An OHS representative has been appointed in all the following operations areas:

- Mill
- Estates
- LBT
- CWS
- STORES
- Separate Buildings

All areas have regular meetings (at least bi-monthly and sometimes more often) to discuss OHS matters. Each area now has a standardised agenda and meetings are conducted after workplace inspections. All areas are now holding Tool Box talks to disperse current or topical information or to reinforce safety issues such as use of PPE. All these department meetings observations and issues feed into a combined meeting which covers all operations for RAIL which is chaired by the General Manager.

There are company clinics on all plantation divisions and a centralised clinic at the Head Office compound. All are staffed by trained health workers and/or Registered Nurses who are on call 24 hours a day. The clinics are regularly checked to ensure they are hygienic and that sharps and medical waste is handled correctly.

The company also has Red Cross trained first aiders and uniform first aid kits in all field and mill work areas. The kits are checked and restocked regularly. A number of First Aiders are available in all work areas at all times including day and afternoon shifts. First aiders are named wherever possible on notice boards and also in each operational areas Emergency Response plan.

There are records kept by Administration of First Aiders training including copies of certificates awarded and expiry dates. There have recently been more people trained in first aid to ensure resources are sufficient.

RAIL monitors a number of Safety performance indicators such as lost time injuries and regularly reviews all incidents. All accident records are kept and reviewed. The information is reviewed by Management during high level safety meetings to ensure objectives are being achieved and all incidents fully investigated. This was verified during the audit. It is suggested that the formula being used be reviewed to ensure the correct results are given. The company is monitoring injuries in an attempt to reduce recurrent injuries such as Palm Nail Injuries which occur regularly.

There are records in place for all incidents, injuries and also near misses. There is consistency in the completion of the injury forms and this has been standardised throughout the company.

All departments provide details of LTA's which are then centralised into a report for the whole company and are reported at the main RAIL OHS Committee meetings and then to the Group and finally to the Board of Directors.

There is evidence of accident avoidance amongst the smallholder blocks – no serious injuries have been reported on any of the blocks audited. Frond and fruit bunch thorn injuries are often treated by Small holders with loose oil palm fruits, which are believed to act as an antiseptic.

All workers are covered by workers compensation accident insurance.

Growers at Singsing Village (Brubri and Dabua VOP blocks) expressed the desire to get formal recognition by RAIL so that they can be accepted at the Gusap Clinic for treatment of minor injuries such as "nil sut".

It is recommended that this is included in an MOA between RAIL and the Smallholders Association.

Criterion 4.8: All staff, workers, Small holders and contractors are appropriately trained.

Training needs are identified by managers and an annual training program is prepared by the Training Officer. Most training provided is in the form of short courses, conducted either by RAIL staff or external specialists. In addition to short courses:

RAIL has 47 apprentices;

RAIL has 10 graduate trainees (a 2 year appointment for tertiary graduates);

RAIL provides applied training for students of nearby vocational centres (approximately 60 in 2011); and

RAIL provides 3 or 4 scholarships for local students ('as ples' scholarships) and funds secondary education expenses for the children of its employees.

As this is a relatively new plantation there are training programmes in place to "up skill" staff when required. The training involves requirements such as pesticide application, pesticide mixing and other field activities such as harvesting, etc. This is planned for each estate.

Specialised training courses are also planned as the need arises and this includes group or in house training. Some training is carried out on demand.

Training needs are assessed on an annual basis. There is a formal training plan for all staff and this is managed by each individual estate, mill and relevant operational areas. The training is mainly to ensure that skills required to perform tasks successfully and safely are in place.

There are formal training records for all supervisory staff up to the level of senior management. This includes recording of external course attended or skills attained – these records are maintained by the Administration department.

There are training records in place at each operational site recording skills and training and these were sighted at a number of operational areas during the audit.

Training records are therefore kept for all employees.

Records of competency and on the job training are kept on site in the Gusap estate office. The local office also has records of formal training.

Contractors interviewed at Dumpu appeared to have reasonable working conditions and receive fair payment; have adequate training; have adequate PPE; and follow appropriate policies in regard to fuel storage and waste disposal.

Training of small holders is being implemented by RAIL and this will be completed over the next two years. This training is done through field days, awareness sessions and the company newsletter. The names of all Small holders who undertake training are recorded and a register is kept by RAIL.

Most block holders work their own blocks. In the absence of OPIC and a reliable DAL extension service the company has undertaken to train small holders.

For small holder all training from RAIL with regards to block management is passed on to family members. RAIL has adopted a continuous training programme for Small holders, in the absence of Government extension service.

Criterion 5.1: Aspects of plantation and mill management, including replanting, that have environmental impacts are identified and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored to demonstrate continuous improvement.

An Environmental Aspects and impacts register has been developed and is reviewed and updated at least bi-annually the last update being in July 2011. The register is comprehensive and clearly identifies significant environmental aspects and also nominates any legal requirements or restriction classed within the aspects. This register covers all operations impacted upon by RAIL. This register also includes occasional operations such as construction of roads, construction, management of mill and replants as well as intermittent operations such as drainage and irrigation and disposal of specific waste.

Environmental Impacts are being continually reviewed as techniques or operations change. This is completed at least bi-annually.

All environmental impact assessments have been undertaken when and where appropriate. Records of all impact assessments carried out are readily available. All environmental impact assessments cover both on site and off site activities. Whenever there are changes made to operations and changed impacts are updated to reflect these changes. All departments visited did have

current Environmental Impacts and assessments available.

There are many improvement plans in place for the CWS Central Store and other areas. Such plans have funds allocated to them and clear, time frames for completion identified however some areas of this plan have not been updated to show progress by the nominated date (see NCR). All plans are now formalised and the improvements made are noted in the CIP (See 8.1).

5.1.2 Minor NCR. The environmental improvement plan is not being monitored to show implementation of measures that improve performance and is not always updated to show any progress which has been made by the nominated date.

During the audit it was noted that all small holder audited have continued to observe to no burn policy and there was no evidence of their use of fire for land preparation.

The first smallholder blocks were established in January 2007. The area has been subject to considerable environmental degradation for at least the past 100 years yet all blocks visited have incorporated relevant environmental criteria such as buffer zones in their establishment.

This audit showed much more awareness by growers in the requirements for environmental impact reduction and maintenance or re-establishment of buffer zones along water courses.

Criterion 5.2: The status of rare, threatened or endangered species and high conservation value habitats if any, that exist in the plantation or that could be affected by plantation or mill management, shall be identified and their conservation taken into account in management plans and operations.

Ecologists have carried out an assessment of the presence of HCVs within and adjacent to the RAIL plantations. The ecologists used the PNG National Interpretation of the HCV Toolkit and prepared a report on their findings. All of the land within the plantations has previously been used for other agricultural purposes and had previously been extensively logged.

The HCV studies include details on the status of endangered, rare and threatened species. The conservation assessments did not identify any rare, threatened or endangered species of fauna within the plantations or adjacent areas.

Within the estate some areas are not planted and these habitats are being left in their natural state. These areas have been identified as HCV 4.

Buffer zones have been established along all watercourses and signs erected.

There is still some confusion amongst RAIL regards to the status of HCV – the areas identified as HCV 2.4 is actually a refugia area.

“Refugia” areas that have not been identified in the confusion with regards to HCV status. However Refugia and Buffer Zones have been clearly marked via the use of signage and native trees are being planted to expand and protect them. Many species of trees found in lowland rainforest were noted in the refugia and this indicates that the refugia are indeed remnant vegetation and eventually could become valuable HCV areas after a period of some 20 years.

Some of the identified areas e.g. the remnant rainforest known as Camp Saksak and the Sasip wetlands are excellent sources for tree seeds and seedlings for transplanting into the extended areas of buffers around refugia and along the watercourses which are currently either grass or predominantly weed species such as giant luceana (*Luceana leucocephala*) and rain trees (*Samanea saman*) which have self-seeded.

Wildings showing signs of recent germination, such as the presence of cotyledons are ideal for transplanting into buffer zones either under current weed species which should be gradually removed or after growing in nursery pots and sun hardening.

Vandalism by settlers and firewood collection by local villages was noted as serious problem in the conservation. This concern was addressed and damage seems to have lessened as a result of consultations and meetings to promote awareness.

The HCV Assessment report which contained many recommendations for basically continuing the good work that has continued to be undertaken by RAIL.

As far as possible RAIL is attempting to avoid damaged to habitats by putting in place correct buffer zones and declaring habitats such as reserves and wet lands to be free from any activities which may deteriorate the habitat.

The area at Uria which was once use for extracting Road Base which resulted in the deterioration of the area is now no longer used and will not be used further – this area is now further barricaded to prevent access to this area.

Company employees are prohibited from the hunting and taking of fauna from the plantation and adjacent land. Sign boards have been posted adjacent to buffer zones and other conservation set aside advising of the protected area. Any legal requirements within any areas are applied and enforced by RAIL management.

5.2.5 Observation: The signs which have been erected to discourage illegal activities such as hunting, gardening and burning do not recognise RAIL as the authority of issue.

RAIL requires employees and the employees of contractors sign an agreement that they will not hunt fish or utilise other subsistence resources.

Inspection during this assessment indicated there was no inappropriate hunting, fishing or collecting activities in the RAIL areas noted. RAIL is discouraging people to encroach into the buffers.

RAIL have provided gardening areas for use by workers adjacent to their housing to discourage worker encroachment into buffer zones and protected areas. RAIL is exploring mechanisms to engage these communities as part of its implementation plans. Occasionally land owner groups implement their own systems to discourage encroachment.

All block holders had cleared most of their blocks well before the adoption of RSPO and prior to 2005. The small holders demonstrated an awareness of the impact of development of oil palm on surrounding natural areas. This has been further emphasised through the planting approval process (controlled by RAIL) where the requirements for independent small holders have been explained as well as through repeated RSPO awareness sessions.

There was a general understanding of the conservation value of birds such as the Torresian Crow (Kotkot) which feeds on insect pests such as Sexsava. There was also a common assertion that native animals that entered blocks were not killed. Which given the tradition of setting fire to grasslands to harvest bandicoots, rats and pigs, going back at least 100 years and represents a major step forward.

Criterion 5.3: Waste is reduced recycled, re-used and disposed of in an environmentally and socially responsible manner.

The waste management plan is presented in a separate management guideline (MG 8) and includes pesticide contaminated waste. The waste management plan is up to date and in place at all operations.

Waste is recycled wherever possible. Examples of recycling strategies include identification of the types of wastes, prohibited wastes guidelines, re-use of waste containing nutrients, management of effluent ponds, increasing the efficiency mill extraction.

The company's aspects register formally identifies all sources of pollution and waste and states their impacts and required mitigation measures. This register is updated at least bi-annually or when new waste sources become apparent.

RAIL has in place treatment system for POME in the form of effluent ponds. Management of POME includes a SOP and this is being updated to include use of POME as a nutrient and for land application.

The following waste streams have been identified and are controlled through the Environmental Management system in operation at RAIL.

- Mill Effluent – through effluent ponds and land application.
- EFB other by products – Recycled to the field
- Fibre by-product – Fuel for furnace.
- Oils and Hydrocarbons (including containers) to Hydrocarbon pit or recycled
- Hydrocarbon spills treated with sawdust then Burnt in boiler.
- Used oil – recycled, burnt in boiler.
- Pesticides (including containers which are triple rinsed, punctured and to pesticide pit. There no regulations in PNG with regards to the disposal of pesticide containers and RAIL therefore adopt company best practice)
- Pesticide spills – cleaned with spill kits used kits sent to pesticide pit.
- Office Waste – segregated, recycled where possible with rest to the landfill.
- Household waste – segregated, recycled where possible with the rest to the landfill.
- Human waste – Septic and soak a-ways.

Landfill sites are in place for all areas. All landfill sites are not well managed and sign posted. A caretaker has been appointed for both areas. These land fill sites are now a credit to all at RAIL.

The garbage collection system in each staffing compound includes separate bins for green waste and other household garbage. The green waste is recycled and utilised for agriculture. The remaining household garbage is buried in land fill sites which are adequately fenced and managed. There is no evidence of windblown waste or bad odour in these areas Septic systems at Ramu are pumped into tankers and disposed of in a marsh area, well away from residential areas, and the area has had earthworks to prevent runoff occurring.

The collection of household waste is well controlled. There are formal rubbish collections in all areas at least weekly. This is monitored regularly. The green waste is recycled and utilised for agriculture... Each house is provided with a house rubbish bin as well as a green waste bin – this encourages segregation and recycling of which all compounds appear to be aware.

There is no evidence of burning or putting green waste in landfills. All landfills are GPS and mapped and records are kept of start and finish dates. All landfill sites are well away from waterways and residential areas – over 1 kilometre in all cases. Landfill operators now fill from one end and compact as they go with regards to general waste.

RAIL ensures that the quantity of pesticide waste recycled or sent to land fill is recorded.

Separate Pesticide, Hydrocarbon and General waste areas are provided for each estate including Dumpu, Gusap and the main compound.

Pesticides are a source of pollution and ground and surface water contamination. The control of their disposal has been stated previously in this summary. The control of hydrocarbons has also been addressed elsewhere in this report.

Medical waste records include disposal of sharps and contaminated medical waste, giving amounts destroyed and where transported from with dates. All clinics send their waste to the main clinic at Head Office where incineration occurs. The clinics also record the return of expired ointments and drugs. The medical waste is collected from each clinic and records of its destruction are kept – this includes needles, syringes and contaminated bandages.

Of note is the improvement and restoration made to the areas of both workshops since the last audit which is exceptional. These were once heavily polluted and contaminated and this contamination has been removed as have the sources of contamination.

A new larger hydrocarbon interceptor trap and accompanying improved drainage at the workshop and vehicle wash bay at the CWS is currently being constructed, fully resources and within the target time frame.

Small holders do not live on their blocks so domestic waste is minimal. RAIL discourages (emphatically) the use of fire on the smallholder blocks and provides training in the safe disposal of waste materials and containers. Wildfires occasionally damage blocks and the use of green cover crop and firebreaks should be further encouraged (particularly at Isitin). The company does not supply pesticides to small holders however it was noted that any containers are disposed of in the dedicated land fill areas of each block and are following the method advised by OPIC.

Criterion 5.4: Efficiency of energy use and use of renewable energy is maximised.

RAIL uses fibre to power the boiler which produces steam, drives the turbine and produces electricity. The use of renewable energy in this early stage of the mill is almost 100% under normal operating conditions.

RAIL provides records of both monitoring of kilowatt hours per tonne of palm product and Kilogram of steam per tonne FFB.

A number of sheds and work areas are relying on natural light (opaque roof panels) and therefore use of electricity for lighting is reduced reducing impact in a number of areas.

RAIL monitors the use of non-renewable energy (diesel) and this is monitored in the form of data which records use of diesel per tonne of FFB.

RAIL started keeping records when mill was commissioned and production commenced in 2008.

The fuel used for all operations is measured and monitored with a view to reducing use of non-renewable energy.

Criterion 5.5: Use of fire for waste disposal and for preparing land for replanting is avoided except in specific situation, as identified in the ASEAN guidelines or other regional best practice.

There is no burning in new developments or at replanting. Burning is not allowed by RAIL and there is no evidence of burning.

RAIL will record any areas of sanitary burning if and when required. To date there has been no sanitary burning.

Burning of domestic waste is against company policy and has been mostly eradicated. It is very rare to sight evidence of the burning of domestic waste by workers and families of RAIL.

The incineration of all medical wastes such as sharps, used bandages and gloves is permitted. Records are maintained of the amounts destroyed. This is carried out using a specially designed and constructed incinerator which is available at the local hospital.

The small holders are disposing of their waste in a responsible manner by mixing the organic waste with the pruned fronds and using a pit disposal method for other household waste. RAIL has a strong “No Fire” Policy throughout its operations and those of Small holders.

Criterion 5.6: Plans to reduce pollution and emissions, including greenhouse gases are developed, implemented and monitored.

Assessments have been carried out on all recognised polluting activities and include gas and smoke emissions, particulate and soot emissions, effluent control, treatment and discharge. Any Significant pollutants and emissions have been identified. There is a plan in place to reduce pollution – this is included in the aspects/impacts register and the waste management plan. This includes ensuring smoke emissions are below thresholds. Also POME used for land application meets stated criteria. This has been the case for Gusap Oil Mill.

RAIL is keeping adequate records of mill emissions and effluent including critical data such as Smoke emissions, BOD levels, Total Suspended Solids and Oil & grease as required by the relevant environmental permits. They are all below allowable limits and RAIL has aims which they have set themselves which are below the limits set by the relevant government entity.

Significant pollutants and emissions have been identified within the Environmental Impacts register and plans are in place to reduce impacts via the Environmental Improvement Plan.

The treatment methodology of POME is recorded in effluent pond management plans and in MG 11 however RAIL is not discharging POME at this stage and on the

few occasions they do this is for land application for which they have a permit.

Stack emissions are being measured by a combination of the Ringleman method and by smoke density readers that show emission levels are within requirements. The reader/meter is recording data on smoke density and mill management are able to interpret this information in relation to allowable smoke emissions levels.

Ringleman measurement/observations are used as a back up to this system until management are convinced it is working smoothly.

Records are now in place for over twelve months of these readings.

All drains within the mill and other areas are monitored and interceptors are in place to prevent storm water pollution. Records are in place to recorded inspection, cleaning and effectiveness of these PCD's. Recently a number of these traps have had their capacity increased and are now more effective.

5.6.2 Observation: However this plan for interceptor and CWS was once again removed from the CAPEX and is not yet complete – it was due for completion originally in 2010 and is now scheduled for 2012. This must happen and the time bound plan from now on be fulfilled and cannot be delayed further.

Criterion 6.1: Aspects of plantation and mill management, including replanting, that have social impacts are identified in a participatory way and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continuous improvement.

RAIL has a social impacts register, which is based on potential impacts identified during the preparation of a Social Impact Assessment by Wild Asia in 2009. Possible actions have been identified in response to potential impacts, and the means of monitoring, responsibility and completion date noted.

While noting this progress, a systematic approach is required to ensure the social impact register is updated on a regular basis and mitigation strategies for the main (current) social issues are prepared in consultation with key stakeholders and monitored and revised periodically.

As noted above, RAIL is in the process of establishing a stakeholder liaison committee, which shall help ensure key stakeholders participate in the process of identifying social impacts, preparing mitigation strategies, and monitoring the effectiveness of these mitigation strategies. From discussions during the audit, the main social impacts are related to the rapid population growth, which is attributed to high levels of in-migration from people searching for employment. Most of these people are residing in nearby villages or settlements and

are from other parts of PNG (most notably the Sepik and Highlands). In-migration is leading to a range of social issues in the local communities and needs to be addressed.

It should also be noted that some social impacts will not be the responsibility of RAIL. While the main social impacts should be identified, some mitigation strategies may be the responsibility of external stakeholders (such as provincial government). While RAIL should not be held responsible for any such impacts, RAIL (or the liaison committee) may need to engage with external stakeholders and encourage their involvement in addressing local issues.

However, RAIL has identified most of the significant issues and it has started a program to implement the recommendations in the SIA report and these are covered under the CIP (Appendix C)

6.1.3 Minor NCR Although progress has been made since the previous audit, further work is required in the preparation of mitigation strategies that address key social impacts, including establishing a baseline and nominating targets and a timeframe, so mitigation strategies can be monitored and assessed on a periodic basis.

Criterion 6.2: There are open and transparent methods for communication and consultation between growers and/or millers, local communities and other affected or interested parties.

RAIL appears to have an effective process for communicating with its staff, but the policy document describing its communication strategies with its stakeholders.

RAIL is in the process of establishing a 'stakeholder liaison committee' (or committees), which shall facilitate the two-way flow of information between the Company and key stakeholders. It is envisaged that the committee will participate in the process of identifying social impacts, preparing mitigation strategies, and monitoring the effectiveness of these mitigation strategies. The stakeholder liaison committee will help ensure RAIL is aware of current social issues and is working collaboratively, systematically and transparently to address them.

While RAIL is to be commended for achievements over the past year, several observations have been made in an attempt to build on the recent momentum. The observations relate to (i) housing, (ii) the grievance mechanism and (iii) lease-lease back arrangements, and are summarised in under Criterion 8.1.

Detailed comments relating to social issues are provided below.

RAIL has a list of stakeholders, a policy for communicating with stakeholders, and documentation of communications. However, more work is required to

ensure the necessary information is provided to different stakeholder groups as and when required. The stakeholder liaison committee should play a key role in conveying information to RAIL, including any emerging social impacts, and what additional information stakeholders require. The information disseminated to stakeholders should include feedback on the mitigation strategies and timetable for implementing strategies to address key social impacts. The communication strategy must be seen as a two-way flow of information and must be a continuous process.

Each major stakeholder groups have been identified and specific communication strategies are to be articulated.

6.2.2 Minor NCR. Although a list of stakeholders and guidelines for communication have been prepared, further work is required in actually conveying information to key stakeholders and ensuring this information is disseminated broadly within each stakeholder group.

Much of the initial information that is being conveyed, in particular to external stakeholders, relates to the Company's proposed expansion (area and location of oil palm to be developed, and plans for lease-lease back and VOP expansion, the location of housing compounds, roads, and estimates of the increase in employees); the positive and negative social and environmental impacts expected (which should include population estimates and projections); and the strategies/interventions to deal with these impacts.

Criterion 6.3: There is a mutually agreed and documented system for dealing with complaints and grievances, which is implemented and accepted by all parties.

A formal grievance process has been established. However, it appears that further work could be undertaken to help clarify what should be noted in the grievance books, and what should not. Guidelines for the grievance mechanism should be prepared, specifying what should and should not be recorded, along with the required documentation and process for handling grievances. Training for staff should be provided as necessary. This will help ensure all grievances against the company are duly noted, and effectively dealt with, and other issues or observations (that are not grievances) are dealt with separately.

It is also recommended, as part of an ongoing process to improve the effectiveness of the grievance mechanism, that awareness on the mechanism is undertaken among various stakeholder groups. At present there appears to be a relatively high level of awareness of the grievance mechanism among staff, but not among their dependents or some external stakeholders. All impacted stakeholders should be aware that a mechanism exists for them to not only raise grievances, but receive a response to that grievance in a timely manner.

Records are maintained of the outcomes of all disputes and grievances. There is a documented procedure on how to resolve grievance and keeping records – There are grievance books in all offices which records, grievances and outcomes.

6.3.1 Observation: Although all complaints/grievances are documented some such as civil matters which are not necessarily to responsibility need to records subsequent action taken such as reporting to police and other government authorities.

Any grievances which cannot be resolved in the local office are escalated to an appropriate level until the grievance can be resolved.

A separate grievance mechanism has been set up for small holders, with resolution made clear, currently the grievance book at Gusap contains smallholder requests and all other issues raised. During VOP farmer training sessions conducted prior to the RSPO audit, procedures for handling small holder grievances were discussed but this needs to be followed through to make sure farmers understand the process. This is the first time the Markham VOP farmers are involved in oil palm growing and there will be a lot more to learn in a short space of time. And so the awareness on small-holder grievance process/resolution will form part of the CIP which RAIL will carry-out.

6.3.1 Observation: There is a need for improvement in this area, growers are aware of a "grievance mechanism" but the grievance book at Gusap was noticeably devoid of entries.

The FM has agreed to discuss this at the formal quarterly meetings and establish an improved grievance mechanism and data base.

Criterion 6.4: Any negotiations concerning compensation for loss of legal or customary rights are dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their views through their own representative institutions.

The majority of oil palm grown and managed by RAIL is on land leased from the State. However, RAIL has recently entered a lease-lease back agreement for an area of 800 hectares at Ngaru, on which oil palm will be grown. Other areas are also under consideration for lease-lease back arrangements.

There is strong community support for the development of oil palm at Ngaru. The customary landowners have established an Incorporated Land Group (ILG) and will receive the following benefits:

- Land rental payments of K50 per hectare of oil palm;
- 50 shares in NBPOL per hectare of land; and

- A royalty equivalent to 10% of the value of production, based on the farm-gate price for FFB.

It is recommended that RAIL look closely at the lease-back experiences of NBPOL in West New Britain, and – if the ILGs and local communities accept the offer of support – it is recommended that RAIL provides training and awareness on the roles and responsibilities of ILG executives, financial management, planning and reporting. It will also be important to ensure information exchanged between RAIL and the ILG is disseminated within the broader community and not retained only by ILG executives.

There is a documented process for identifying legal or customary rights as defined under the PNG Lands Act. The process includes conducting a genealogy study to identify customary rights and notification of all parties who must be present during the land survey. RAIL has documented the process for access to customary land as, which includes identifying legal and customary rights to land ownership and land use rights (Refer to Criterion 2.2).

The RAIL smallholder affairs office at Gusap has commenced establishing a filing system, with back up, associated with the points outlined in 1.1 and 6.3 above, but this needs further development and additional staff.

Criterion 6.5: Pay and conditions for employees and for employees of contractors always meet at least legal or industry minimum standards and are sufficient to provide decent living wages.

RAIL has almost doubled the basic wage for employees since taking over from Ramu Sugar, and provides housing for most staff, medical coverage, superannuation contributions and education support for employees with children attending secondary school.

RAIL continues to increase wage levels in response to increases in the minimum rural wage. However, RAIL has gained approval from the National Government to deduct the cost of housing, medical and education support (estimated at K0.99/hour) from the minimum wage it pays to employees.

Contractor's agreements sighted all included evidence that contractors have agreed to meet minimum term and conditions for employment.

6.5.3 Minor NCR: It appears that RAIL's regulations for dismissal of employees was not followed with regards to a security guard who was terminated for not reporting the theft of some property until the next day. There was no evidence that the process of warnings and warning letters was followed in this case.

RAIL requires a large number of additional houses to accommodate its growing workforce. At present many employees who are eligible for housing are living in nearby villages and settlements. In addition, RAIL inherited many very old and run-down houses from Ramu Sugar, which are in need of renovation. RAIL is both constructing new houses and renovating existing houses. The quality of houses being constructed and the quality and extent of renovations are impressive.

All houses (both new and old) have power points and residents receive either furniture or a furniture allowance.

Despite the quality of construction and renovation work being undertaken, many employees continue to live in very old houses or are forced to live in nearby villages/settlements. As such, RAIL must continue to allocate as many resources as possible to the housing program (both construction and renovations). It is recommended that information is compiled for each compound, indicating:

- The number of houses that have been recently constructed, the number of houses that have been recently renovated, and the number of houses that still require renovations;
- The number of employees (including those currently living in nearby villages/settlements) and the shortfall of accommodation (by housing type);
- Estimates for additional employees; and
- Forward construction and renovation plans.

The above information will help quantify the accommodation shortage in future years, and help quantify the requirement for ongoing renovations.

RAIL provides a high standard of medical assistance to employees and their dependents. The company also provides considerable assistance to the Gusap Health Centre and other public health facilities in the area.

A suggestion – which relates to labour laws and a range of policies and regulations publicised by RAIL – is to ensure translations in 'tok pisin' are simplified and focus on the key points, rather than being a word-for-word translation of the English version. Given the relatively low literacy levels among the workforce, dependents and local communities, it is essential that public messages are as clear and concise as possible. This will also make it far easier for managers and supervisors to convey messages or promote awareness of policies among the workforce.

Concerns were expressed over the price of store products available at Ramu. While these were not investigated during the audit, RAIL might consider monitoring the price of some key commodities at Ramu, Kaintantu and Lae. This could be done on 2 or 3 occasions and include such products as rice, tinned fish, cooking oil, soft drinks, biscuits, snack foods, kerosene and fuel. This information would help quantify whether there is excessively high prices at Ramu or not.

Smallholder plantings are new and those interviewed stated that they or their family work on the Blocks, this could become an issue when the palms grow and harvesting with poles is required; this will need further awareness and training.

Current Growers are compliant but with the potential expansion of smallholder blocks this criterion requires a more formalised approach.

Once again emphasis is on increasing the support to the Smallholder Affairs Department of RAIL.

The RAIL smallholder affairs office at Gusap has commenced establishing a filing system, with back up, associated with the points outlined in 1.1 and 6.3 above, but this needs further development and additional staff.

Criterion 6.6: The employer respects the right of all personnel to form and join trade unions of their choice and to bargain collectively. Where the right to freedom of association and collective bargaining are restricted under law, the employer facilitates parallel means of independent and free association and bargaining for all such personnel.

RAIL respects freedom of association for employees and they are allowed to join or form trade unions. This right is covered in PNG law under the Labour Act.

The Ramu Sugar National Employees Union is currently revising its constitution and is expected to substantially expand its membership by actively targeting employees working in the oil palm estates at Gusap (1,376 employees) and Dumpu (1,169 employees). In addition the Union is expecting to appoint a full-time General Secretary (rather than have employees fill executive roles on a part-time basis). These changes are being supported by RAIL.

The Union meets with the Human Resources and Industrial Relations managers from RAIL on a regular basis. Minutes are kept and distributed among participants. In the past six months the Union has met with RAIL more often than usual due to disputes relating to confusion over pay slips (which was addressed) and demands relating to PPE (which is also being addressed).

Criterion 6.7: Children are not employed or exploited. Work by children is acceptable on family farms, under adult supervision and when not interfering with education programmes. Children are not exposed to hazardous working conditions.

There is a policy on child labour which prohibits employment of children under the age of 16 and this is socialised and constantly monitored. There is no child labour allowed on RAIL estates. Children are not allowed in the field with the parents and are not allowed under regulations to participate in any work activities including loose fruit collection.

All people have a “clinic book” issued by the Dept. of Health which has a date of birth recorded. It is not a Birth Certificate but in many cases it is the only evidence of age available in PNG.

RAIL has therefore a clear policy against the employment of children under the age of 16.

All Small holders were very clear that school-aged children belonging to the blocks family were always sent to school and carried out light work only during school holidays and weekends.

Growers therefore showed a clear understanding of these requirements and only use school aged children during the longer school holidays, and not weekends.

Criterion 6.8: Any form of discrimination based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation or age is prohibited.

The Equal Opportunities Policy is published in the company’s “Sustainability Handbook”. The Company’s Legal Officer advised there are no known constitutional infringements. Interview of male and female workers did not identify any cases or forms of discrimination. The Policy is available to the public and includes PNG constitutional requirements.

The EEO policy is now displayed in all work areas and notice boards.

Criterion 6.9: A Policy to prevent sexual harassment and all other forms of violence against women and to protect their reproductive rights is developed and applied.

RAIL has responded to the 2010 audit findings and revised its entire approach to dealing with sexual harassment and other forms of violence against women. RAIL has appointed a very experienced Welfare Officer, and renovated a building that has been transferred into a working office and emergency shelter for women. The approach to domestic violence, which is a major problem throughout PNG, has focused on protecting and providing support for the victim in the first instance, and then the provision of counselling for both partners (male and female) as the preferred method of resolution. Although counselling will not prevent domestic violence in all instances, the Welfare Officer has reportedly had considerable success with this approach over the past year.

A challenge for the Welfare Officer is to extend the services provided to women across all compounds and in nearby communities. The approach to date has been to recruit an assistant (from a local village) and to establish a network among local women (both in the compounds and the nearby villages). The Welfare Officer is also providing training in adult literacy and the production of handicrafts. The latter provides a potential source of income to women, and while both adult literacy and handicraft production are beneficial in their own right,

the programs are broadening the level of awareness on domestic violence issues and the support available from the Welfare Officer and women's network. This approach is to be commended, however, continued and additional support from RAIL will be necessary.

In addition, and as noted above, 'tok pisin' translations relating to sexual harassment, domestic violence and other issues should be as simplified and focused as possible.

RAIL's health officers are in the best position to comment on the incidence of domestic violence, and should be tasked with monitoring and reporting on this on a regular basis, if they are not already.

RAIL follows the PNG regulations for breast feeding mothers as per the PNG Labour Act in which breast feeding mothers are able to take two breaks every day each of 30 minutes duration which are in addition to the standard 1 hour lunch break.

A gender committee is in place to address specific issues relating to women in the workplace.

Criterion 6.10: Growers and mills deal fairly and transparently with Small holders and other local businesses.

OPIC does not have a presence at Ramu. As such, RAIL provides extension services to 130 smallholders with 260 hectares of oil palm. As noted in the 2010 audit, the oil palm industry has established a formula for calculating the price that smallholders in PNG receive for FFB. While the formula and calculations appear fair and are publically displayed on notice boards, the formula is difficult to understand. Although some progress was made by NBPOL in developing materials to help explain the pricing formula, concerns were raised in regard to whether a standard industry formula represents collusion between Hargy Oil Palms Limited and NBPOL. This issue (raised by some HOPGA¹ members and involving the ICC²) has prevented any work being undertaken on the FFB price (including a planned review of the pricing formula itself). If the issue of collusion can be overcome, the industry as a whole should prepare a poster or short pamphlet explaining how the price is calculated, and explaining why price variations occur. This should be prepared specifically for smallholders, using appropriate language and examples, and disseminated within all oil palm regions. While not a RAIL responsibility, it may be a suggestion that RAIL management makes to the appropriate industry body.

RAIL out-sources some work to local companies. In the future RAIL may also be able to out-source some work on estates managed under lease-lease back arrangements to the concerned ILGs. The ILG is likely to

¹ Hoskins Oil Palm Growers Association, West New Britain

²

require training and some support to be able to provide the required services.

RAIL has demonstrated its support for local businesses, for example, the support provided to a local company engaged to construct houses, offices and other facilities. RAIL is to be commended for this.

Interview of contractors confirmed the Terms and Conditions of Contracts are explained to contractors before the Agreement is signed as well as during the induction process. Records are held of contractor inductions and include environment, health and safety performance requirements. The company uses a standard Contract prepared by its Legal Department.

Criterion 6.11: Growers and millers contribute to local sustainable development wherever appropriate.

RAIL provides considerable support to local communities and local service providers, including:

- Assistance to the Gusap Health Centre and various local aid posts at Kaiapit, Ragiampun and Bipoi (in Markham) and at Dumpu and Sausi (in Madang);
- Assistance to local police officers (including housing and operational expenses);
- Assistance to local schools, including vocational schools;
- Training and educational assistance (as described under Criterion 4.8);
- Maintaining town facilities (including an ATM); and
- Grants to various sporting bodies and other local organisations.

RAIL has also used the Tax Credit Scheme to improve public infrastructure, including the Gusap Health Centre.

There appears to be limited awareness among many local stakeholders of the assistance provided by RAIL. Awareness on the assistance provided by RAIL may be raised through the proposed stakeholder liaison committee.

Some local stakeholders also voice concern that many of the jobs provided by RAIL are given to 'outsiders' (i.e. people from other provinces). RAIL has responded to this in a number of ways, including a request for local clan leaders to nominate potential employees. Unfortunately, some local clan leaders have nominated recent settlers, who have therefore been incorrectly identified as being from the local area. Although RAIL is not at fault, some thought may be required to introducing other measures to ensure local people are given employment opportunities, and to clearly differentiate between local people and settlers when presenting employment data.

Criterion 7.1 A comprehensive and participatory social and environmental impact assessment is undertaken prior to establishing new plantings or operations, or expanding existing ones, and the results incorporated into planning, management and operations.

The new plantings in the Ngaru development will not commence until October/November 2011.

A “New Planting Assessment” was conducted for the Ngaru development by BSI in November-March 2010/11 as required. The results and summary reported were posted on the RSPO web site for comment. See report on web site.

RAIL prepared an SIA for the development in addition to the Environmental Plan. RAIL has completed a full Social and Environmental Impact Assessment for this development to comply with RSPO P&C. The SIA included consultation with local stakeholders.

The SIA identified all major impacts of all activities. These included impacts of roads and other infrastructure (see 6.1). The results of the SEIA and HCV assessments have been incorporated into plans for the new plantings through the Management guidelines prepared.

The plan is based on the free, prior and informed consent of all local people whose lands are involved in the expansion.

There are plans in place to maintain or enhance all identified HCV and other areas maintained to prevent erosion.

There are no primary forests to be cleared as a result of this expansion.

An Environmental Permit has been issued for the new development dated 13th February 2011.

An assessment of HCV’s has been completed in relation to the new developments (see 5.2) and which areas could be negatively affected. There is also an assessment of the local and adjacent natural ecosystems. All watercourses have been identified and including recommendations of measures to be taken to maintain the quality of these water resources including the maintaining of riparian – buffer zones alongside all water courses.

The legal requirement in PNG for the Ngaru development was that an SIA was required. DEC determined that an Environmental Permit was required; a copy of the permit was presented.

Criterion 7.2 Soil surveys and topographic information are used for site planning in the establishment of new plantings, and the results are incorporated into plans and operations.

Prior to development at Ngaru soil surveys were undertaken and soil types recorded with a view for long term suitability. Maps of soil types for new planting areas are kept by the Field Services Agronomy Section. Topographic information is also incorporated in these maps.

A map of the area prepared in 2010 was sighted. It includes a guide for drainage plans, roads, fields and blocks. This map includes all relevant topographic information.

Criterion 7.3 New plantings since November 2005 have not replaced primary forest or any area containing one or more high Conservation Values.

HCVs within the Ngaru Expansion and adjacent to the proposed plantations. The ecologists used the PNG National Interpretation of the HCV Toolkit and prepared a report on their findings.

Within the planned expansion estates some areas will not be planted and these habitats have been identified as either having fragile soils due to the slopes and the requirement of exclusion of the gully areas from planting due to the slopes in these areas. These are highlighted in regards to each separate ILG as to the status.

The assessment determined that there is no HCV forest due to all areas under grass land and that there were no areas of cultural significance within the proposed expansion area.

Envirologic did not identify any rare, threatened or endangered species of fauna within the Ngaru Expansion or adjacent areas.

Criterion 7.4 Extensive plantings on steep terrain, and/or on marginal and fragile soils, is avoided.

Although RSPO limits plantings to a maximum of 25^o HOPL policy limits all plantings to a maximum of 20^o.

At this time RAIL has no plans to develop any more area’s that would require terracing.

All plantings near gullies are avoided to prevent erosion and these areas are excluded from planting activities.

There are no fragile or marginal soils within the proposed new development area.

There is no peat soil at the proposed new development.

All blocks are on mostly flat land, replanting and incorporation of buffer zones along water courses will reduce the area available on some blocks.

Criterion 7.5 No new plantings are established on local peoples’ land without their free, prior and informed consent, dealt with through a documented system that enables indigenous peoples, local communities and

other stakeholders to express their own representative institutions.

Evidence is available of consultation with local ILG's to ensure they are aware of developments through meetings. Each meeting with ILG's are recorded and minuted. There have been 6 such meetings with over 100 attendees.

An SEIA was conducted by an independent consultant in July 2010 - copy sighted.

RAIL is aware all future developments on customary land will require that local communities are consulted and no development will take place without FPIC.

Criterion 7.6 Local people are compensated for any agreed land acquisitions and relinquishment of rights, subject to their free, prior and informed consent and negotiated agreements.

There is a process for identifying those people entitled to compensation when customary land is involved. This system for determining compensation is defined in the PNG Lands Act. This particular development came about via the requests of the local people. There is no compensation required as people benefit from the new development via improved economy, paid employment, improved education facilities, housing, medical facilities and better infrastructure as a result.

The loss of access and usage rights was not applicable for this development. Only a certain amount of the land offered for development was taken up as landowners were advised to keep land for their own gardening activities.

Criterion 7.7 Use of fire in the preparation of new plantings is avoided other than in specific situations as identified in the ASEAN guidelines or other regional best practices.

No burning intentionally takes place in new plantings.

RAIL has a no burn policy for new plantings and this is documented elsewhere in this report.

There has been no use of fire in the preparation of the new development at Ngaru so policy has been implemented.

PNG gardeners traditionally use fire to prepare their land for growing crops. However OPIC has trained the growers that large scale burning is not permissible under RSPO and all growers responded positively to this, stating that only small fires were used to clear weeds in areas where they gardened between the palms during replanting.

Criterion 8.1: Growers and millers regularly monitor and review their activities and develop and implement action plans that allow demonstrable continuous improvement in key operations.

Continuous improvement is a key requirement and a particular strength of the RSPO Principles and Criteria. RAIL has prepared a Continuous Improvement Plan, based primarily on observations from the 2010 audit. The Plan indicates substantial improvement in the majority of issues identified.

It may be appropriate to include a sub-heading titled 'Social Improvement Plan' and group the social issues together. Furthermore, it is recommended that a Social Improvement Plan (summarising the main social impacts, the proposed mitigation strategies, the implementation strategy, timeframe, responsibility and targets), in accordance with that required under Criterion 6.1.3, be the primary document for demonstrating continuous improvement in regard to social impacts.

Indicator 8.1.2: Timely response to RSPO audit findings

A number of observations have been made during this audit which relate to social issues. These are summarised below, and need to be addressed in a timely manner:

1. Grievance mechanism

Further work should be undertaken to help clarify what should be noted in the grievance books, and what should not. Guidelines for the grievance mechanism should be prepared, specifying what should and should not be recorded, along with the required documentation and process for handling grievances. Training for staff should be provided as necessary. In addition, the level of awareness of the mechanism should be raised among dependents and external stakeholders.

2. Housing

Information should be compiled for each compound, indicating:

- The number of houses that have been recently constructed, the number of houses that have been recently renovated, and the number of houses that require renovations;
- The number of employees (including those currently living in nearby villages/settlements) and the shortfall of accommodation (by housing type);
- Estimates for additional employees; and
- Forward construction and renovation plans.

The above information will help quantify the accommodation shortage in future years, and help quantify the requirement for ongoing renovations.

3. Lease-lease back agreements

It is recommended that RAIL look closely at the lease-lease back experiences of NBPOL in West New Britain and if the ILGs and local communities accept the offer of support, RAIL should provide training and awareness on the roles and responsibilities of ILG executives, financial management, planning and reporting. It is also

important to ensure information exchanged between RAIL and the ILG is disseminated within the broader community and not retained only by ILG executives.

The company has implemented best practices for management of pesticides and the improved controls associated with this program has reduced overall chemicals usage over the past 5 years.

RAIL has in place a programme to ensure all bulk Hydrocarbons are controlled through containment via bunding of all hydrocarbon bulk tanks to 110% of contents in line with the Australian Standards AS 1940.

The company has implemented a best practice system for the segregation of wastes at source and turning recyclables into composts whilst disposing of non-recyclable in landfills. This program has reduced substantially the quantity of waste disposed in landfills.

Riparian buffer strips are being established at replant to trap coarse grained sediment from discharge into streams. Vetiver and Guatemala grass are being used to strengthen river and creek banks to prevent erosion.

A Continuous Improvement Plan is attached. Appendix C.

3.2 Detailed Identified Nonconformities, Corrective Actions and Auditor Conclusions (Also included as Appendix D)

MAJOR NONCONFORMITIES

There were no major non conformities raised as a result of this assessment

MINOR NONCONFORMITIES

Five (5) Nonconformities were assigned against Minor Compliance Indicators. Details of these Nonconformities are provided below:

4.7.2 Minor NCR: A Minor Non Conformity was raised due to the fact that there were some issues with regards to electrical safety. The contract Project Manager of the housing project at Gusup 3 did not observe safety with electrical leads which on the ground in very long lengths and there was no safety switch attached.

5.1.2 Minor NCR. The environmental improvement plan is not being monitored to show implementation of measures that improve performance and is not always updated to show any progress which has been made by the nominated date.

6.1.3 Minor NCR Although progress has been made since the previous audit, further work is required in the preparation of mitigation strategies that address key social impacts, including establishing a baseline and nominating targets and a timeframe, so mitigation

strategies can be monitored and assessed on a periodic basis.

6.2.2 Minor NCR. Although a list of stakeholders and guidelines for communication have been prepared, further work is required in actually conveying information to key stakeholders and ensuring this information is disseminated broadly within each stakeholder group.

6.5.3 Minor NCR: It appears that RAIL's regulations for dismissal of employees was not followed with regards to a security guard who was terminated for not reporting the theft of some property until the next day. There was no evidence that the process of warnings and warning letters was followed in this case.

RAIL has prepared a Corrective Action Plan (Appendix D) that has been reviewed and accepted by BSi. Progress on Corrective Action will be checked during the Surveillance Audit

OBSERVATIONS / OPPORTUNITIES FOR IMPROVEMENT

The assessment identified Nine (9) Observations/ Opportunities for Improvement. The progress with the Observations/Opportunities for Improvement will be checked during the next Surveillance Assessment visit scheduled for twelve months after certification date.

2.3.2 Observation. There should be no new VOP established without proper road access.

4.4.1 Observation: All bore holes for water extraction need to be properly identified and recorded on a map to ensure all can be located.

4.4.2 Observation: Since mill has been in production since on April 2008 it is not possible for Gusap Mill to have trends of water use per tonne of FFB for 5 years. Evidence of such monitoring will be required at the surveillance audit next year

4.7.2 Observation: RAIL's OHS system does not at times correctly address the residual risk that remains once control measures have been implemented. Whilst the likelihood of an occurrence may be reduced the consequence of occurrence remains unchanged

4.7.3 Observation: It should be ensured that work place inspections continue at the prescribed interval and that any outstanding OHS matters are followed up to ensure rectification occurs.

5.2.5 Observation: The signs which have been erected to discourage illegal activities such as hunting, gardening and burning do not recognise RAIL as the authority of issue.

5.6.2 Observation: However this plan for interceptor and CWS was once again removed from the CAPEX and is not yet complete – it was due for completion originally in 2010 and is now scheduled for 2012. This must happen and the time bound plan from now on be fulfilled and cannot be delayed further.

6.3.1 Observation: Although all complaints/grievances are documented some such as civil matters which are not necessarily to responsibility need to records subsequent action taken such as reporting to police and other government authorities.

6.3.1 Observation: There is a need for improvement in this area, growers are aware of a “grievance mechanism” but the grievance book at Gusap was noticeably devoid of entries.

3.3 Noteworthy Positive Components

A large number of positive outcomes and achievements were noted during this assessment and are listed below.

A number of contractors remarked on the fact that RAIL were good to work with and paid all invoices on time and provide them with plenty of work.

RAIL has help influence local contractors with regards to improving safety and therefore all work places are now considered safer to work in.

Appropriate PPE is supplied to workers who undergo regular training in safe work practices. All PPE is widely available and the use of PPE has been taken up by many contractors.

All compounds have benefitted from the RSPO in place at RAIL as their appearance has improved markedly due to emphasis on housekeeping and waste management.

RAIL maintains many local roads in the area thereby improving access to all areas for all residents within their sphere of operations.

In each area audited, a question was asked concerning whether the Block Holder and his/her family had received any awareness programmes on HIV/AIDS.

Training provided to Small Holders with regards to block and business management at field days held.

The areas set aside as reserves and wetlands in HCV areas are being well managed and signposted and the areas are now very attractive.

There is now a program to upgrade all septic systems, including those for the executive housing compound, which were unsafe and had inadequate restraining fences to protect children from falling in and injuring

themselves or subjecting themselves to contact with raw sewage had been implemented and problems rectified.

The whole of RAMU including beef and sugar have benefitted from the many improvements made in all areas including environmental management, safety management and improvements made to housing since RAIL took over management.

3.4 Issues Raised By Stakeholders and Findings with Respect To Each Issue

1. Has there been any action on the discussions held at Isitin during the last audit?

Auditors comment: The auditor explained that a summary of the discussions was included in the Audit Report and that the purpose of this audit was to see if recommendations had been carried out, also, depending on the outcome of this audit, a follow up meeting would be held with the executives on Saturday 20th August 2011

2.What is happening with FFB review?

RAIL response: Funding for the review by an independent consultancy is available under the Smallholder Agriculture Development Project (SADP) but complications from intervention by HOPGA which included bringing the Independent Consumer and Competition Commissioner over to West New Britain has caused the review to be delayed.

Once jurisdiction issues are sorted the FFB review would go ahead.

3. The auditor was presented with a copy of the National Newspaper dated 17th August, where the spot world price for Palm Oil was considerably more that shown in the hand out given to growers. (see appendix 3)

RAIL response: This issue was brought up with the company secretary who contacted the National Newspaper, a spokesperson for which stated that the figures came from AAP.

Auditors comment: This is an issue that needs resolution as the figure given daily on EMTV is closely allied to the figure given in the small holders FFB formula.

4.Can RAIL assist the association with contracts such as trucking or guarantee loans for the association to carry out businesses?

RAIL response: This will be decided on a case by case basis.

Auditors comment: This request will be followed up with RAIL.(see meeting summary with RAIL FM below).

5. What about the road access to Dabua, RAIL has allocated K126,000,00 to upgrade this track to a road

but the contractor's machines have been diverted to Ngaru Mini Estate. VOP block holders are very concerned that their access road won't be constructed before the oncoming wet season.

RAIL response: The road access was definitely to be constructed before the next wet season, however, the approach of one member of the executive to the FM had raised concerns that there was not unanimity within the executive. Individuals in the executive should not attempt to hold meetings with the FM in future.

Auditors comment: This needs to be resolved with RAIL and decision made known to block holders

3.5 Acknowledgement of Internal Responsibility and Formal Sign-off of Assessment Findings

Please sign below to acknowledge receipt of the assessment visit described in this report and confirm the acceptance of the assessment report contents including assessment findings.

Signed for on behalf of
RAIL



.....
Mr Jamie Graham
General Manager

Date: 14.9.11

Signed for on behalf of
BSi Management Systems Singapore Pte Ltd



.....
Mr Allan Thomas
Lead Auditor

Date: 14.9.11

Appendix “A”

RSPO Certificate Details

Website:

Applicable Standards: RSPO Principles & Criteria: 2007; PNG National Interpretation : 2008

Name	Gusap Mill & Supply Base
Location	Ramu Oil Palm Plantations, Morobe and Madang Provinces, Papua New Guinea
Address	Ramu Agri-Industries, Gusap, P.O. Box 2183, Lae 411, Morobe Province, PNG.
GPS	South 06° 04' 23.5", East 145° 59' 4.5"
CPO Tonnage	20,012
PKO Tonnage	1,110
Plantations FFB Tonnage	Gusap 72,878 Dumpu 8,178 (Total = 80,965)
Small holders FFB Tonnage	953

Appendix “B”

Initial Surveillance Audit Programme

RSPO Audit Plan Wednesday 17-21August

(Note: Subject to revision at Lead Auditor's discretion)

Wednesday 17th

Allan, Tom and Mike arrive from Port Moresby at Lae Airport at 6.30 pm on PX106 – meet and pick up at airport

Thursday 18th

<u>Time</u>	<u>Activity</u>	<u>Allan</u>	<u>Tom</u>	<u>Mike</u>
<u>8:00 am</u>	<u>Opening Meeting</u>			
<u>9:30am – 11:00</u>	<u>Gusap Estate (Office, Workshop, Clinic, Landfill, Chemical store and mixing, Fertiliser, field spraying & harvesting)</u>	<u>X</u>		
<u>8:00am – 12:00</u>	<u>Inspect area to east of Gusap incl. villages & environment</u>		<u>X</u>	
<u>11:00am – 12:00</u>	<u>Inspect Housing, Temp Housing, New Housing</u>			<u>X</u>
<u>8:00am – 11:00</u>	<u>Meeting with community groups</u>			<u>X</u>
<u>11:00am – 12:00noon</u>	<u>Meet with Growers Association representatives?</u>		<u>X</u>	<u>X</u>
<u>12:00noon – 1:00pm</u>	<u>Lunch</u>	<u>X</u>	<u>X</u>	
<u>1:00pm – 3:00pm</u>	<u>Review documentation</u>	<u>X</u>		
<u>1:00pm – 3:00pm</u>	<u>Inspect area around Gusap incl. VOP/smallholders?</u>		<u>X</u>	<u>X</u>
<u>3:00pm –4:30pm</u>	<u>Review records of land title, leases, etc. ?</u>		<u>X</u>	
<u>3:00pm – 4:30pm</u>	<u>Continue review of RSPO documentation</u>	<u>X</u>		<u>X</u>

Friday 19th

<u>Time</u>	<u>Activity</u>	<u>Allan</u>	<u>Tom</u>	<u>Mike</u>
<u>8:00am – 11:00</u>	<u>Inspect Gusap mill, laboratory and effluent ponds</u>	<u>X</u>		
<u>8:00am – 9:00am</u>	<u>Inspect Gusap Compound, Landfill (Stephen)</u>		<u>X</u>	
<u>9:00am – 12:00noon</u>	<u>Review Environmental and Social Reports</u>		<u>X</u>	<u>X</u>
<u>12:00noon – 1:00pm</u>	<u>Lunch</u>	<u>X</u>	<u>X</u>	
<u>1:00pm – 2:45pm</u>	<u>Inspect area around Dumpu</u>	<u>X</u>		<u>X</u>
<u>1:00pm – 3:45pm</u>	<u>Buffer, wetlands</u>		<u>X</u>	
<u>1:00pm – 3:45pm</u>	<u>Inspect Dumpu Estates incl. office, landfill, housing and clinic – including new housing, temp housing and existing housing</u>	<u>X</u>		
<u>1:00pm – 3:45pm</u>	<u>Meet with workers, union</u>			<u>X</u>
<u>3:45pm –4:30pm</u>	<u>Inspect area around Dumpu</u>		<u>X</u>	<u>X</u>
<u>3:45pm –4:30pm</u>	<u>Check NPP</u>	<u>X</u>	<u>X</u>	

Saturday 20th

<u>Time</u>	<u>Activity</u>	<u>Allan</u>	<u>Tom</u>	<u>Mike</u>
<u>8:00am – 10:00noon</u>	<u>Check workshop and central stores</u>	<u>X</u>		
<u>8:00am – 10:00noon</u>	<u>Meet with pay office/ discuss contractor matters</u>			<u>X</u>
<u>10:00am – 12:00noon</u>	<u>Small Holders</u>		<u>X</u>	
<u>12:00noon – 1:00pm</u>	<u>Buildings and construction</u>	<u>X</u>		
<u>1:00pm – 3:00pm</u>	<u>Other issues</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>1:00pm – 2:00pm</u>	<u>Lunch – Guest House</u>	<u>X</u>	<u>X</u>	
<u>2:00pm –4:00pm</u>	<u>Auditors forum</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>4.00 pm</u>	<u>Exit Meeting</u>			

Sunday 21st

<u>7.00am</u>	<u>Depart to Lae Airport (PX293 – 11.15 am) to Port Moresby then to Kimbe</u>			

Appendix “C”

CONTINUOUS IMPROVEMENT PLAN

RAMU AGRI-INDUSTRIES LTD

2011-2012

No.	Improvement Plan	Tasks / Actions & Outcome	Responsibility	Target Completion Date	Status As at 31 Jul 2011																																																						
1.	Procedure development for effectively dealing with Sexual Harassment and Domestic Violence	Socialise the procedure to all departments and sections in improving records, management and response. Policy and procedure for handling Sexual harassment & domestic violence are in place. Welfare officer has started implementing program, women groups are now operating. Detail records kept and these will be used to direct resources and efforts to dealing with these problems.	Personnel Manager	30-05-10	60%																																																						
2.	Recruitment of Social Welfare Officer to address Sexual Harassment, Domestic Violence and other social issues.	Advertise the position. Recruitment of an experienced social worker/counsellor. Welfare officer has been appointed and undertaking the tasks.	Personnel Manager	30-05-10	Completed																																																						
3.	Development of effective open communication methods to deal with local level stakeholders	Socialise the communication methods in improving records, management and response. Strategies have been developed and will be implemented over the next couple of months	Personnel Manager & Public Relations	30-05-10	40%																																																						
4.	Housing Construction Plan for oil palm employees	<table border="1" data-bbox="573 812 1438 1144"> <thead> <tr> <th>Location</th> <th>Supervisory</th> <th>Bossboi</th> <th>Duplexes</th> <th>Cookhouses</th> <th>Office</th> </tr> </thead> <tbody> <tr> <td><i>Gusap Downs</i></td> <td>4</td> <td>1</td> <td>2</td> <td></td> <td></td> </tr> <tr> <td><i>GD2 Village</i></td> <td></td> <td>4</td> <td>13</td> <td>3</td> <td></td> </tr> <tr> <td><i>GD3 Village</i></td> <td>3</td> <td>10</td> <td>51</td> <td>10</td> <td></td> </tr> <tr> <td>Total</td> <td>7</td> <td>15</td> <td>66</td> <td>13</td> <td>0</td> </tr> <tr> <td><i>Dumpu Station</i></td> <td>2</td> <td>16</td> <td>56</td> <td>11</td> <td></td> </tr> <tr> <td><i>DD1 Village</i></td> <td></td> <td>5</td> <td>13</td> <td>3</td> <td>1</td> </tr> <tr> <td></td> <td>2</td> <td>21</td> <td>69</td> <td>14</td> <td>1</td> </tr> <tr> <td>Total Houses</td> <td colspan="5" style="text-align: center;">208 in 2010 year</td> </tr> </tbody> </table> <p>Planned housing program was undertaken. Approved Capex budget was spent</p>	Location	Supervisory	Bossboi	Duplexes	Cookhouses	Office	<i>Gusap Downs</i>	4	1	2			<i>GD2 Village</i>		4	13	3		<i>GD3 Village</i>	3	10	51	10		Total	7	15	66	13	0	<i>Dumpu Station</i>	2	16	56	11		<i>DD1 Village</i>		5	13	3	1		2	21	69	14	1	Total Houses	208 in 2010 year					Oil General Manager	30-12-10	Completed
Location	Supervisory	Bossboi	Duplexes	Cookhouses	Office																																																						
<i>Gusap Downs</i>	4	1	2																																																								
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Total	7	15	66	13	0																																																						
<i>Dumpu Station</i>	2	16	56	11																																																							
<i>DD1 Village</i>		5	13	3	1																																																						
	2	21	69	14	1																																																						
Total Houses	208 in 2010 year																																																										
5.	Gusap Oil Palm Division One Septic and Drainage Systems Upgrading	Design plan and costing, Obtain budget approval Construct & upgrade system Have in place monitoring and inspection program once completed. Work in progress – 3x units completed and soak away pits being worked on.	Oil Palm General Manager & Building Manager	30-11-10	90%																																																						
6.	Gusap Division 2 Bund and Sump	Design plan and costing,	Oil Palm General	30-08-10	Completed																																																						

	for Genet	Obtain budget approval Construct & upgrade system Have in place monitoring and inspection program once completed	Manager & Building Manager		ed
7.	Central Stores Chemical Shed Bund	Design plan and costing, Obtain budget approval Construct & upgrade system Have in place monitoring and inspection program once completed	Stores Manager & Building Manager	30-04-10	Completed
8.	Central Stores Petrol Shed & Bund Construction	Design plan and costing, Obtain budget approval Construct & upgrade system Have in place monitoring and inspection program once completed	Stores Manager & Building Manager	30-04-10	Completed
9.	Relocated Dumpu employees to new housing units from temporary housing.	Fast track the completion of housing units and move employees into unites.	Oil Palm General Manager and Dumpu Estate Manager	30-08-10	Completed
10.	Improve inspection reports with action items and corrective actions taken records.	All inspections to clearly identify actions to be taken and records kept with corrective actions taken and completion dates with signed off. Work in progress.	All Departmental Heads and Managers	30-06-10	80%
11.	Conduct Safety and Environmental Risk assessments before any contractual engagement work by contractors.	Incorporate safety & environmental risk assessments into tender and contractual agreements and conduct risk assessments and records kept. All contractors have been inducted. Working through risk assessments. Information notes on RSPO produced for distribution to contractors.	Departmental Heads & Sustainability Manager	On going	90%
12.	A qualified medical officer to be relocated at Dumpu Estate.	Improve the room allocated to suite medical practicing for patient examination, treatment, drug storages and records keeping.	Dumpu estate Manager and RAIL Medical Doctor.	30-04-10	Completed
13.	Temporary housing toilets privacy improvement.	Improve distances for privacy purposes for both sexes.	Dumpu estate Manager and Building Manager	30-04-10	Completed
14.	Social Impact Assessment (Reza's Report) recommendations socialisation.	Prioritise with timelines for identified recommendations socialisation to relevant stakeholders.	Research & Development Manager and	30-11-10	70%

		Some work has been done in this area. Communication strategies identified and information synthesized targeting specific group of stakeholders. Program to be rolled out in 4 th quarter of 2011.	All.		
15.	Visible Estate Land boundary Markings	Establishment of clear land boundary marks at all State Leased land within RAIL's operations. Engage a registered surveyor to re-survey the State Leased Land. Purchase order has been raised to successful bidder to start work asap	Lands Manager	30-11-10	50%
16.	Drainage system upgrading at both Gusap & Central Workshop	Prepare design and cost estimate Obtain budget approval Construct and commission Prepare inspection program Issue work instruction to operators Record inspections on log sheet. Lack of funds resulted in delay in completing this work. This project is now in 2012 Capex budget	Workshop Manager	30-07-10	50%
17.	Construction of triple interceptors at both Gusap and CWS.	Prepare design and cost estimate Obtain budget approval Construct and commission Prepare inspection program Issue work instruction to operators Record inspections on log sheet. Work completed for Gusap workshop. The CWS facility will be done together with the drainage system (item 16) in 2012.	Workshop Manager	30-07-10	50%
18.	Install Water flow meters on bore water, streams for irrigations and waste streams.	Prepare cost estimates. Obtain budget approval. Installations and commission. Prepare inspection program. Issue work instruction to operators. Record inspections & monitoring on log sheet. Put in place emergency response plans. Record any incidences on main Incident form (SHEQ001) Revised water management plan was prepared and available in the audit. Water meters are install in most OP operations and housing compounds and meter	Oil Palm, & Sugar Mill Managers plus Abattoir Manager.	30-07-10	70%

		readings collect on regular basis. Both Sugar mill and Beef will install water meters in the 4 th quarter 2011.			
19.	Scrap metals removal by a contractor.	All scrap metal to be removed within RAIL's premises by a contractor. Contractor (RBP Trading) has been engaged and scrap metal being removed on a regular basis.	Sustainability Manager, Company Secretary, General Manager	30-08-10	Completed
20.	Construct petrol shed with bunding around.	Prepare design and cost estimate. Obtain budget approval. Construct and commission Prepare inspection program Issue work instruction to operators. Record inspections on log sheet. Put in place spill kits. Record any spillages on Incident form (SHEQ001).	Stores, Purchasing & Logistics Department Head.	30-03-10	Completed
21.	Upgrading of oil palm factory effluent pond systems.	Prepare and cost a plan to de-silt ponds Remove silt and install flow controls Fence the area to prevent public access	Mill Managers	12-12-10	Completed
22.	Build bunds around the genset huts at Dumpu and Gusap estates.	Prepare design and cost estimate Obtain budget approval Construct and commission Prepare inspection program Issue work instruction to genset shed users. Record genset oil and fuel usages. Spill kits are available. Record any spillages on Incident form (SHEQ001).	Gusap Oil Palm Estate Manager, Dumpu Oil Palm Estate Manager.	30-06-10	Completed
23.	Develop HCV Protection	Protect Camp Saksak and Sasip reserves as already identified HCV areas. Engage & deploy locals as rangers to protect the HCV areas. Put up notices around HCV areas warning people not to cut trees and hunt animals. Plant more native trees within the HCV areas where required. Record any incidences on the main Incident Form (SHEQ001). Draft Habitat plan was produced and planting has been on going at Sasip and Camp Saksak	R&D Department's Forestry Officer & Environmental Assistant. Oil Palm Estate Field Managers at Gusap and Dumpu.	30-07-10	70%

24.	Re-establish and maintain riparian buffer zones.	<p>Identify areas suitable for planting native trees within buffer zones. Prepare and cost a planting program. Keep records of plantings. Plant tree seedlings and monitor growth. Put up buffer zone signs. Put up notices within buffer zones not to cut trees and hunt animals. Record any incidences on the main Incident Form (SHEQ001).</p> <p>Working areas identified for planting in 2011 almost completed. New 5 year Forestry plan to be developed.</p>	R&D Department's Forestry Officer & Environmental Assistant. Oil Palm Estate Field Managers at Gusap and Dumpu.	30-12-10	70%
25.	Planting of trees on unsuitable grasslands.	<p>Identify unsuitable land areas for planting native trees. Prepare and cost a planting program. Plant tree seedlings and monitor growth. Keep records of plantings. Put up protection signs and notices within the planted areas not to cut trees and hunt animals. Record any incidences on the main Incident Form (SHEQ001).</p> <p>New 5 year Forestry plan to be developed.</p>	R&D Department's Forestry Officer & Environmental Assistant.	30-12-10 & Ongoing	40%
26.	Review fire fighting capacity	<p>Review adequacy of current practices and equipment Implement training of Fire Teams.</p> <p>Areas of responsibilities have been reviewed. Training will be outsourced with PNG Fire Services</p>	Estate Managers, Sustainability Manager.	30-05-10	60%
27.	Document soil conservation.	<p>Plant cover crops and monitor growth. Develop proper drainage systems. Put in place sediment traps. Identify appropriate environmental controls for preventing erosion pollution. Use NBPOL MG 01 as guideline & train relevant staff. Implement monitoring and reporting. Record any incidences on the main Incident Form (SHEQ001).</p> <p>Currently using the Management Guidelines. Work yet to start in developing local strategies for RAIL</p>	Estate Managers, Sustainability Manager, Environmental Assistant.	30-12-10	30%
28.	Develop SOP for land application of POME.	<p>Select land application method suitable for local conditions. Identify appropriate environmental controls for preventing pollution before</p>	OP Manager	30-12-10	Completed

		<p>application in terms of BOD levels, pH, and odour. Prepare SOP and train relevant staff Implement monitoring and reporting. Record any incidences on the main Incident Form (SHEQ001).</p>	<p>Mill Managers, Plantation Managers, Sustainability Manager.</p>		
29.	<p>Implement Integrated Pest Management for crop protection.</p>	<p>Prepare IPM Plan Implement monitoring and reporting.</p> <p>White grubs are main pests. IPM has been put in place and being used by plantation staff. White grub surveys done by R&D.</p>	<p>R&D, Agriculture & Oil Palm Managers</p>	30-09-10	Completed
30.	<p>Develop a water quality monitoring program.</p>	<p>Review current data on water supply quality. Develop Water Management Plan. Prepare a sampling program. Identify & confirm certified laboratory Test water supplies and report results</p> <p>Revised water management plan was available during the audit. Routine monitoring of water quality being done and data being used to advise management for corrective actions (when necessary)</p>	<p>Sustainability Manager</p>	30-06-10	70%
31.	<p>Obtain single Environment Permit for all RAIL operations from existing 40 various permits from DEC.</p>	<p>Collate relevant information. Submit permit application to DEC. Follow up on application. Develop Management Program as per the permit conditions when issued. Report monitoring results. Prepare inspection program and keep records. Record any incidences on the main Incident Form (SHEQ001).</p> <p>No progress on this one due to DEC staff member handling this went on prolonged sick leave. May have to start all over again. Process has started in identifying all bore holes, gravel extraction sites and volumes taken, etc. to enable base line data to be available to form the basis of the permit application</p>	<p>Sustainability Manager</p>	30-08-10	30%
32.	<p>Collate information required as per the Environmental Permit condition and submit report to PNG Government – DEC.</p>	<p>Collate relevant information and write up RAIL environmental Report. Information to be provided by Oil Palm, Sugar and Beef Departments. Write up report and submit to PNG government-DEC.</p>	<p>Sustainability Manager</p>	30-03-10	Done
33.	<p>Improvement of Medical Waste</p>	<p>Source an Incinerator and obtain cost estimate for RAIL clinic</p>	<p>Medical Doctor</p>	30-05-10	Completed

	Management & Disposal	Obtain budget approval Construct and commission safe & suitable location Prepare inspection program Issue disposal work instructions Disposal Records to be kept. Record any incidences on Incident form (SHEQ001). Incinerator in use and records of wastes being kept.			ed
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Appendix “D”

Nonconformities, Corrective Actions and Observations Summary

2011 Assessment

5 Non-conformités against Minor Compliance Indicators

9 Observations/Opportunities for Improvement

DESCRIPTION	NCR Ref.	Minor Non-Conformance Details	Corrective Actions	Responsibility	Date Due	Status
4.7.2	CR01	4.7.2 Minor NCR: A Minor Non Conformity was raised due to the fact that there were some issues with regards to electrical safety. The contract Project Manager of the housing project at Gusup 3 did not observe safety with electrical leads which on the ground in very long lengths and there was no safety switch attached.				
5.1.2	CR02	5.1.2 Minor NCR. The environmental improvement plan is not being monitored to show implementation of measures that improve performance and is not always updated to show any progress which has been made by the nominated date.				
6.1.3	CR03	6.1.3 Minor NCR Although progress has been made since the previous audit, further work is required in the preparation of mitigation strategies that address key social impacts, including establishing a baseline and nominating targets and a timeframe,				

		so mitigation strategies can be monitored and assessed on a periodic basis.				
6.2.2	CR04	<p>6.2.2 Minor NCR. Although a list of stakeholders and guidelines for communication have been prepared, further work is required in actually conveying information to key stakeholders and ensuring this information is disseminated broadly within each stakeholder group.</p> <p>6.5.3 Minor NCR: It appears that RAIL's regulations for dismissal of employees was not followed with regards to a security guard who was terminated for not reporting the theft of some property until the next day. There was no evidence that the process of warnings and warning letters was followed in this case.</p>				
6.5.4	CR05	<p>6.5.3 Minor NCR: It appears that RAIL's regulations for dismissal of employees was not followed with regards to a security guard who was terminated for not reporting the theft of some property until the next day. There was no evidence that the process of warnings and warning letters was followed in this case.</p>				

Observations

2.3.2 Observation. There should be no new VOP established without proper road access.

4.4.1 Observation: All bore holes for water extraction need to be properly identified and recorded on a map to ensure all can be located.

4.4.2 Observation: Since mill has been in production since on April 2008 it is not possible for Gusap Mill to have trends of water use per tonne of FFB for 5 years. Evidence of such monitoring will be required at the surveillance audit next year

4.7.2 Observation: RAIL's OHS system does not at times correctly address the residual risk that remains once control measures have been implemented. Whilst the likelihood of an occurrence may be reduced the consequence of occurrence remains unchanged

4.7.3 Observation: It should be ensured that work place inspections continue at the prescribed interval and that any outstanding OHS matters are followed up to ensure rectification occurs.

5.2.5 Observation: The signs which have been erected to discourage illegal activities such as hunting, gardening and burning do not recognise RAIL as the authority of issue.

5.6.2 Observation: However this plan for interceptor and CWS was once again removed from the CAPEX and is not yet complete – it was due for completion originally in 2010 and is now scheduled for 2012. This must happen and the time bound plan from now on be fulfilled and cannot be delayed further.

6.3.1 Observation: Although all complaints/grievances are documented some such as civil matters which are not necessarily to responsibility need to records subsequent action taken such as reporting to police and other government authorities.

6.3.1 Observation: There is a need for improvement in this area, growers are aware of a "grievance mechanism" but the grievance book at Gusap was noticeably devoid of entries

***CORRECTIVE ACTION PLAN FOR MINOR NONCONFORMITIES
RSPO SURVEILLANCE AUDIT 2011***

Five (5) Nonconformities were assigned against Minor Compliance Indicators. Details of these Nonconformities are provided below:

Details	Actions to be Taken	Lead Agency for action, Monitoring and Reporting	Expected completion date
4.7.2 Minor NCR: A Minor Non Conformity was raised due to the fact that there were some issues with regards to electrical safety. The contract Project Manager of	- Replace leads on welding unit at Buildings	Buildings	DONE
	- Review OSH Register for electrical safety and issue appropriate SOPs	Sustainability	31/12/11

the housing project at Gusup 3 did not observe safety with electrical leads which on the ground in very long lengths and there was no safety switch attached.	- Prepare SOP for power supply on building sites	Sustainability/Buildings	30/09/11
	- Review internal audits and develop better monitoring and follow-up audits	Sustainability	31/10/11
5.1.2 Minor NCR. The environmental improvement plan is not being monitored to show implementation of measures that improve performance and is not always updated to show any progress which has been made by the nominated date.	- Review progress of the EIP and CIP for 2010	Sustainability	30/09/11
	- Implement quarterly progress monitoring for EIP, SIP, Social Register, WMP, etc.	Sustainability	Commence at end of 3 rd Quarter 2011
	- Improve format for monitoring of plan implementation, including, response actions, follow-up, and closure of issues	Sustainability	31/10/11
6.1.3 Minor NCR Although progress has been made since the previous audit, further work is required in the preparation of mitigation strategies that address key social impacts, including establishing a baseline and nominating targets and a timeframe, so mitigation strategies can be monitored and assessed on a periodic basis.	- Prepare Communications Strategy	Sustainability/Community Relations/Welfare Officer	31/10/11
	- Develop Community and Stakeholder discussion forum membership	Sustainability/Community Relations/Welfare Officer	31/10/11
	- Formulate membership for community stakeholder	Sustainability/Community Relations/Welfare Officer	31/10/11
	- Commence discussion and development of current list of issues	Sustainability/Community Relations/Welfare Officer	30/11/11
	- Develop and agree mitigation measures	Sustainability/Community Relations/Welfare Officer	31/01/12
	- Develop and agree monitoring protocols	Sustainability/Community Relations/Welfare Officer	31/03/12
	- Review and agree monitoring results	Sustainability/Community Relations/Welfare Officer	Ongoing
	- Review effectiveness of monitoring results	Sustainability	Quarterly SIP report
6.2.2 Minor NCR. Although a list of stakeholders and guidelines for	- Prepare Communications Strategy	Sustainability/Community Relations/Welfare Officer	31/10/11

communication have been prepared, further work is required in actually conveying information to key stakeholders and ensuring this information is disseminated broadly within each stakeholder group.	- Develop Community and Stakeholder discussion forum membership	Sustainability/Community Relations/Welfare Officer	31/10/11
	- Formulate membership for community stakeholder	Sustainability/Community Relations/Welfare Officer	31/10/11
	- Commence discussion and development of current list of issues	Sustainability/Community Relations/Welfare Officer	30/11/11
	- Develop and agree mitigation measures	Sustainability/Community Relations/Welfare Officer	31/01/12
	- Develop and agree monitoring protocols	Sustainability/Community Relations/Welfare Officer	31/03/12
	- Review and agree monitoring results	Sustainability/Community Relations/Welfare Officer	Ongoing
	- Review effectiveness of monitoring results	Sustainability	Quarterly SIP report
6.5.3 Minor NCR: It appears that RAIL's regulations for dismissal of employees was not followed with regards to a security guard who was terminated for not reporting the theft of some property until the next day. There was no evidence that the process of warnings and warning letters was followed in this case.	- Develop SOP for grievance register including types of grievance, format of register, and better monitoring and reporting of follow-up actions taken	Task Force incorporating Personnel, Sustainability, Departmental rep (nominated from executive level)	31/12/11
	- Implement training for use of SOP	Personnel	31/01/12
	- Implement internal review of recent terminations and assess if disciplinary procedures were followed correctly	Personnel/Sustainability/Community Relations/Welfare Officer	31/10/11
	- Develop training for disciplinary procedures according to Regulations Handbooks	Personnel	31/10/11
	- Provide training as necessary	Personnel	31/10/11

The assessment identified Seven (7) Observations/ Opportunities for Improvement. The progress with the Observations/Opportunities for Improvement will be checked during the next Surveillance Assessment visit scheduled for twelve months after certification date.

Details	Actions to be Taken	Lead Agency for action, Monitoring and Reporting	Expected completion date
4.4.1 Observation: All bore holes for water extraction need to be properly identified and recorded on a map to ensure all can be located.	- Boreholes to be mapped, environment permits list to be updated and monitoring requirements restated in checklist	Sustainability/Sugar/Oil Palm/Beef	31/10/11
4.4.2 Observation: Since mill has been in production since on April 2008 it is not possible for Gusap Mill to have trends of water use per tonne of FFB for 5 years. Evidence of such monitoring will be required at the surveillance audit next year	- Monitoring ongoing	Oil Palm Mill	Ongoing
	- Include reporting in Quarterly Water Management Plan progress reports	Sustainability	Commence 3 rd Q 2011
4.7.2 Observation: RAIL's OHS system does not at times correctly address the residual risk that remains once control measures have been implemented. Whilst the likelihood of an occurrence may be reduced the consequence of occurrence remains unchanged	- Review methodology for risk and impact registers	Sustainability	31/01/2012
	- Review Risk registers with focus on residual risk justifications	Sustainability	31/03/2012
4.7.3 Observation: It should be ensured that work place inspections continue at the prescribed interval and that any outstanding OHS matters are followed up to ensure rectification occurs.	- Internal audits to include review of workplace inspections and follow up to issues raised	Sustainability	31/10/2011
5.2.5 Observation: The signs which have been erected to discourage illegal activities such as hunting, gardening and burning do not recognise RAIL as the authority of issue.	- HCV and Buffer signs to be standardised and replaced as required	Sustainability/Forestry	30/09/2011
5.6.2 Observation: However this plan for interceptor and CWS was	- Highlight concerns of auditors through budget approvals	CWS/Sugar/GM	30/09/2011

once again removed from the CAPEX and is not yet complete – it was due for completion originally in 2010 and is now scheduled for 2012. This must happen and the time bound plan from now on be fulfilled and cannot be delayed further.	process		
	- Request for early implementation of works in 2011	GM	30/09/2011
	- Ensure commencement of work in early 2012 for completion by June 2012	CWS/Sugar/Sustainability	31/01/2012
6.3.1 Observation: Although all complaints/grievances are documented some such as civil matters which are not necessarily to responsibility need to records subsequent action taken such as reporting to police and other government authorities.	- Develop SOP for grievance register including types of grievance, format of register, and better monitoring and reporting of follow-up actions taken	Task Force incorporating Personnel, Sustainability, Departmental rep (nominated from executive level)	31/12/11
	- Implement training for use of SOP	Personnel	31/01/12

2010 Assessment

6 Non-conformités against Minor Compliance Indicators

11 Observations/Opportunities for Improvement

MINOR NON-CONFORMANCE CORRECTIVE ACTIONS

DESCRIPTION	NCR Ref.	Minor Non-Conformance Details	Corrective Actions	Responsibility	Date Due	Status
4.7.2 All operations where health and safety is an issue have been risk assessed and procedures and actions are documented	CR01	However when contractors undertake capital works projects on behalf of RAIL they are not providing a risk assessment on these activities	RAIL has now incorporated OHS and Environmental risk assessments into the contractual tender procedure before under taking any capital works and	All Departments	On Going	Done

and implemented to address the identified issues. All precautions attached to products should be properly observed and applied to the workers.			followed by inspections and monitoring. The contractors used are now required to provide OHS and Environmental risk assessment before any work takes place and this is supported by ongoing inspections			
4.7.6 A First aid clinic, staffed by a qualified health worker will be provided for each plantation division (accessible by the mill). Workers trained in First Aid with a first aid kit should be present in the Mill.	CR02	There was no qualified health worker on site at the clinic in Dumpu. A qualified health officer is ready to take up the appointment at Dumpu as soon as the clinic is ready. Although the clinic should be ready in a week or two, staff already reside and work at Dumpu	A qualified medical officer has already been recruited for Dumpu Estate. A new building has been completed and now putting in shelves, drawers and cabinets for drugs and other medical items storage. The officer's accommodation is also under construction. A medical officer is available at Dumpu.	Oil Palm and Building & Construction Managers	30-04-10	Done
6.1.3 A timetable with responsibilities for mitigation and monitoring, reviewed and updated as necessary, in those cases where the assessment has concluded that changes should be made to current practices.	CR03	There is no timetable with responsibilities for action to be taken with regards to the areas found to require change as a result of the SIA to the Social Impact Register. Therefore there is no record that any changes have been made to the Social Impact Register as a result of the SIA	RAIL has now created a Community Services Section within the Personnel Department and appointed a Manager already to oversee the SIA register who is now responsible for drawing timetables and following up on related identified social actions. A social impact register, including possible actions, means of monitoring, responsibility and completion date has been prepared;	Personnel Manager & R&D Manager	30-06-10	40%
6.2.2 Evidence of the policy being implemented - maintenance of a list of stakeholders, records of all communication and records of actions taken in response to input from	CR04	Communication between affected stakeholders appears to be between executive staff and some stakeholders however there does not appear to be evidence of records of communication on a	RAIL has in place communications procedure for both external and internal stakeholders and now revising for more central coordination and control in line with the creation of community	Personnel Manager	30-05-10	40%

stakeholders and under the control of a nominated management official.		day to day basis at a local level	services section. A list of stakeholders and a communication strategy has been prepared			
6.5.4. Where companies provide housing, water supplies, medical, educational and welfare amenities they adhere to national legislation. (not applicable to Small holders).	CR05	NCR has been given to this indicator with regards to 1. Amenities for temporary housing including toilet and shower do not allow privacy for each gender 2. Up to over 1 year in temporary housing with poor facilities and separation from families may not be considered temporary.	RAIL has now put in place separated toilets and shower facilities for both genders within the temporary housing at Dumpu Estate. A total of 57 labour duplexes are nearing completion at Dumpu and all employees living in the temporary housing will be relocated once completed before June. RAIL has an approved 208 various employee houses are to be constructed within 2010. All staff residing in temporary accommodation at Dumpu have been relocated and the temporary accommodation has been dismantled	Oil Palm & Building managers	30-03-10 30-12-10	100% 40%
6.9.3. A specific grievance mechanism is established	CR06	The grievance procedure for dealing with Domestic Violence is not effective at times. There is no evidence that grievances are heard by a third party thereby removing the possible intimidation for complaining	RAIL has now created a Welfare Officer Position within the Personnel Department and advertised the position. The Welfare officer will be dealing with domestic violence, sexual harassment and provide counselling as well. RAIL has revised its grievance mechanism for domestic violence and has appointed a welfare officer and established an office for the welfare officer (and assistant) to work from	Personnel Manager	30-04-10	Done

OBSERVATIONS / OPPORTUNITIES FOR IMPROVEMENT

DESCRIPTION	OBS Ref.	Observation Details	Corrective Actions	Responsibility
4.1 Operating procedures are appropriately documented and consistently implemented and monitored	OBS 01	The current management guideline(SOP) for LBT is not accurate and requires revision	Standard Operating Procedure (SOP) for Lae Bulk Tank (LBT) has been revised and implemented. Completed	OP Mill Manager
4.1.1 Standard Operating Procedures for estates and mill are documented	OBS 02	The Water Management Plan is still in draft requires approval by the relevant authority within RAIL.	RAIL has now finalized the Water Management Plan and getting General Manager for endorsement. Sighted complete and in place July 2011	Sustainability Manager
4.1.1: Standard Operating Procedures for estates and mill are documented	OBS 03	Since mill has been in production since on April 2008 it is not possible for Gusap Mill to have trends of water use per tonne of FFB for 5 years	RAIL has records of water usage in 2008, & 2009 and continuing to monitor and keeping records. Water use records are current	OP Mill Manager
4.4.1 An implemented Water Management Plan in Compliance with PNG DEC Water extraction and discharge permits and including but not limited to: the Monitoring of effluent BOD (mg/L) trend for previous 12 months, mill water use per tonne of FFB trend for previous 5 years, storm water, drains, nursery and domestic usage.	OBS 04	Ensure all stop valves in the traps are in the closed position	RAIL has now developed weekly and monthly inspection checklist and schedules. Records will now be created and kept. All valves inspected where in a closed position	Sustainability Manager and Respective Managers
4.6.9 Personal Protective Equipment should be specified in Standard Operating Procedures for Pesticide workers in plantations. Appropriate safety equipment must be provided and used. Also see	OBS 05	Some managers have not responded to a request to provide information to the legal officer with regards to these chemicals. Legal Officer to follow up to ensure there	RAIL has now obtained a complete list of Department of Environment and Conservation (DEC) registered chemicals. All departments have cross checked	Sustainability Manager & Legal Officer

<p>critterion 4.7 on health and safety.</p>		<p>are no banned chemicals being used. Managers to cooperate if they have not already done so.</p>	<p>against their chemical usage registers. All chemical uses are registered. No banned chemicals are used by RAIL as per the chemical registers.</p> <p>This is now in place and is very effective and sighted in many areas of operations</p>	
<p>4.7.2 All operations where health and safety is an issue have been risk assessed and procedures and actions are documented and implemented to address the identified issues. All precautions attached to products should be properly observed and applied to the workers.</p>	OBS 06	<p>RAIL's OHS system does not at times correctly address the residual risk that remains once control measures have been implemented. Whilst the likelihood of an occurrence may be reduced the consequence of occurrence remains unchanged</p>	<p>RAIL has recruited an OHS Officer to review and correctly address any residual risks and keep records. RAIL's OHS systems will be reviewed bi-annually.</p> <p>OHS Office recruited and risk management is now more effective.</p>	Sustainability Manager
<p>4.7.3 All workers involved in the operations have been adequately trained in safe working practices (see also criterion 4.8). Adequate and appropriate protective equipment should be available to labourers at the place of work to cover at least the following: all potentially hazardous operations, such as pesticide application, land preparation, harvesting and, if it is used, burning.</p>	OBS 07	<p>The risk assessment require to be reviewed to ensure risks are accurately rated and to take into consideration improvements made and PPE provided</p>	<p>With the recruitment of OHS Officer, and Environmental Officer, OHS and environmental risk registers will be reviewed bi-annually.</p> <p>Environmental Officer is ensuring risks are adequately rated</p>	Sustainability Manager
<p>4.7.6 A First aid clinic, staffed by a qualified health worker will be provided for each plantation division (accessible by the mill). Workers trained in First Aid with a first aid kit should be present in the Mill.</p>	OBS 08	<p>It should be ensured that all records of evacuation drills are kept in full and any recommendations for improvement are documented.</p>	<p>All RAIL safety committee members and wardens at respective sections involved in emergency evacuation drills have been advised to document any recommendations and records kept.</p> <p>Records of all drills are now in place</p>	Sustainability Manager & RAIL Safety Committee Reps.
<p>4.8.2 Records of formal training (on site / off site) for each employee are kept.</p>	OBS 10	<p>Records of training for contractors employed on jobs/projects are not always available</p>	<p>Contractor's induction & monitoring procedure has been revised and trainings identified during the risk assessment will be provided and records kept with training forms already in place.</p> <p>Records of all contractor inductions are now in place with many sighted during this audit in mill, CWS and Gusap.</p>	All Departments and Sustainability Manager
<p>5.1 Aspects of plantation and mill management, including replanting, that have environmental</p>	OBS 11	<p>RAIL to ensure aspects for all contractors are also current and provided for all</p>	<p>RAIL has now incorporated environmental impacts and aspects</p>	All Departments and Sustainability

impacts are identified, and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continuous improvement.		projects	assessment into the contractual tender procedure. Aspects will be assessed before any work commences and records kept as per the procedure. All environmental aspects are identified prior to work commencing this was sighted on the CPKO Mill	Manager
6.2.1 A documented policy is in place for effective communication with all affected parties (c.f. 6.3)	OBS 12	The policy document describing its communication strategies with its stakeholders is relatively weak and needs improvement	RAIL will revised its stakeholder issues procedure for more effective communication systems for improvement. Policy has been strengthened and has been improved	Personnel and R&D Manager
6.7.1 Documentary evidence that minimum age requirement (16) is met	OBS 13	While at least one child was seen accompanying her mother in the field, it is important for RAIL managers and supervisors to ensure that any such assistance is not at the cost of attending school, and does not involve any hard physical labour, hazardous conditions or other hardship. This is particularly important for managers and supervisors of staff who are assigned daily tasks (and finish work when the set tasks have been completed)	RAIL is now in a process of conducting census that will include school age children and encourage employees to send their kids to school. RAIL already provides transportation for all company employees' school kids to attend school every day. RAIL has a strong policy on legal minimum age requirement as per the PNG Labour Law. Census was completed	Personnel and R& D Manager
6.10.2 Pricing mechanisms for FFB and inputs/services shall be documented (where these are under the control of the mill or plantation).	OBS 14	The pricing formula is extremely complicated and needs to be explained more clearly to Small holders. The auditors did explain a few of the points in the monthly figures such as why the CPO price was in US dollars and also that the pricing formula was due to be reviewed under the Smallholder Agriculture Development Project in 2020. The meeting on Monday at Itsine requested that schoolchildren should be specially trained in explaining the pricing formula, whereupon the auditors suggested that RAIL should carry out awareness on the pricing formula and that the Small holders would be able to understand.	RAIL has developed training programs for Small holders and scheduled meetings in which the pricing formula will be one of the agendas to make understand the pricing systems and situations.	R & D Manager

