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PUBLIC SUMMARY REPORT

RSPO 4th ANNUAL SURVEILLANCE ASSESSMENT (4ASA)

HARGY OIL PALM LIMITED (HOPL) Bialla, West New Britain, Papua New Guinea

Report Author

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SUMMARY

BSi has conducted the 3rd surveillance assessment of Hargy Oil Palm Limited (HOPL) operations comprising two mills, four oil palm estates, support services and infrastructure. BSi concludes that HOPL operations comply with the requirements of RSPO Principles & Criteria : November 2007 and Papua New Guinea National Interpretation Working Group (PNG NIWG) Indicators and Guidance : March 2008.

Sustainable production of crude palm oil (tba tonnes CPO) and tba tonnes of CPKO).

BSi recommends that HOPL continue to be approved as a producer of RSPO certified sustainable palm oil.

ABBREVIATIONS USED

| | |
|-------|--|
| AD | Company Administration Department |
| BOD | Biological Oxygen Demand |
| BOPGA | Bialla Oil Palm Growers Association |
| BP | Barema Plantation |
| CC | Cover Crop |
| CIP | Continuous Improvement Plan |
| CLUA | Clan Land Useage Agreement |
| COP | Code of Practice |
| DNPP | National Government – Department of National Physical Planning |
| DOL | National Government - Department of Lands |
| DLPP | Dept of Lands & Physical Planning |
| EFB | Empty Fruit Bunch |
| EMS | Environmental Management System |
| ESM | Company Environment & Sustainability Manager |
| FC | Company Financial Controller |
| FFB | Fresh Fruit Bunch |
| FPIC | Free, Prior and Informed Consent |
| GM | Company General Manager |
| HCV | High Conservation Value |
| HM | Hargy Mill |
| HOE | Company Head of Estates |
| HOPL | Hargy Oil Palm Limited |
| IE | Independent Estate (a class of Smallholder) |
| ILG | Incorporated Land Group |
| IPM | Integrated Pest Management |
| LLG | Local Level Government |
| LPC | Local Planning Committee |
| LSS | Land Settlement Scheme (a class of Smallholder) |
| LTI | Lost Time Injury |
| MG | Management Guidelines |
| MSDS | Material Safety Data Sheets |
| NLDD | Native Land Dealing Document |
| NM | Navo Mill |
| OD | Company Out Grower (Smallholder), Department |
| OMP8 | Oil Palm Management Program used by the company |
| OPIC | Oil Palm Industry Corporation |
| OPM | Oil Palm Management Programme |

| | |
|----------|--|
| 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 |
| PPE | Personal Protective Equipment |
| SD | Company Out Grower (Smallholder), Department |
| SEIA | Social and Environmental Impact Assessment |
| SG | Smallholder Grower |
| SIA | Social Impact Assessment |
| SOP | Standing Operating Procedure |
| TRP | Timber Rights Purchase |
| TSS | Total Suspended Solids |
| UV | Ultra Violet |
| VOP | Village Oil Palm (a class of Smallholder) |
| VWS | Vehicle Workshop |
| WNBP | West New Britain Province |

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

The operations of the mills 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

The scope of Certification covers two (2) Palm Oil Mills including Palm Kernel Oil Mills and the supply base comprising four (4) company owned oil palm Estates and fruit from 3,700 Smallholder Growers (SG) harvesting an area of 13,064 planted Hectares.

1.3 Location and Maps

The HOPL Estates and Mills are located in the West New Britain Province (WNBP), of Papua New Guinea (Figure 1). The GPS location of the mills is shown in Table 1.

Table 1: Mill GPS Location

| MILL | EASTING | NORTHING |
|------------|--------------------------|--------------------------|
| Hargy Mill | 151-0109719 ^o | -5-31111488 ^o |
| Navo Mill | 151-224494 ^o | -5-094109 ^o |

1.4 Description of Supply Base

Oil palm fruit is sourced from company owned and managed estates and 3,700 SG's.

SG's supply approximately 47% of the total tonnage of oil palm fruit processed by the Mill.

HOPL has continued to communicate with the SG's on RSPO implementation and ongoing management of their blocks. HOPL has stated its continued commitment to work with the SG's on the implementation of the RSPO P&C with the aim of maintaining certification.

The SG's comprise small holdings of oil palm that were developed under a Land Settlement Scheme (LSS) on State Leased land, Village Oil Palm (VOP) that was developed on customary land and Independent Estates (IE), that have been developed on both Customary and State leased land by customary landowners.

Papua New Guinea Map Showing Hargy Estates.

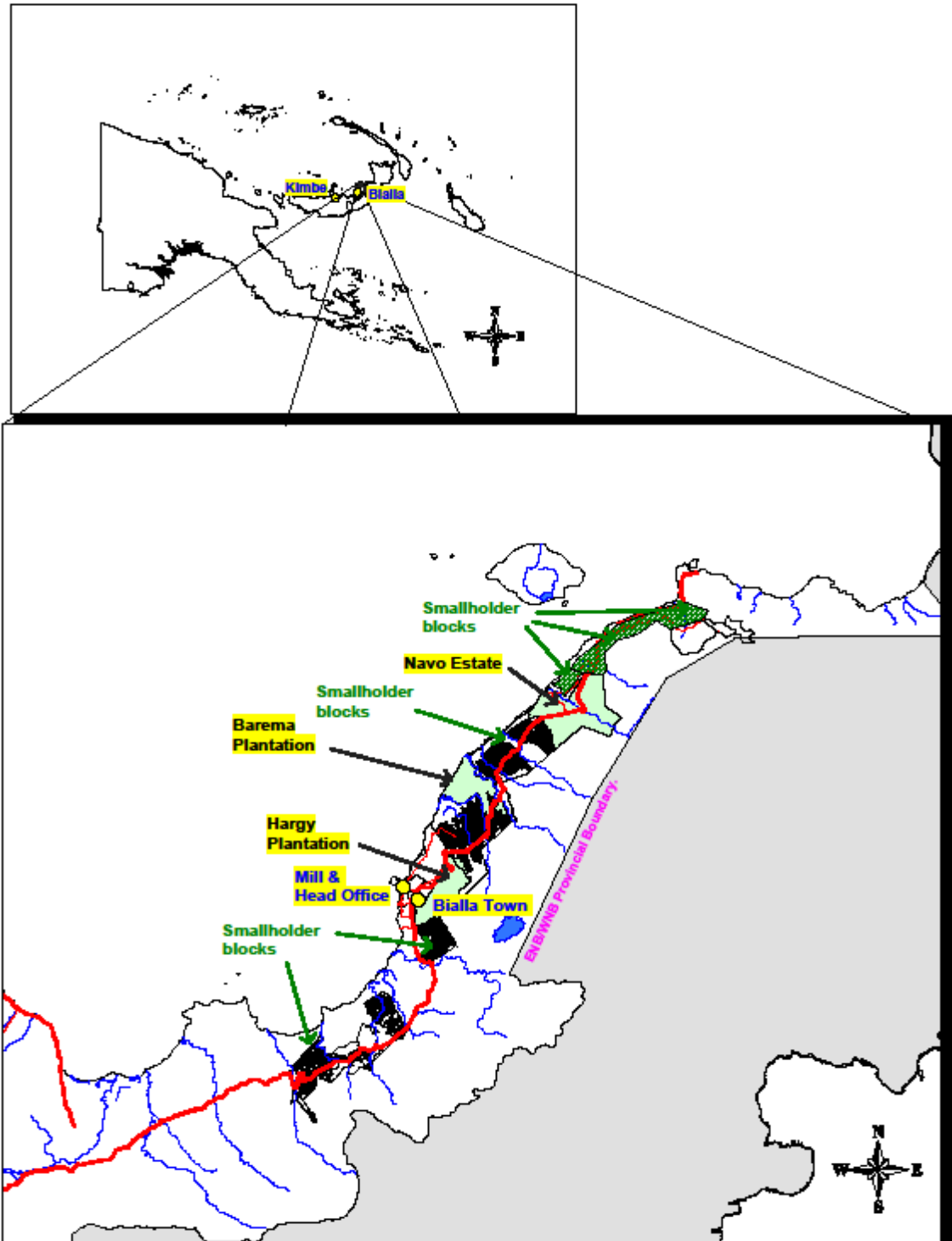


Figure 1: Location Map

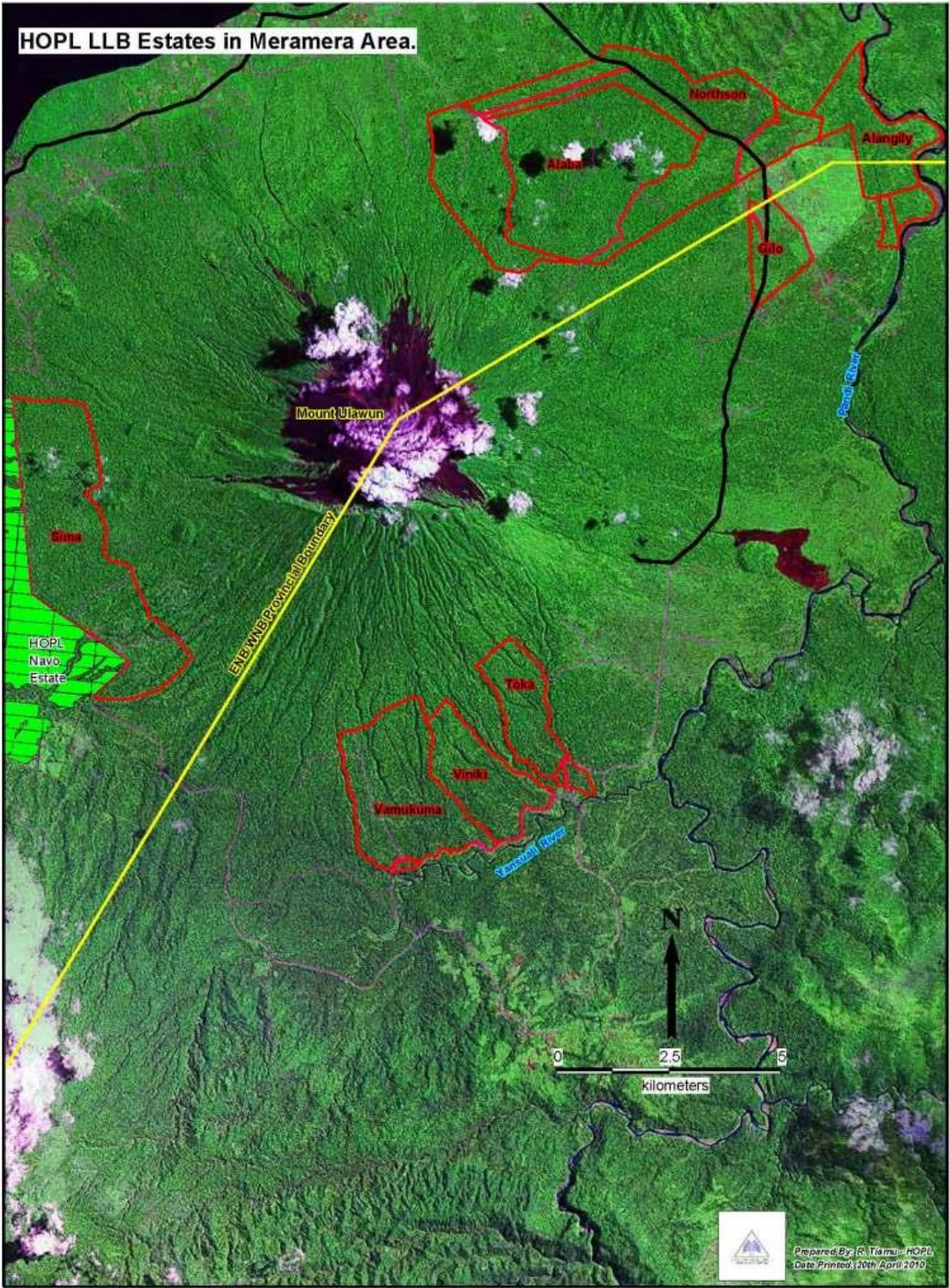


Figure 2
Mengen Bakada New Developments

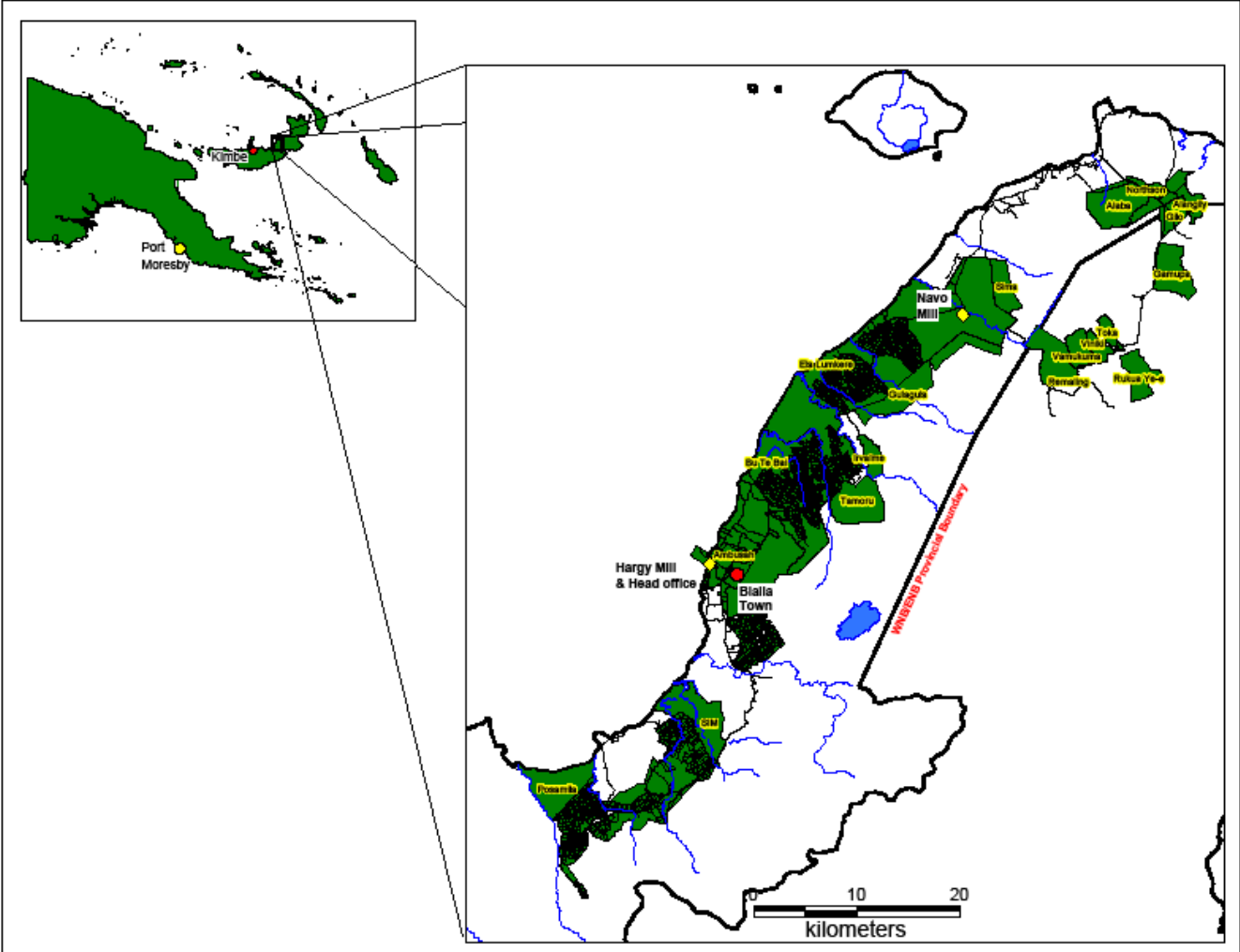


Figure 3 Project Location & Expansion Areas

VOP and IE were developed independently of the company. The SG's manage their small holdings of oil palm, including harvesting. FFB production is shown in Table 2. The production of FFB for 2012 for HOPL was 244,564 tonnes and from Small Holders 213,669 tonnes.

Table 2: Company and SG FFB Production tonnes

| Year | 2008 | 2009 | 2010 | 2011 | 2012 |
|-----------------------|---------|---------|---------|---------|---------|
| Total Company FFB | 168,293 | 213,207 | 205,871 | 228,597 | 244,564 |
| Total Smallholder FFB | 162,766 | 200,123 | 192,292 | 205,798 | 213,669 |
| % Company | 51% | 52% | 52% | 53% | 53% |
| % Smallholder | 49% | 48% | 48% | 47% | 47% |

1.5 Date of Plantings and Cycle

Table 3: Age Profile of Company Estate Planted Palms (Hectares)

| Year of Planting | Hargy | Navo | Barema | Bakada Mengen | % of Planted Area |
|------------------|--------|--------|----------|---------------|-------------------|
| 1984 | | 308.11 | | | 2.66 |
| 1985 | | 98.9 | | | 0.85 |
| 1986 | | 320.41 | | | 2.76 |
| 1994 | 139.3 | | | | 1.20 |
| 1995 | 332.9 | | | | 2.87 |
| 1996 | 326.43 | | | | 2.81 |
| 1997 | 360.53 | | | | 3.11 |
| 1998 | 367.15 | 257.41 | | | 5.39 |
| 1999 | 240.98 | 425.50 | | | 5.75 |
| 2000 | 132.89 | 259.23 | | | 3.38 |
| 2001 | 156.44 | 746.65 | | | 7.79 |
| 2002 | 236.13 | 95.34 | | | 2.86 |
| 2003 | | 148.37 | | | 1.28 |
| 2004 | | 159.76 | | | 1.38 |
| 2005 | | 172.84 | | | 1.49 |
| 2006 | | 610.76 | 268.54 | | 7.58 |
| 2007 | | 397.54 | 1,296.40 | | 14.61 |
| 2008 | | | 153.73 | | 1.33 |
| 2009 | 133.67 | | 257.08 | | 3.37 |
| 2010 | 32.5 | 340.21 | | 172.00 | 4.70 |

| | | | | | |
|-------|----------|----------|----------|----------|--------|
| 2011 | 24.56 | 34.3 | | 755.12 | 7.02 |
| 2012 | 92.48 | 938.43 | | 804.83 | 15.83 |
| TOTAL | 2,575.96 | 5,313.76 | 1,975.75 | 1,139.12 | 100.00 |

1.6 Other Certifications Held

HOPL has held ISO 14001:2004 since September 2005. The scope of the Certification includes all of the HOPL operations.

1.7 Organisational Information / Contact Person

HOPL is wholly owned by the SIPEF NV Group of Belgium.

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BIALLA WNBP PAPUA NEW GUINEA

Contact Person: Graham King
General Manager
Phone: +675 983 1005
Fax: +675 983 1191
Email: gking@hargy.com.pg

1.8 Time Bound Plan for Other Management Units

The other Majority owned Management Units are as listed below :

- Hargy Oil Palms Ltd. (HOPL, Papua New Guinea)
- PT Tolan Tiga Indonesia (certified)
- PT Agromuko Indonesia, (certified)
- PT Umbul Mas Wisesa, PT Toton Usaha Mandiri (coming to maturity in 2014)
- PT Citra Sawit Mandiri (still in development)
- PT Agro Kati Lama (still in development, added end 2011)
- PT Agro Rawas Ulu (still in development, added early 2012)
- PT Agro Muara Rupit (RSPO NPP process underway, added early 2013).

As per its earlier time-bound plan, Sipef has achieved certification for all its palm oil mills and mature estates within three years of the certification of HOPL.

As communicated to RSPO since 2008, PT Umbul Mas and PT Toton Usaha Mandiri are currently placed under the RSPO compensation mechanism, based on a cautionary approach. Their situation will be reviewed and addressed in 2013 with the RSPO, before their certification in 2014 once they have reached maturity and the palm oil mill receiving their crop has been commissioned. For PT Citra Sawit Mandiri, a solution compatible with the RSPO P&C is still being developed.

Since the last ASA of Hargy Oil Palms Ltd Sipef has added one palm oil project in Indonesia : PT Agro Muara Rupit. This is a new development, for which Sipef is complying with the RSPO New Plantings Procedure.

At this point Sipef has informed BSi that there are no known legal non-compliances, land or unresolved labour disputes at its other operations. BSi considers Sipef's Time Bound Plan to conform to the RSPO requirements for Partial Certification.

1.9 Area of Plantation

The hectare statement for the company owned Estates is shown in Table 4(a), area of Smallholder Growers (SG) in Table 4(b) and Hargy Operations area Table 4(c)

Table 4(a): Estates Hectare Statement

| Estate | Mature (ha) | Immature (ha) |
|------------|-------------|---------------|
| Hargy | 2,458.92 | 117.04 |
| Navo/Ibana | 4,341.03 | 972.73 |
| Barema | 1,975.75 | |
| Bakada | 172.00 | 1,259.95 |
| Mengen | | 300.00 |
| TOTAL | 8,947.70 | 2,649.72 |

Table 4(b): Smallholder Grower (SG) Hectare Statement

| | |
|------------------|--------|
| Mature Hectare | 11,131 |
| Immature Hectare | 2,434 |
| TOTAL | 13,565 |

Table 4(c): HOPL Hectare Statement

| | |
|---|-----------|
| Mature Area | 8,947.70 |
| Immature Area | 2,649.72 |
| Preparation for Oil Palm | 1,000.00 |
| Total Area for Oil Palm | 12,597.42 |
| Nurseries | 23.01 |
| Emplacements, Roads, Mills, Compounds, etc. | 717.16 |
| Unplanted Reserve, including Underwater Lease | 2,289.45 |
| Hargy Total Leased Area | 15,627.03 |

1.10 Approximate Tonnages Certified

Note: HOPL do not measure PK directly but calculate it as 5.5% of FFB. All PK is crushed and on crushing and HOPL record approx. 1.7% extraction of CPKO to FFB. The approximate tonnages that would have been certified on the basis of 2012 production are shown in Table 5.

Table 5: Approximate Tonnages Certified as at 1.5.13

| Mill | CPO | PK | CPKO |
|-------|---------|--------|-------|
| Hargy | 64,603 | 13,804 | 5,108 |
| Navo | 56,998 | 12,179 | 4,507 |
| Total | 121,601 | 25,983 | 9,615 |

1.11 Date Certificate Issued and Scope of Certificate

Scope of the Certificate is for the production from the two palm oil mills and their supply base (refer Table 2(a) 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 Smallholders

During the audit of HOPL operations, the audit team were once again aware of the continued effort and resources that HOPL has committed to the RSPO implementation and maintenance for its SG's. In particular, HOPL had initiated RSPO awareness for SG's back in 2005 through the Papua New Guinea National Interpretation Working Group (PNG NIWG) process and worked with the Oil Palm Industry Corporation (OPIC) smallholder extension service and this continues to the present day. HOPL worked closely with OPIC in the development of a "Planting Approval Form" which continues to be 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 EB and the public review process.

Since late 2007, no new SG has been accepted without being subjected to a field assessment in accordance with the "Planting Approval Form". This continues to be the case.

HOPL has provided training of OPIC extension officers on the RSPO P&C, for example at planned workshops throughout 2012 in all areas around Hargy and records are available of this training. HOPL, OPIC and OPRA implemented awareness training of SGs on the RSPO P&Cs at Field Days in each of the SG Divisions, commencing in October 2007 and continuing regularly since. There was at least 1 per month in 2012 and so far in 2013 with more planned for the remainder of 2013.

HOPL has with OPIC completed a baseline survey of SG's over the past few years. The survey process involved the physical inspection of all SG blocks and interview of each SG to assess their understanding of sustainable practices and conformance with the relevant RSPO P&Cs. There is a plan in place to visit all small holders by OPIC at least annually.

OPIC is supported by the whole of the Oil palm Industry.

All PNG producers are represented on the OPIC Board.

OPIC officers are not employees of HOPL.

HOPL has listed their smallholders and they are being grouped under the independent body of OPIC. This is the defined list of smallholders.

Small holders are not under any obligation or contract to supply to the mill but are associated to the company through the OPIC association.

HOPL is represented on the board of OPIC through its membership of the PNG Palm Oil Producers Association as one of the stakeholders to contribute and give input.

BSi examined in detail the SG survey database and concluded that the information showed the great majority of SG's met conformance with the relevant Indicators of the PNG NIWG (March, 2008). The validity of the SG survey results was tested by selecting a sample of smallholders that were representative of a range of conditions and subjecting these to field audits.

The PNG NIWG had previously established the status of the SG's as "independent" and this was endorsed by the RSPO EB. However, another important consideration is the degree of HOPL's involvement with, and the support that it gives to the SG's.

HOPL operates a Smallholders Department (SD) that is dedicated to support the SG's who supply fruit to the company's mills. HOPL has a defined list of SG's and has agreed to collect their fruit. The SG's land has been mapped and HOPL is assisting in the verification of their rights to the land. HOPL supplies oil palm seedlings to the SG's and assists them by coordinating pest and disease surveys and treatment of pest outbreaks. HOPL also provides soft loans to its SG's for purchase of tools and fertiliser, which it delivers to them. In consideration of HOPL's close involvement with the individual SG's, they can be regarded as being "Associated" with HOPL.

In consideration of the above information, the audit team concluded that it is appropriate for inclusion of the SG's in the HOPL Certificate.

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 21 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 16 years, he has been the Manager of a large certification body based in Australia with responsibilities throughout SE Asia. He has performed over 200 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 3000 system audits in the last 15 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.

Allan has now conducted some 40 assessments of RSPO P & C since 2008 as Team leader and has also undertaken a number of NPP assessments. Allan was BSi Project Leader for the recent PT Smart/Greenpeace Project.

MR. NARUA LOVAI – Social Auditor

Narua Lovai has Bachelor of Science Degree in Applied Chemistry from the PNG University of Technology, a Master of Engineering Science Degree in Hydrology and Water Resources Management from the University of Adelaide, Australia and a Diploma in Professional Writing and Editing from Australian College QED, Sydney, Australia. He was formally employed by the PNG Department of Environment and Conservation, South Pacific Brewery and the International Waters Programme (Secretariat of the Pacific Regional

Environment Programme). Since mid-October 2006, he has been working as a Freelance Environment and Project Management Consultant. Some of the clients he has served as a consultant include South Pacific Applied Geosciences Commission, PNG Sustainable Development Limited, Oil Search Limited, ExxonMobil PNG Limited, British Standards International, New Britain Palm Oil Limited, PNG Power as well as Cisco and Holoman Limited.

His expertise and skills include strategic planning, organizational management, outcomes-based project management, policy formulation and revision, natural resources legislation compilation and revision, waste management and cleaner technology, water pollution assessment and mitigation, hydrological data acquisition and analysis, integrated catchment management, biophysical environment impact assessment, socio-economic impact assessment, environmental compliance and audit monitoring, stakeholder engagement for community development, and professional writing and editing.

Since 2007 he has been involved intermittently in various RSPO related assessments and audits in HOPL and HOPL operations in WNB, Ramu, Poliamba, Milne Bay and Higturu.

Tom Vigus – 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 39 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 has now completed around 25 RSPO assessment and was involved in the PT Smart/Greenpeace Project.

Tom is fluent in Tok Pisin

Formulation of Smallholder Baseline Survey questionnaire. Compilation of international standards related to environment, safety & social accountability

2.3 Assessment Methodology, Programme, Site Visits

A pre-audit to RSPO Principles and Criteria was conducted between 9th and 16th March 2008 to determine progress HOPL have made towards certification.

The Initial Certification Audit was conducted between 30th June and 6th July 2008.

The audit to close out Major Corrective Action Requests was conducted on the 15th and 16th of September 2008. All major nonconformities were successfully closed due to the action taken being affective.

The 1st surveillance audit was conducted from the 6th to 11th April 2010. All minor nonconformities from the certification were reviewed and actions examined and were successfully closed due to the action taken being affective and observations were all acted upon.

The 2nd surveillance audit was conducted from the 21st to 26th March 2011. All minor nonconformities from the first surveillance audit were reviewed and actions examined and were successfully closed due to the action taken being effective. All observations from the April 2010 surveillance audit had been acted upon.

The 3rd surveillance audit was conducted from 26th to 31st March 2012. All minor nonconformities from the second surveillance audit were reviewed and actions examined and were successfully closed due to the action taken being affective and observations were all acted upon.

The 4th surveillance assessment was conducted from 29 April to 3rd May 2013. All minor nonconformities from the second surveillance audit were reviewed and actions examined and were successfully closed due to the action taken being affective and observations were all acted upon. This assessment was originally planned for March 2013 but had to be postponed due to flooding which made the area inaccessible due to severe road damage and destruction of a number of bridges on the road to Hargy.

The approach to the audit was to treat each mill and its supply base as an RSPO Certification Unit. Each mill was audited together with the plantation of its supply base. A range of environmental and social factors were covered. These included consideration of topography, palm age, proximity to areas with HCVs, declared conservation areas and local communities.

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.

SG's were also included in this audit. A total number of 52 smallholder blocks were audited ranging in size from 2Ha (Village Oil Palm Blocks/VOP) to 68Ha (Land Settlement Scheme/LSS/ILG).

The audit was carried out by the BSi auditor, Mr Tom Diwai Vigus, in the presence of the Project Manager Hargy Smallholder Affairs Department the relevant field officers (according to location of blocks) of the Bialla Oil Palm Industry Corporation (OPIC). The field officers were present to translate, where appropriate and at the specific request of the auditor, questions and issues that were used to gain an understanding of the Block holders' grasp of the RSPO Principles and Criteria relevant to independent smallholders.

After the interview was concluded the auditor inspected each block with the block holder and in the absence of any officers from Hargy or OPIC in order to gain an understanding of any issues of concern that the block holder wished to raise about the oil palm company (HOPL), the extension service (OPIC) and the growers association BOGA.

In addition to the block holder interviews and inspections, the auditor had a meeting with the Bialla Oil Palm Growers Association (BOGA). A summary of this meeting can be found below.

2.4 Stakeholder Consultation and List Of Stakeholders Contacted

Stakeholder consultation involved external and internal stakeholders.

Telephone calls were made to arrange meetings within individual stakeholders.. As part of the audit, 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; SG's including LSS, VOP and IE's, the OPIC, and the Oil Palm Research Association (OPRA).

External stakeholders included organizations such as Government, NGOs and Civil Societies, who have an interest in the West New Britain area and resident communities.

Stakeholder consultation took place in the form of meetings and interviews. Meetings with government

agencies and NGOs were held in their respective premises within and near Bialla and near Navo mill

In the case of the Incorporated Land Groups (ILG's), meetings were held on the respective sites.

VOP stands for Village Oil Palm and are under definition smaller areas (Village Oil Palm = 2 to 4 hectare and they use CLUA). ILG's are communities looking at bigger scale of development.

Hargy is continuing the development of the lease-lease back area with landowners and are making progress for new plantings – on areas that have not yet been planted. At this stage around 2300 ha are now planted with more taking place in the coming years. HOPL has leased the land from customary land owners for expansion and ILGs had been registered at that time.

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. In a number of interviews and meetings, the presence of company representatives did not restrict discussion of both the positive and negative aspects of HOPL'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 were 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 what occurred with senior management. Employees are involved in consultation and committees).

There is a trade union at HOPL.

LIST OF STAKEHOLDERS CONTACTED

EMPLOYEES

- 6 Head Office workers
- 2 Construction workers
- 8 Plantation and housing compound management workers
- 12 Plantation harvesters
- 10 Plantation maintenance workers
- 8 Sprayers
- 7 Loose fruit collectors
- 8 Health workers
- 2 members of the Gender Committee

HOPL UNION

- *Meeting with the executive committee did not eventuate. See 6.6.1*

RELATED ORGANISATIONS

- OPIC
- OPRA

CONTRACTORS

- Pacific Development
- Commodore Bay
- NIT Transport
- Nivani
- GOMU VOP
- KCP

SMALLHOLDER GROWERS (INCLUDING)

- Twenty two (22) (Around Navo, Hargy and towards Soi area)
- Twelve (12) LSS block holders
- Ten (10) VOP block holders

LOCAL COMMUNITIES

1. Ewasse

- Chairman, Ewasse water supply project
- Managing Director, Ewasse Security company
- CRC Church elder, Ewasse

2. Gomu

- Village Committee
- Gomu Uniting Church Fellowship
- Committee, P/school

3. Apupul

- 3 Female Subsistence gardeners

4. Apupul

- 2 Male Subsistence gardeners

5. Apmeledi Paraide, Gomu

- Village Committee
- Church elder
-

ILG members of Tokaviniki Mini-estate

ILG members of Sena Mini-estate

GOVERNMENT DEPARTMENTS

- West New Britain Provincial Administration
- West New Britain Provincial Government
- Dept of Health
- Dept of Lands
- Health Extension Officer - Bialla Health Centre
- Bialla Police Station Commander
- Bialla District Manager

NGO's

- Mahonia Na Dari

2.5 Date of Next Renewal Visit

April/May 2014

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 Mills, Estates and all other operational areas having any effect on the RSPO P & C. 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.

During the audit three (3) Nonconformities were assigned against Minor Compliance Indicators. HOPL has prepared a Corrective Action Plan (Appendix D) for addressing the identified nonconformities that was reviewed and accepted by BSi.

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

BSi's assessment of HOPL operations, comprising two palm oil mill, four estates, infrastructure and support services as well as the new mill site which will be completed at the end of 2013, concludes that HOPL operations comply with the requirements of RSPO Principles & Criteria : 2007 and PNG-NIWG Indicators and Guidance : 2008.

The inclusion of the new Barema mill in the 2014 assessment will require an extension of scope to include the new mill. The estates and supply base remain the same however many areas are maturing in the next 12 months resulting in increased crop and production.

BSi recommends that HOPL continue to 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.

All records of requests (1.1.1) for information are forwarded in the first instance to the HOPL Environment and Sustainability Department for recording and are then passed on to the General Manager (GM), for approval to give out the information request. A record of response is attached. This is maintained in an appropriate manner in hard copy. This criterion has been well implemented and is compliant with requirements

and a few requests for information have been received during the time since ASA3..

There is a register which includes all requests for information. It includes date received, and usually date responded to as well as any other pertinent information with regards to each request received such as the actual response. We reviewed requests for a copy of the LLG and also RSPO details respectively.

On the whole documents that are not released are not related to environmental or social issues and are mainly of a confidential financial nature. A reason for non-release will be given when documents are not released.

Virtually¹ all growers could demonstrate their entitlement to rights to the land on which their oil palm was growing. LSS blocks are being bought and sold on a regular basis and most buyers are able to get the title transferred to their name through the normal process. Where the purchaser has sought assistance and advice from the OPIC Lands Officer, the process has gone more smoothly than when this advice had not been sought.

A few VOP block holders showed Clan Land Usage Agreements (CLUA) with an attached agreement for purchase with the Clan Leader, drawn up by the Lands Office Land Mediator. Ideally, these block holders should use the more appropriate Customary Rights Purchase (CRP) CLUAs. For established blocks, the new CLUA for CRPs should not be undertaken until replanting is necessary.

There has been considerable progress with transmission of titles on deceased estates.

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.

There are a number of documents which are to be made publicly available (1.2.1) with qualifications made for certain documents depending on sensitivity and on who is making the request.

There is a list of publicly available documents which is approved by the GM and can be produced on request – this list was updated recently on 11.3.13 including all publicly available documents. This list is made available both in hard copy on request and on the company's planned web site. A list of documents was produced during the audit. The register also includes information

¹ There was an occasional grower whose title was held by the National Development Bank, even though the loan had been paid off there is a further fee of K150.00 for discharge of loan and for the owner to get the actual title.

on who is authorised for making available documentation.

The list of documents that can be made available on request includes and is not restricted to the following as an example:

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

The General Manager and other nominated staff as per the register mentioned above are the sole authorities for the release of these documents.

Documents pertaining to financial information can only be shared upon the discretion of the GM with approval from the SIPEF Board.

The documents will be available on request. All requests can be traced back through the information request register.

Land Titles (1.2.3) will be made available on request if appropriate. HOPL's operations in West New Britain area are all on State Agricultural Leases while in East New Britain area are on customary land. HOPL Lands Department has copies of all leases—original held at Port Moresby. HOPL's operations in West New Britain area are all on State Agricultural Leases while in East New Britain area are on customary land. HPOL Lands Department has copies of all leases—original held at Port Moresby. There are total 21 copies of land titles available for inspection at the HOPL HO covering an area of 13,314 ha located Bialla, WNB, Fourmil Talasea and Milinch Ulawun. Example of land titles are Hargy Estate land located on Portion 09 for total area of 2,967 ha; Navo Estate located at Portion 629 for area of 6,460 ha lease 99 yrs - issued 1983; and Barema Estate located at Portion 2038 for 2,900 ha Barema Lease issued 2005 – 99 years; and Vamukuma VB at portion 2062 C totalling area of 731 ha. The increase from last assessment is due to the planned development of the new plantings in ILG areas of Mengen-Bakada.

The OHS Plan (1.2.4) will be made available on request. It is also posted in all work areas in a prominent position on noticeboards where workers congregate at certain times – this includes in the mill, field and all operational areas. It was sighted in many areas during the audit. All managers also have a copy of the OHS Plan. It will also be made available on the company's web site when established. The plans were last updated in February 2013.

Plans to prevent pollution are considered by management to be commercially sensitive information and are only made available to the applicable Government bodies. Plans in relation to environmental control (1.2.7) can be viewed on site if necessary however careful guidance is required as disclosure of some of this information may have a negative environmental or social outcome. These are also available in the EMS system. ISO 14001:2004 certification confirms that a Pollution Prevention Plan is in place. All the pollution elements and control mechanisms are assessed during an ISO 14001 audit and compliance ensures a continuous improvement and control of aspects/impacts.

The Equal Opportunities Policy (1.2.2) as per the PNG Constitution is available and has been approved by Management. It is widely available on many noticeboards throughout the operations.

HOPL has separate policies for the following: Health and Safety, HIV/AIDS, Sexual Harassment, Malaria and Domestic violence (1.2.6) amongst others. These are also widely available.

All policies were recently reviewed and re-issued under the authority of the General Manager in March 2013.

There is a grievance complaints register (1.2.8) which is supported by any documented complaints. Outcomes are documented and the company has a standard letter with which it informs the aggrieved party of receiving the complaint and procedures to be followed for resolution. This has progressed and includes a register of all complaints or grievances received. It includes name of party, date received, outcome, acknowledgment of receiving complaint, and date resolved as well as a brief description of the complaint. This is supported by a file which keeps hard copies of complaints/grievances and all responses and communications between HOPL and the aggrieved party if documented – internal grievances are recorded in a file in each operational area which summarises all information and attaches applicable letters if required to support the action taken. Any complaints and grievances can be made available on request at the discrimination of ESD under approval from the General Manager.

The Documented system for access to customary land (1.2.9) and negotiation procedures for settling disputes will be made available on request.

There is a Continuous Improvement Plan (1.2.10) available for all operations including mills 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 Continuous Improvement Plan.

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

HOPL ensures compliance with laws (2.1.1) via external monitoring inspections using government agencies such as the Department of Environment and Conservation, Dept of Labour, and Dept of Health. This is further supported by internal audits and inspections to ensure that certificates, permits etc. are current. As far as possible all government permits and licenses have been obtained and they appear to be current from the samples inspected.

HOPL is proactive in renewing of all permits and licenses. The issuing of new permits however is outside the control of HOPL. All permits which were sighted including Boiler operators licenses, Boiler Inspection Certificates, environmental and water permits were current at the time of this assessment.

Due to the fact that the company will have to comply with laws and regulations under RSPO as well as ISO they take the initiative to contact the official regulatory bodies to follow up on permits etc. Inspection of the records indicated that review of legal compliance to environmental laws was carried out in February 2013. Records are held on file "Hargy Palm Oils Environment Permit Conditions Compliance Evaluation". Beside that HOPL also reviewed applicable regulation in relation to employment, industrial relations, industrial safety, land disputes and licensing on heavy machinery.

The SG's and OPIC, during inspection, were checked that legal and regulatory requirements are being met. This is recorded on the Planting Approval form. The OPIC Act is the principle piece of legislation for management of the SG sector.

There is a Local Planning Committee (LPC), which is responsible for the overseeing of SG projects and includes members of stakeholders such as OPIC, HOPL, BOPGA, the IE Association, OPRA and Local Level Government (LLG). The LPC meets on a monthly basis and minutes were available both with OPIC and the company SD.

There is register of PNG legal and regulatory requirements including codes of practices, environmental permits, forestry etc. with the Environmental and Sustainability Manager (ESM). The ESM also regularly checks for any changes to legal or regulatory requirements (2.1.2) and updates the list / register if and when required. The register presented was quite extensive and included all legal and regulatory requirements known to concern HOPL and current as at 13 March 2013.

External checking for HOPL compliance was carried out by external agencies such as the Department of Conservation, Dept. of Labour, and Dept. of Health; which supported further by internal audits and inspections to ensure that certificates, permits and licenses are current. Inspection to the record indicated that review to the legal compliance to environment have been carried out on 18 January 2013. The review found 20 non-conformities. Action plan is prepared to rectify the non-conformities planned to be carried out in 2013. Records held on file “Hargy Palm Oils Environment Permit Conditions Compliance Evaluation”. Beside that HOPL also reviewed applicable regulation in relation to employment, industrial relations, industrial safety, land disputes and licensing on heavy duty vehicle on 13 March 2013. Records are held on file “2.1 List of PNG Applicable Legislation”.

Manual monitoring of overtime has been implemented and is effective in preventing excess of overtime. Inspection of the payroll indicated that excess of overtime is no longer an issue. Even though the manual checking is effective however company plans to implement a new pay roll system “Lintramax” by 2013/2014. Copies of other legal documents are also maintained by the Environmental and Sustainability Team.

There is a documented procedure (2.1.3) for updating of information on legal requirements and how changes to laws are tracked. - HOPL has a procedure dated 20/01/2013 the procedures indicates that the Environmental and Sustainability Manager (ESM) is responsible for identifying, tracing, reviewing (as available on http://www.paclii.org/pg/legis/consol_act/) and updating of legal requirement for HPOL operating units. The ESM also keeps aware of any changes to legal or regulatory requirements and updates the list / register if and when required.

SG's are made aware of any changes through OPIC, OPRA and the company.

Land use and customary laws are critical issues throughout Papua New Guinea.

All growers showed awareness of relevant customary, local and national laws; this was determined by several questions and document examination.

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

HOPLs operations in WNB are all on State Agricultural Leases while in ENB it is on customary land. The Lands Department has copies of all leases (2.2.1) – for example observed Navo lease 99 yrs. - issued 1983 and Barema Lease issued 2005 – 99 years. Company holds a copy of land titles / user right on site—original held at Port Moresby. There are total of 21 copies of land titles covering an area of 14,774.02 ha, e.g. Hargy Estate land title located on Portion 09 for total area of 2,967 ha; Navo Estate located at Portion 629 for area of 6,460 ha;

Barema Estate located at Portion 2038 for 2,900 ha; and Bengen-Makada – new development 1,139 ha.

HOPL has land arrangements with customary landowners in relation to mini-estates > 20 ha (under Lease – Lease Back scheme). This is with local ILG's who have suitable land and an official agreement with customary landowners has been reached. These organisations have been included in the RSPO implementation and have continued to improve.

Lease - Lease Back - awareness sessions were held and records maintained and the FPIC component was integrated into these sessions. The development of Lease-Lease Back areas is in the Mengen Bakada areas and crosses into East New Britain. In WNB all LLB scheme are located in state land so that no significant issues arise. However, in ENB the programme is developed on customary land. In this area Vamukuma VB at portion 2062 C totalling area of 731 ha that land title had been granted by the government on 02 March 2011 for the duration of 99 years. The development of this land has commenced in late 2010.

Hargy has clear title to all the land which has been granted to HOPL by the State of PNG. This is recognized by the highest court in PNG. Any dispute on ownership on state land is between the state and the customary landowner – not HOPL.

Awareness sessions were held by the company in villages and with other stakeholders on stakeholders related matters (dispute settling, environmental issues etc.). Hereby the customary traditions were recognized by involving the communities' representatives and clan leaders. Files are available showing details of the discussion process, decision making process and if needed a settlement process and the consent process of involved stakeholders (A registered surveyor establishes survey boundaries (2.2.2) and these are marked physically by pegs in the ground and on registered survey plans.

There have been no new occurrences of HOPL planting outside their boundaries.

All the stakeholders are informed on disputes and conflicts and information is made available – through radio programs and newsletters. NGOs (TNC) have been invited to attend landowner awareness sessions. These NGOs were invited as they are present within the province. Under EMS all people who come under the influence even remotely of an organization are called stakeholders.

A Lands Officer of the Dept of Lands and Physical Planning conducts the LIR as per the Land Act.

Boundaries are normally natural such as Roads, Rivers and Customary land. Boundary pegs are now identified and are located and marked via GPS and also included in Satellite Imaging of HOPL estates. Sighted maps - for Navo Vol 1 Fol 33 15/147. Boundary pegs were sighted at the new developments at Alaba, Ibana and Kera Kera.

There are no major disputes at present (2.2.3) in the HOPL area with regards to land tenure and therefore there are no significant land conflicts with regards to land tenure. Until the Lease – lease back area which was recently developed in the Mengen Bakada area - all HOPL development and plantings have been on state land.

At Navo estate, following a survey plan 15/932 it was found that an overplanted area over 26 ha that comes under Ela Lumkere Enterprises leases. Company has an agreement with Ela on sub-leases of the land.

There is a minor issue around the boundary of Makakiwa involving the overplanting of 1/3 of an hectare (around 44 palms). All correspondence and discussions over this land are being documented to come up with an outcome acceptable to all parties.

Dispute resolution mechanisms are established through open and consensual agreements with relevant affected parties using either legal means or negotiation with the party in dispute. If required the DOL or other bodies are brought in to act as independent arbiters. This system will be used if any disputes arise.

There are no significant land conflicts at present with any land being used by Hargy (2.2.4).

For SG's there is land mediation through the DOL, this is facilitated by OPIC and a copy of any resolution is maintained by OPIC and the DOL. If a dispute has been resolved the company SD and SG are notified. Disputes involving customary land are usually settled by Customary Land Mediators and the PNG Court system if necessary. A Clan Land Usage Agreement (CLUA) is produced once the dispute has been resolved.

At this stage legal ownership or lease can be demonstrated for all SG blocks. 90% of the Small Holders included in the audit could show their CLUA immediately. The others had the original at the bank and had evidence of tenure. Where a lease title was not available it was indicated by the smallholder that the title was held by the banks as collateral.

The company SD also 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 OPIC.

LSS disputes are facilitated by OPIC due to the inactivity of the DOL. A plan is in place which has given better control and ensures LSS blocks owners have wills so that ownership is easily transferred to the next of kin.

The West New Britain Provincial Administration has established an Oil Palm Development Committee to arbitrate all disputes over both State and Customary Land used for oil palm production. This committee is also responsible for overseeing disputes arising over Lease-Lease Back land.

No current disputes were recorded on any of the blocks audited.

HOPL through SHA continue to cooperate with OPIC to assess the number of blocks that have not managed to transfer legal title to the current "Papa Card" owner due to the original owner having died intestate.

2.2.3 Observation: New CLUAs are still using the clause "for the life of the lessee" as the timeframe for the agreement. This is not considered appropriate and a time frame of 25 years (one oil palm rotation) minimum would be more culturally appropriate, as clan situations change with time.

Action:

A revised CLUA form is being used where the time frame is left open and agreed to by all parties and signed.

Only a few minor disputes were noted, all on LSS blocks and on deceased estates.

All cases of disputes were in the process of mediation, although there was one case where the dispute had been settled in the courts and the loser had issued threats against the block holder. The block holder was advised to seek a restraining order against the threatening person (a female relative) from the local police. Assistance was offered by the company and OPIC officers.

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.

Previously all land used by HOPL was State owned land to which a Leasehold Title has been issued.

Maps are available (current) showing occupied state land, vacant state land and customary land (2.3.1). Maps are available which indicate the extent of all plantations on alienated land.

Awareness sessions have been held with the landowners in the villages or at a suitable location where all interested parties may attend. An NGO representative is invited to attend the awareness sessions to verify that FPIC is followed and also to explain possible negative environmental and social impacts to the landowners.

Following the awareness session consent is given by the landowners for the company to assist in the formation of the ILG and to obtain title over the land. HOPL lands officers provide assistance to the landowners.

Land Investigation Reports have been completed in conjunction with Provincial Lands Officers. This Land Investigation Report is used as the basis for determining whether there is undisputed ownership over the Land in question or not. It was demonstrated that all disputes had been settled and ownership of all land has been established.

SEIA and HCV forest evaluations have been completed prior to the signing of sub-lease agreements. All land under evaluation for Lease Lease Back has been logged prior to Nov 2005.

Maps showing areas for Lease Lease Back (2.3.2) have been produced. These maps show the areas of Timber Rights Purchase (TRP) which is evidence of logging. Areas of vacant State Owned land are also identified on these maps.

A copy of the Sub Lease Agreement was displayed during the audit.

By holding a recognized legal title the ILG have entered into a Sub-Lease agreement with a company to develop that land. HOPL has a written procedure to assist customary landowners to obtain leasehold title to their land. The DLPP is the government department responsible for administering the Land Act and the Lease-Lease Back process ensuring that the rights of the customary landowners are protected.

Under Lease-Lease Back scheme, HOPL will develop palm estate if the land owners have shown interest to the company to develop their land. The first steps are usually company to carry out awareness session in villages and to other stakeholders on stakeholder's related matters (dispute settling, environmental issues etc.). Hereby involving the communities' representatives and clan leaders recognized the customary traditions. Files are available showing the involved discussion process, decision making process and if needed a settlement process and the consent process of involved stakeholders.

There are no operations on alienated land (2.3.3).

SG's on LSS blocks have been granted an agricultural lease over their block. This land was legally acquired by the State from the customary landowners and 99 year leasehold titles were granted to the LSS grower. The record of the purchase is recorded in the Native Land Dealing Document (NLDD) which is held by the DOL and Department of Lands & Physical Planning (DLPP). HOPL has copies of the NLDD's for the land it occupies.

Ownership of LSS Blocks can be verified by conducting a title (2.3.5) search with the DLPP. Most owners hold Owner Copies of the title and this was verified during the audit. There are maps developed indicating extents of LSS on alienated land.

All information on CLUAs (2.3.6) and LSS Agreement kept with the Oil Palm Industry Corporations (2.3.7)). OPIC provides HOPL with list of CLUA and Lease Title Documents (LTD) including Division 1 (Cenaka) and Division 3 Meramera. Record held on file "Customary Land Usage Agreement".

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 were sighted at OPIC –

for privacy reasons these were not recorded in this report but samples are available in audit notes.

Maps of LSS blocks are available (2.3.4) with OPIC and HOPL and maps of all VOP smallholder growers are now available as a full survey was conducted in 2009. The roads on which the VOP blocks are located are mapped. Satellite imagery and map all VOP blocks has been obtained.

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

There is a five year business plan for HOPL (3.1.1). It is available from the GM. There are business plans in place that take into account crop projection, mill extraction rates, costs of production, annual replanting programmes (3.1.2), forecasts and financial indicators.

All requirements of this indicator have been met. 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.

There are also development plans for housing (new) and refurbishment over the next 5 years with budgets already in place.

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

The Five Year plan is reviewed on a yearly basis at least. The latest review and update was completed in April 2013 in line with Sipef budget requirements for 2013/14

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

HOPL have Management Guidelines (MG) for Estates, Mills and all operational areas. Standard Operating Procedures (SOP) (4.1.1) are in place for each station in the process from weighbridge to storage in each mill.

Estate field standards are documented for all stages and management has developed HOPL's own Field Handbooks. HOPL also refer to MG's and the Recognised Industry Field Handbooks (PPI Oil Palm Handbooks) for guidance.

The management guidelines (MG's) of which there are 16 including the following Harvesting, Transport, Pesticide operations, Milling, Workshops, Nurseries and all operational areas have recently been re-issued. These documents are an improvement of the previous guidelines and are easier to read and much more useful in application of the requirements.

Each mill has in place SOP's for all mill activities. These are specific for each mill due to difference in operations. The SOP's are available in the mills at each area of operations. At this time all mill SOP's have been translated into Tok Pisin and put in place in all

operational areas. Adequate document control in the form of issue date and approval is in place.

For the mills there is in place a mechanism for monitoring effectiveness of procedures (4.1.2). The shift supervisors check that all log books are completed for all SOP's at the frequency required. This is done by signing the appropriate station log book, a copy of which is kept by mill management and also includes planned scheduled inspections.

The operators at each mill have completed the required log sheets at each station on the required timetable and frequency. 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.

The SOP's are further supported by routine regular scheduled preventive maintenance (4.1.4). This is planned and carried out under the Mechanical and Electrical Engineering divisions to ensure on going 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. Any breakdowns, stoppages or major services are recorded in both the log books for each area and in the maintenance records.

They also have scheduled field inspections in place. These are further supported by an Internal Audit Programme.

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 Head of Estates (HOE), who also carries out regular field inspections which are further supported by the issuing and circulating of an inspection report to the relevant authorities. Any non-conformances are recorded and followed up in a specified time frame with levels of compliance noted.

(4.1.3) There is a Code of Practice (COP), for Oil Palm Processing. This document is referenced in the legal register, SOP's, MGs and ISO Procedures. There are also Codes of Practices for Hydrocarbon and the Vehicle Workshop (VWS) - these are also referenced. The latest issues are controlled by the ESM who ensures current applicable PNG COP's are in place. The following COP's which affect estates are referenced in documentation and include Logging, Landfill and specific COP's for PNG.

There are records maintained of inspections and audits. The record of actions taken place is also recorded and available. Under the Internal Audit process Corrective Actions Required are issued, or observations are noted and followed up by the audit team.

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

Records of fertiliser inputs are maintained (4.2.1) in the Oil Palm Management Programme database and these details are readily available through this system. This includes type of fertiliser used, block place, amount used and frequency of application.

Periodic tissue and soil sampling (4.2.3) takes place by Agronomy in conjunction with OPRA. The results of the analysis of the samples are used to optimise fertiliser requirements. Tissue samples are taken annually and soil sampling is conducted every 5 years. The next detailed soil sampling of Hargy and Navo Estates will take place in 2013. Barema Estate had soil samples analysed in 2008. Soil sampling for the new plantings at Mengen Bakada took place as part of the Environmental Impact Assessment prior to development. This was completed in 2010 prior to any planting taking place. These areas are now included in the regular soil sampling plan.

Agronomy ensures that tissue analysis takes place each year and determines future fertiliser application for the coming year. The latest leaf analysis took place in 2012 and will be completed again in 2013.

OPRA provides a recommendation for SG fertiliser. OPIC provides advice to SG's on the use of fertiliser. SG's sign an Irrevocable Fertiliser Order committing the grower to fertiliser inputs for the next 5 years. HOPL imports the fertiliser and delivers the fertiliser to the SG's based on the Irrevocable Fertiliser Order signed by the grower. The annual cost of the fertiliser is deducted from the SG's payments over a 6-12 month period.

All palm by-products including fronds, EFB, compost, effluent and expeller are recycled (4.2.3). These are used as nutrients and are put in place to improve organic matter and to substitute or supplement inorganic fertiliser. Fronds are also used to prevent erosion following pruning and after harvesting of FFB.

There are records in place for placement of EFB.

All block holders had signed the Irrevocable Fertiliser Order form and understood the importance of applying fertiliser to their palms. 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, by spreading the vegetable waste on top of the fronds. The SG's visited understood the principles of fertilizers and there is a support service in place to train and create awareness through the OPIC extension service.

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

During field inspections the risk of erosion (4.3.1) is assessed and records in the form of a field inspection sheet are kept and are further documented in OMP 8. This includes both SG's and HOPL estates and includes every block. The assessment includes run off from roads and effectiveness of road grading programmes to prevent erosion with regards to drainage. Inspections also check on the amount of cover crop (CC), for new and old plantings especially in steeper areas and replanting of CC done where required to ensure that

risks of erosion are reduced and eliminated when possible. The cover crop is well established in all areas inspected during this assessment.

No new planting since 2007 (4.3.2) has been on slopes in excess of 25 degrees in fact the limit for HOPL has been set at 20 degrees. This is still the case and applies to both HOPL and SG's.

At Navo and Barema estates there are no plantings in excess of 9 degrees slope and terracing has not been necessary.

With regards to the new planting in the Mengen Bakada planting where slopes are in excess of 9 degrees but less than 15 effective terracing has been established.

At Hargy estate there is terracing (4.3.3) in some areas to reduce soil erosion – Kera Kera division for example. To prevent erosion cover crop (CC), is introduced at the time of the formation of the terraces and once palms are harvested cut fronds are placed in a position to reduce erosion in the form of boxing. Rainfall run off is minimised where necessary by construction of strategically placed drains along road way in the form of scupper or turn out drains – these were sighted on roads which have been graded following very heavy rainfall when roads are reformed and drains constructed. Roads have been improved and are now much more durable with regards to accessibility in times of heavy rains. During the recent assessment we experienced continuous rains however the feeder and collection roads were still accessible.

Sprayers must follow the spraying guidelines as set out in the Field Standards. These are constantly being monitored by the supervisors and divisional managers to ensure pesticide spraying is effective. There was no evidence of over spraying of herbicides during this assessment. Estate harvest paths are slashed by hand by estate workers reducing total sprayed area. The estates use chemicals under controlled conditions – OPIC is training SG's – HOPL does not supply pesticides directly to SG's. Insect control is under an IPM program and OPIC apply the insecticides on SG blocks where recommended by OPRA. SGs are discouraged from using pesticides until they are fully trained in the safe use and handling of pesticides.

There are no peat soils in HOPL leased areas (4.3.4).

There are now current road maintenance programmes in place for each estate and throughout Hargy Plantations which ensures that drains are clear and properly formed to channel run off into these drains on the steeper roads (4.3.5).

4.3.5 Observation: The road maintenance plan in each estate is prepared indicating targets for maintenance however achievements are not being recorded as roads are maintained.

Action:

Records are now updated monthly to show what has been done versus what has been planned for each plantation road. The ESD team checks this as part of internal audits.

Maps are in place for Hargy and Navo estates which identify all soil types. There is a strategy in place with regards to the management of fragile soils. There do not appear to be any fragile or problems soils in an of the plantation areas of HOPL (4.3.6).

Most blocks were on flat land, but where any sheet erosion started to occur during very heavy rain, palm fronds were placed across the flow and stabilised by palm frond pickets.

On audited blocks which has some sloping areas, extra effort was made to stop the flow of water by placing palm fronds at right angles to the flow of

There were no peat soils of over 3m depth in the areas audited.

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

There is an Integrated Water Management Plan which has been implemented – this was recently updated 26.2.13 and approved by the General Manager (4.4.1). The plan takes into account the efficient use of resources, ensuring amongst other things that water use does not impact on other users, avoids contamination of ground and surface water, appropriate treatment of mill effluent. HOPL have in place all current water extraction permits for all operations and all were sighted during this review.

All required conditions are adhered to as far as possible by HOPL. Biological Oxygen Demand (BOD) is monitored and records are in place for the last 5 years at least and indicate that at all times, apart from abnormal rain events, BOD levels are within the prescribed limits as are stated in the Environmental permits and Government guidelines.

Wherever there are occasional spikes in excess of allowable limits these occurrences are quickly analysed to determine reasons. At times the readings from the independent lab analysis of water samples are both unreliable and slow and to complicate matters the lab has lost its ISO 17025 Laboratory accreditation. There are no other accredited labs in the country who perform the specific tests required.

During this assessment (ASA4) drinking water samples were reviewed for all compounds. The results indicated there were no instances of faecal coliforms detected in any sample. Further when clinic records were examined and medical staff questioned there was little evidence of gastric and other water borne illness.

Records indicate that Navo Mill is monitoring effluent discharge and readings indicate that discharges are in compliance with PNG guidelines for field application.

All monitoring results were well within limits prescribed in the environmental permit and national regulations accept very occasional exceptions.

HOPL are monitoring the amount of mill water used per tonne of FFB. The Water Management Plan includes a number of strategies to control water and water use. This includes construction of storm water drains and triple interceptors to control and prevent pollution of water run-off. Effluent drains empty into the effluent ponds for treatment. Domestic usage of water is also monitored as part of the water extraction permits. The amount of leaking pipes and taps noted in this assessment was much lower than in any recent assessments.

On all roads but especially steep areas water run-off and erosion is managed by construction of scupper/take off drains to get the water quickly off the roads and prevent pollution by run off as well as prevent erosion.

It is also part of the water management plan that HOPL test regularly raw water from all water course affected by their operations. The quality of drinking water indicated that domestic water provided to Hargy compounds does not contain faecal coliforms.

The riparian buffer zones (4.4.2) 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 which have been issued for each estate. All permanent water courses have buffers in place and these comply with the permits respectively. The area at the top of Ibana Estate is an example of buffer zones being in place and being enhanced by effective management. In fact due to the planting of vetiver grass all banks in the riparian zones are now much more stable and therefore erosion risks are reduced. There is a replant being undertaken in Kiba estate and already the cover is very advanced and effective in controlling erosion.

The buffer zone adjacent to the Ibana River next the Navo nursery has now been completely re-established within guidelines. Bird life and flora were observed in abundance. There are many signs erected in the buffer and riparian areas indicating the areas are to be preserved and include no hunting, gardening and other activities on these sign posts.

The use of Guatamala grass is controlled and only used to prevent erosion on steep banks. This falls under good agricultural practices and is used in other palm oil producing countries as well. The company also focus on re-establishing of buffer zones by planting native species – Eucalyptus deglupta, taun, kwila are the main species.

In Barema the buffers remain in place and have not been encroached and are in fact flourishing and provide a luxuriant habitat for the wildlife in the banks of the Lobo and Barema rivers. The buffers include wetland areas and there is a substantial buffer between plantings and the sea (200 to 400 metres). The wildlife in these areas is also abundant and the buffer areas appear pristine. The reserve areas around Barema Estate are particularly well managed and have been maintained since the first plantings in 2006.

4.4.2 Observation: There was no review of environmental factors concerned with the use of Barema Beach for landing a barge and heavy plant used in the construction of the new Barema mill. Although this is the most favourable place for these activities plans are not in place for the effect these operations will have on the area and the methods to be used to rehabilitate the area once construction is complete.

Hargy Oil Palms has a current extraction permit for gravel from the Barema river. Conditions of these areas continues to be monitored to ensure permit conditions are adhered to.

Proper signage has been erected at appropriate locations to warn people on the importance of Barema, Lobo and the coastal zone buffer reserves.

Monitoring of the buffer zone condition is undertaken by Estate Managers on a regular basis with records of monitoring being in place.

The only forests areas of value are those of the remaining buffer-zone areas at the coastline and along each side of the two major rivers. The small Oxbow lake continues to receive special attention which has managed to ensure its integrity has not diminished.

Block holders demonstrated their understanding of techniques required to maintain quality of surface water by use of cover crops when the palms were young, not clearing vegetation too low except for the circles around the base of the palms and appropriate positioning of cut palm fronds (pangal).

There were very few small holders who used herbicides and where they did they were aware of the need to protect ground and drinking water sources.

All blocks inspected had rubbish pits for kitchen waste that could not be used as compost.

Awareness sessions have been carried out among company employees, adjacent smallholders and locals on the importance of the buffer-zones for wildlife, and other special features such as erosion control.

All smallholders interviewed indicated good understanding of buffer zone establishment and requirement.

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

HOPL are maintaining records of the contents of the chemicals used which have published toxicity (4.5.1).

There is an Integrated Pest Management Programme (IPM)(4.5.2) for specific pests. There is a measurement of the amount of each pesticide used and type for each specific pest e.g. for Stick Insect infestation at Makakiwa - use methamidaphos. On identification of damage warranting control a programme is put in place with the cooperation of OPRA who are the authorities in the PNG

Oil Palm Industry for recommending the use of chemicals in the control of pests. HOPL monitors pests and disease as part of the IPM. This was completed for the stick insect infestation at Makakiwa.

The Integrated Pest Management Plan (IMP) which has been recently updated takes into account use of biological methods being used in some areas to minimise and reduce the use of pesticides. This includes the use of hand picking of small outbreaks of *Oryctes* at Alangily – where the results have been included in the latest IPM. Also a beneficial plant has been introduced in some areas (Tunera) and this use continues to be recorded. Therefore both the biological and physical methods used are being used to control pests are now being recorded or updated in the IPM. At HOPL they also practice manual weeding when able to reduce the reliance on herbicides.

The use of all chemicals is justified and a plan to reduce usage has been presented. This includes reasons for use – such as weeding etc, chemicals used, dosages, and frequency of use.

The IPM Working Action Group meets monthly. This committee is responsible for collating all pest population data and coordinating the implementation of the IPM programme for both plantation and SG's. Representatives from HOPL, OPIC and OPRA attend this meeting.

The amount and type of pesticides used (4.5.3) and the locations they are used in are recorded for each programme and kept in OMP 8 for each block.

SG's are informed about the dangers of pesticides usage and that the company is not providing any chemicals to them unless they have proof of training in pesticide handling. The only chemicals provided by Hargy are Glyphosate and only to trained people.

There is a well-established Integrated Pest management system, all responders replied that if there was any sign of disease or insect problems, these were immediately reported to OPIC for their relevant reporting to OPRA/Hargy SHA.

Block holders rely on OPIC, OPRA and HOPL to spray pesticides to control insect outbreaks and Ganoderma.

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 documented justification for agro chemical use and this is documented within the IPM, which attempts to ensure that the most effective and least harmful chemicals are always first choice.

The IPM has documented what chemicals are used and where and in what situation. This includes the types of pesticides used and the reason for their use. (4.6.1)

The recommendation stipulates the maximum dose possible for each application. There are also plans in place to reduce the use of Agrochemicals through the application of the IPM. Graphs were presented indicating the use of certain pesticides used and amounts being used for the previous 5 years. Although there are some hiccups at times due to weather issues and certain infestations the trend is indicating a gradual reduction in use of most chemicals. All chemicals have to be approved for frequency of use. This was supported by the chemicals listed for use by DEC and as per PNG Oil Palm Industry practice.

There are records in place of pesticide use including active ingredients, areas treated, amount applied and number of applications for all the estates in HOPL. The records are maintained in OMP8 (4.6.2).

Paraquat is used in the nurseries and in immature palms. 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 while the RSPO comes up with a viable alternative (4.6.5). As with all chemicals records are kept of any paraquat applications. Records indicate that the use of paraquat is being reduced in all applications.

There is in place an ongoing IPM which is controlled via the PMP with regards to the use of WHO Type 1A or 1B chemicals (4.6.3). No suitable alternative has been identified by the RSPO at this time. It is HOPL policy not to supply paraquat to any SG's. This policy is strictly monitored.

There is no aerial spraying of pesticides (4.6.4).

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

- Pesticide Mixers
- Pesticide Sprayers
- Small Holders
- Chemical handlers in stores

These records are kept in each estate office and by OPIC for small holders. The training data is also maintained to show what the training covered and who attended the training.

PPE for sprayers is supplied and use (4.6.9) demonstrated in the MG and further demonstrated in training manuals. The company supplies two sets of overalls 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.

There is a minimum requirement of PPE that must be worn / used in the handling and application of pesticides. Some chemicals such as methamidophos require more extensive protection and this is nominated in the MG's for pesticide application.

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.

Storage of chemicals is in specially locked areas with limited access (4.6.10). All areas where chemicals are stored appear to be adequately ventilated through cross flow ventilation. This will be further improved as HOPL have designed a standardized pesticide store which has been constructed in a number of estates and is progressively used to replace current stores and become standard practice. Since the previous assessment new improved pesticide sheds have been erected in all estates apart from the new developments where they will be erected once all constructions are complete. The temporary pesticide stores are however adequate at this time. See 8.1.

All chemicals containers if not recycled for chemical mixing, 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.

Methods of storage and disposal of chemicals (pesticides) are included in training provided. HOPL are using only chemicals that are registered with DEC and a reference list had been obtained from them (4.6.11).

CPO residue testing has not been requested by anyone in the Supply Chain (4.6.12).

Female pesticide handlers may be employed by HOPL so long as not pregnant, or breast feeding (4.6.14).

Health checks are now conducted for pesticide handlers. This is carried out by the clinics on a twice yearly basis and records of these checks are kept in each clinic with the latest tests being carried out in January 2013 – records are in place in all clinics within each estate area

Records are available to demonstrate Acetyl Cholinesterase testing for all users of organophosphates (4.6.13)– records indicated who has been tested and comprehensive results are provided. Any workers who are below the set health limits are stood down and given other duties until such time that they are within limits. They are retested once the stipulated time frame is up before once again applying organophosphates. Organophosphates are only used for certain pests and not used on a daily basis.

OPIC keeps records of pesticide training that they deliver to the SG's. OPIC is responsible for training SG's with regards to the use of PPE, mixing, application and storage of pesticides and the correct disposal of waste chemicals and containers. The training emphasizes the need to reduce or eliminate the use of pesticides by SG's. Training is carried out through field days. Records of attendance at field days are recorded by the OPIC Extension officers. Copies of training certificates for Small Holders were sighted. Therefore all smallholders interviewed produced signed training certificates.

Some growers who responded in the affirmative to using herbicides still refer to the chemical that was used as "Grammoxone"; checks on storage of chemicals revealed that only "glyphosate" was being used.

Less than a third of the block holders at Bialla have been trained and received certificates from OPIC and very few of those interviewed are currently using herbicides, although some growers admitted using herbicides occasionally even though they did not have a certificate

See below, smallholders do not use chemicals other than herbicides.

Some growers were occasionally contracting out chemical spraying to experienced and certified sprayers.

Block inspections showed that PPE such as gloves, boots, overalls and masks were stored in the appropriate place. In general, smallholders claimed to use the PPE at all times to maintain their blocks.

There are no National regulations for disposal of chemical containers. HOPL follows industry best practice.

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

There is an OHS Plan (4.7.1) in place in all the following areas:

- Estates
- New Mill Construction site
- Mills
- Workshops
- Clinics
- Stores

All areas have implemented and monitor the Health and Safety plan and the level of application is consistent notwithstanding some issues identified in Hargy Mill. This has improved considerably and each operational area has in place both a generic and safety management plan which identifies all hazards and risks (4.7.2).

Hazards and Risks have therefore been identified for all operations and in all areas where the company is involved. This also includes the degree of risk as well as the controls in place. It appears that all areas have implemented the plan with a view to continual improvement..

Minor NC 4.7.2 – Contractors working on major projects such as the new Vehicle Workshop and Barema Oil Mill construction have not been risk assessment and procedures have not been put in place address any health and safety issues in a formal way.

Action: Closed: There is now in place a hazard and risk analysis for all the activities associated with the Barema Mill project. The risk analysis includes controls

in place. There is now a contractor Health and Safety person on site full time. The overall control of contractor safety is much improved.

4.7.2 Minor NCR: A number of Safety Issues were identified in a number of areas which require improved control. These include: Signage require where EFB falling in work area, Diesel not identified in bulk tank, LOTO not properly implemented, Damaged machine guards, worker not wearing ear protection, Expeller blowing into mill – possible eye damage, Electrical switchboard doors not locked.

Overall Safety appears to have improved in the mills as indicated by records of LTI's. A number of areas that previously were unsafe are now much better managed and awareness is lifting in all areas. There are emergency procedures in each area and these are tested and all records are available. The records of all emergency drills are very detailed and cover many diverse possible emergency situations. These include vehicles accidents, fire drills, chemicals spills are many other. The records of these drills could well be considered best practice. Therefore the company has improved safety for its workers overall. However a number of safety issues where identified – mainly to do with contractor safety.

Minor NC 4.7.3 At times contractors working on projects at the vehicle workshop are not using provided safety equipment such as hard hats or safety harness provided for working at heights. A few other issues were also highlighted including damaged electrical welders not tagged out (fixed during assessment), no RCD on temporary power boards, Lock out/tag out processes not applied correctly (fixed during assessment).

Action: Closed – The control of high risk activities at the Barema mill site has improved considerably. Now PPE is used throughout the site with few in any exceptions. There is now a permit system for high risk activities including working at heights, hot works and working in confined spaces. Workers on the new boiler had in place harnesses which were being used at the time of the assessment.

Minor NC 4.7.3. In Hargy Oil Palm Mill not all potentially hazardous operations have been adequately controlled. There is in place a system for managing high risk operations however it is poorly implemented. Hot works permits, working at heights permits and confined spaces permits are incomplete as far as approval and checking of completed work. A number of these permits also appear to have been back dated and not issued on the actual day of the high risk operations.

Emergency Shutdown procedures are available in all areas of the mills and in the local language (4.7.5).

There are company clinics on all plantation divisions and at the HM and Navo Mill compound which are staffed by trained health workers or Nurses and are on call 24 hours a day (4.7.6). The clinics are regularly checked to

ensure they are hygienic and sharps and medical waste is handled correctly.

The company also has Red Cross trained first aiders (4.7.6) and first aid kits in all field and mill work areas that are checked and restocked regularly. A number of First Aiders are available in both mills at all times including day and afternoon shifts. These are identified on company notice boards in prominent positions.

There are records kept by Administration of training First Aiders. A dedicated person has been appointed as the overall OHS Superintendent (4.7.4) who coordinates all OHS matters. Furthermore an OHS representative has been appointed and identified in all operations areas. OHS Representatives have been appointed at:

- Hargy Mill
- Hargy Estates
- Navo Mill
- Navo Estates
- Barema Estate
- Central VWS
- Navo VWS

All areas have regular meetings to discuss OHS. These are now scheduled across the board at 2 monthly intervals and this requirements in largely being met with some areas conducting monthly meetings. This is followed up by a companywide OHS meeting attended by the company representative and all department OHS Representatives. The most recent meeting was held in March 2013 and minutes were distributed to all operational areas and also posted on OHS notice boards.

All areas are now holding Tool Box talks to disperse current or topical information or to reinforce safety like use of PPE.

4.7.4 Observation: HOPL are not using a set agenda for a number of safety meetings and it is not always evident that accidents/incidents are all discussed.

Action: There is now a set agenda for all meetings on safety in all operational areas. In each case any accidents, incidents and near misses are discussed as part of the agenda.

In Estates workers appear to use PPE in the correct manner when required. Dust Masks and Respirators are made available for all workers in dusty areas or involved in chemical mixing.

Central VWS is 100% compliant in the use of provided PPE.

All potentially hazardous operations are identified and if required PPE is provided by all workers of the company.

All workers are covered by workers compensation accident insurance (4.7.8)..

HOPL are now keeping records of LTI's (4.7.7). All accident records are being kept and reviewed to determine the root cause and to prevent recurrence

where possible. Any accident records are filed on blue paper to separate them from any medical conditions reported to the clinics. All records are centralised in to the main clinic and data is extracted and reported to management. This includes Lost Time Severity and Frequency rates for each area and the whole of HOPL. There are trends analyses of types of accidents which occur more often with a view to improving each area. This appears effective as both the Frequency and Severity rates for accident overall has reduced markedly in recent times. The severity rates for the whole of Hargy Operations is now well below the target rates of 5 and at the latest review was at around 2.3.

4.7.7 Observation: It must be ensured that all accidents resulting in LTI which are reported to the clinic are also reported to the department head in a timely manner.

Action: All accidents are now reported to the clinic who then gives the details to ESD. They are then formulated into a table for each area and then company wide to help eliminate common injuries and also identify any trends.

When a serious accident occurs or very close near miss each one is thoroughly investigated and includes all records of investigation for each one. This level of investigation ensures all incidents are well documented and preventive action is put in place.

Respondents to this question safety of workers on blocks, replied that they “usim het” (use their head) to avoid accidents, in other words carefully maintain their blocks and stack cut fronds carefully in the “rubbish” rows. One respondent explained that this was called block hygiene. Only occasional accidents such as “nil sut” (fruit bunch needles) were noted.

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

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 training 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 a needs basis. There does not now appear to be a formal training plan for all staff. The training is mainly to ensure that skills required to perform tasks successfully and safely are in place. The overall HOPL training plan for 2013 (4.8.1) was sighted.

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 Training Officer under the HR department.

There are training records (4.8.2) in place at each operational site recording skills and training and these

were sighted at NM, HM, Navo Estates, Hargy Estates, Central VWS and Clinics.

Some of these records are in the form of attendance at training which is given in the field or formal skills such as plant operators, driver’s licenses, boiler operators and Red Cross First Aid. Many training records were sighted in a number of operational areas and records appeared to be current. The training records were maintained in all areas visited. This include Makakiwa, Barema, Ibona, Keba and Alangily estates, each mills, CVWS nad sores.

Training records are therefore kept for all employees.

The training programme is now formally documented for Small Holders – records were sighted and the training has been formalised. Copies of Small Holder training in the form of certificates (4.8.3) with regards to chemical handling and other training areas were sighted.

All training from OPIC passed on to other block residents –mostly family members

OPIC and HOPL ensure names of all SG’s who undertake training are recorded and a register is kept. Small holders generally showed some indication of awareness of RSPO and were able to explain reasonably what RSPO was about and have attended field days run by OPIC recently.

All growers and often their wives attended OPIC field days and training courses and passed on what they learnt to their families and workers (which were in the main family members).

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 (5.1.1) has been developed and is reviewed and updated at least annually with the latest update occurring in January 2013. This includes all aspects identified. These aspects further nominate which are the significant environmental aspects and also nominate any legal requirements or restriction classified with the aspects. This register covers all operations impacted upon by HOPL.

The EMS is audited externally at least annually. It is a requirement of ISO 14001 External Audits that Environmental aspects be updated on review on a regular basis. The most recent update of the Environmental Aspects register was in November 2012. The system now presented is effective is addressing significant environmental aspects and their impacts.

Observation 5.1.1: The activities surrounding the temporary or abnormal impacts concerning the construction of the new mill at Barema have not been

included in the Environmental Aspects and Impacts register. This includes any impacts on Barema Beach and at the gravel areas.

The Environmental Improvement Plan is specific and includes each specific normal operational areas and operational activities. The impact assessment now covers all significant impacts. This is now comprehensive and subject to regular review to determine status by the ESD team.

5.1.2 Observation: The Environmental Improvement plan needs to be updated when targets dates are reached with details of achievement and whether in fact the improvements were made.

Action: The Environmental Improvement Plan is now updated as objective and targets are achieved. It also includes the status of all plans and also determines whether targets have been set or need to be reviewed and extended in time frames.

All smallholders interviewed indicated awareness to both positive and negative impacts of their activities and demonstrated understanding through explaining several mitigation techniques i.e. Frond stacking, Rubbish rows and ground cover. Most responded that they allow the vegetation to rot so that the nutrients are recycled.

All respondents have changed practices from widespread use of fire as carried out traditionally, to minimal use of small fires for gardens and no fires used for clearing, prior to planting or replanting.

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 from Douglas Environment Services carried out an assessment of the presence of HCVs within and adjacent to the HOPL plantations in 2008. The ecologists used the PNG National Interpretation of the HCV Toolkit and prepared a report on their findings (5.2.1). All of the land within the plantations has previously been logged.

Within the estate some areas are not planted and these habitats are being left in their natural state. None of these areas have been identified as HCVs. They are normally steep areas near river and in gullies. These areas have been maintained and are prospering as there are no incursions into any of these areas.

The HCV assessment did not identify any rare, threatened or endangered species of fauna within the plantations or adjacent areas (5.2.2).

The Barema estate is bounded by Barema River to the east and Lobo to the west. Barema estate area has been extensively logged in the past by a logging company. Barema estate plantation and housing area is situated in the low lying flat wetland between the above two rivers. Sago swamp is apparent towards the coast with

backflow inlets which gives rise to a near estuarine zones and small oxbow lakes. Water table is high at the estate area whilst large drains were dug to drain the site for access water. Soil is highly erodible due to the sandy nature of the soil. The areas set aside as buffer zones have been maintained and are in very good condition with no evidence of any incursions since the new development and remain well managed. The areas are all well signposted to prevent inappropriate use. There is no evidence of intrusion into areas such as Sago swamps and other wet land areas. Wildlife is abundant in the buffer areas.

Applicable legal requirements relating to species with relation to the protection of the species are being met if and when applicable (5.2.3)

An excellent buffer-strip by the Barema River consisting of large *Eucalyptus deglupta* and *Comitiapinnate* trees being dominant and canopy emergent with heights exceeding more than 30 meters. This area has continued to flourish since the buffer zones were set.

The recent new developments in the Mungen-Bakada area has also maintained areas set aside as buffer or riparian zones. This development is now substantially developed but still has development to be completed and the areas set aside are being effectively managed by the field staff in this new development lease – lease back land. Around 35% of the land has been planted at this stage.

At the new plantation edge secondary forests were found mainly due to the clearing during the land preparation stage for planting. The steep region in a number of the new development areas has good buffer reserves set aside in riparian areas of the steep river and stream banks. These are being maintained. Soil type is typical of volcanic origin with ideal fertility for oil palm establishment.

Outside of the plantation margins birdlife is very active particularly in the morning when noise and sunlight were non-apparent. Blue eyed cockatoo, hanging parrots, rainbow lorikeets, Hornbills and many other birds' species were found. A young crocodile was sighted in the sago swamp area towards the northern boundary of the plantation estate.

At this point of time the areas adjacent to the whole estate are still well intact (e.g. Hargy Lake and the Caldera of the extinct volcano near KeraKera) and some are under protection by local land owners as well. This is somewhat guaranteed due to isolated areas and rugged terrain surrounding these areas. These areas are some of the few that have not been logged in PNG and West New Britain and remain pristine. Due to the poor access and topography they are likely to remain unlogged.

Therefore as far as possible they are avoiding deterioration of these habitats and they are being maintained as far as possible and improved through the companies protection. (5.2.4).

Inspection during the audit indicated there was no inappropriate hunting, fishing or collecting activities in

the HOPL areas noted (5.2.5).. HOPL is therefore discouraging people to encroach into the buffers.

New clearer signposts have been erected in many areas where there are buffers in order to deter access to the buffers and awareness has been conducted for staff and workers. This signage appears to be effective as there was no evidence of hunting, fishing or other collecting activities in the areas visited during this assessment.

The SG's are aware of the impact of development of oil palm on surrounding natural areas through the OPIC planting approval process (control) as well as through RSPO awareness sessions. Several native species of animals were named by all smallholders, in particular the blue-eyed cockatoo, bandicoots, parrots and pigs. Awareness on conservation is made through OPIC field day events. Smallholders interviewed demonstrated a good understanding of the need for conservation i.e. Food security, environment stability and endangered species.

Growers understood the need to protect and if necessary re-establish buffer zones along watercourses and the potential use of these buffer zones as wildlife corridors.

However, some LSS block holders were using buffer zones established between blocks at the time of original acquisition of the land for the blocks (1977) to garden and retrieve materials for housing etc. This is partly due to the planting of the whole area of LSS blocks including the area that was designed for gardening etc.

OPRA is carrying research into spacing of palms to enable the establishment of multipurpose shrubs and trees to provide food and materials for block holders – on their blocks.

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

There is a waste management plan in place and it has been implemented effectively in most areas and is current. The waste management and disposal plan (5.3.2) was last updated on 26.2.13.

There are formal rubbish collections in all areas at least weekly in all compounds and work areas including mills and workshops. These pick-ups are all happening in line with the schedule and very little waste is allowed to accumulate. The waste management plan is covered in MG 8 and includes pesticide contaminated waste. This MG was recently updated following review and has been distributed to all areas. The waste management plan has a methodology in place for the management of all types of wastes which is very detailed.

Hargy Oil Palm has identified 28 different waste streams (5.3.1) along with the controls in place for each one. The waste streams and controls include but are not limited to the following:

- 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 aways.
- Mill Effluent – through effluent ponds and land application.
- Medical waste – is routinely incinerated at the Bialla Hospital – expired chemicals and drugs are returned to the central clinic for disposal.
- Fibre – Fuel for furnace.
- EFB – Fertiliser.
- Oils and Hydrocarbons (including containers) to Hydrocarbon pit.
- Pesticides (including containers which are triple rinsed, punctured and to pesticide pit.)
- Pesticide spills – cleaned with spill kits used kits sent to pesticide pit.
- Hydrocarbon spills treated with sawdust. Burnt in boiler.
- Used oil – recycled, burnt in boiler.

HOPL ensures that the quantity of waste recycled or sent to land fill is recorded. Also they are now including any waste which is delivered to the landfills by outside bodies including from Bialla and other areas outside of Hargy Oil Palm who make use of the facility provided by Hargy to the local community. There are caretakers managing all major landfills to ensure control is maintained. Although most landfills are now well managed as there is little odour, waste is within each pit and all landfills are the required distance from all housing and rivers and streams. There are some problems are Navo and Alaba landfills during this assessment.

5.3.2 Minor NC: The land fill at the time of this assessment was being poorly managed as a substantial amount of waste was not placed in the domestic waste pit and was on the side of the pit. Alaba landfill was also poorly managed with items such as tyres in the hydrocarbon pit which are normally re-used as block markers or to help control erosion.

Pesticides are a source of pollution and ground water and surface water contamination is controlled as stated elsewhere and any waste containers are destroyed to prevent re-use and placed in the pesticide pit at each landfill. The control of hydrocarbons has also been addressed elsewhere in this report. The collection of household waste is well controlled.

In a formal manner all sources of pollution and waste are identified through the company's aspects register which identifies all sources and their impacts and mitigation measures. This register is updated at least annually or when new sources become apparent see 5.1.1.

Records include disposal of sharps and contaminated medical waste, amount destroyed and where transported from and dates. All clinics send their waste to the main clinic at Hargy who in turn destroy the medical waste. This was checked at each clinic visited and records in place were extensive and included dates of returns, disposal and write off of expired drugs and

medicines. This was sampled at clinics in Barema, Alangily, Makakiwa, Keba and Hargy and all records were in place. Each clinic also record the return of expired ointments and drugs. The amounts sent to the incinerator at Bialla Hospital are recorded including date and amount burnt.

5.3.2 Observation: At time expired drugs and ointments are not disposed of as required and are at times allowed to accumulate at some of the clinics – e.g.KeraKera and Kiba clinics.

Action: The records of the disposal of expired medicines and drugs is now well recorded and includes the disposal of all expired drugs. This information is in a register in each clinic which records the times and the pick ups.

Small Holders

All respondents showed evidence of domestic waste disposal in rubbish pits with the occasional burning within the pits of some non biodegradable waste (e.g. plastic bags)

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

HOPL uses fibre and shell to fuel the boiler which produces steam which drives the turbine to produce electrical power, the use of renewable energy in this case is almost 100%. HOPL maintains records for monitoring both kilowatt hours per tonne of palm product and Kilogram of steam per tonne FFB (5.4.1).This includes a records on the amount of turbine against diesel which at this stage is around 75:25 renewable to non renewable These records are in place and are available for each mill as part of energy control and use as required by the ISO 14001 system.

HOPL monitors the use of non-renewable energy (5.4.2)(diesel). This is monitored as diesel used by the production process per tonne of FFB. The amount of fuel used in machinery is included in the assessment of energy used in the operations.

The records of the use of non renewable and renewable energy used is trended over the previous 6 years. This indicates the levels over this time in a rolling graphic projection and also back to the start of recording this information in 2007.

The feasibility of collecting and using biogas, biodiesel and biofuels has been studied and is to be implemented on the new mill currently under construction as well as at Navo Mill.

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 HOPL and there is

no evidence of burning in regards to preparation of land (5.5.1).

HOPL will record any areas of sanitary burning (5.5.2) where for example it is the most effective way of destroying rotten FFB. This only happens in extreme cases or what would be termed abnormal conditions when FFB cannot be processed in time due to impassable roads during flooding. This has not happened in the last few years.

Burning of domestic waste (5.5.3) is against company policy and has mostly been eradicated. It is very rare to sight evidence of the burning of domestic waste by workers and families of HOPL. No Domestic Burning was sighted during this assessment. Although it appears that vandals did set fire to the Navo landfill at the time of the inspection.

The medical waste (5.5.4) is collected at each clinic then picked up and taken to Bialla hospital for destruction in the hospital incinerator – this includes needles, syringes and contaminated bandages. Records of disposal are kept.

The SG's are disposing of their waste in a responsible manner by mixing the organic waste with the pruned fronds and a pit is used for the other household waste. Normally the waste is only burned in small quantities in a controlled manner. Awareness on conservation is made through OPIC field day events. Most smallholders interviewed demonstrated a good understanding of the need for conservation i.e. Food security, environment stability and endangered species. All interviewed indicated understanding of the non-use of fire.'

Some blocks had recently burned FFB (sanitation purposes) which could not be picked up due to adverse climatic conditions (high rainfall and flooding). Otherwise fire is used sparingly.

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

HOPL are keeping adequate records of mill emissions and effluent including critical data such as BOD levels, TSS, Oil & grease as required by the relevant environmental permits.

Significant pollutants have been identified through the waste management plan as well as the means to reduce them. There is in place a waste management plan which includes control and management of all waste. This includes the methodology for controlling any polluting activities (5.6.1). All requirements for control of polluting activities are set out in the Environmental permits are monitored. Hargy Oil Palm has lab equipment for measuring BOD in place at both mills and is in the process of obtaining their own lab equipment for measuring and monitoring E.Coli.

Plans indicate waste levels and plans such as segregation and recycling are to be introduced. If the amounts of pollutants cannot be quantified plans to reduce cannot be effective.

The treatment methodology for POME (5.6.3) is recorded in the applicable Management Guidelines. The treatment of POME is recorded in effluent pond plans and in MG 11 and results on the whole indicate HM is achieving levels of BOD discharge below allowable legal limits. This is supported by independent test results provided by the Government National Analytical Laboratory. At Navo Mill the POME is used for land application and the readings indicate that BOD is below the allowable limits for land application.

At Hargy Mill effluent ponds there is considerable work still going on at the present time to improve the efficiency of the ponds. This includes de-silting of ponds to allow more retention times for the ponds with an improvement in the BOD in the outflow from the final pond.

The records of the Company labs appear to closely match the records from the Govt. Lab. Readings are consistently below the allowable discharge limits

In the case of stack emissions the level of pollution can now be determined through collection of meaningful records. These are maintained for each mill. The mills are now able to read and interpret the records which have been collected from the opacity meters. Readings indicate that readings are below allowable limits within PNG for both mills consistently.

Observation 5.6.2 The allowable limits of smoke emissions are incorrectly indicated on graphs which at times incorrectly indicates that emissions are outside allowable limits. Staff at the mills need training in the interpretation and recording of data related to smoke emissions.

Action: The control of the recording of smoke emissions is much improved and staff are now applying the correct scale and records now indicate accurately the levels of smoke emissions.

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.

Social Impacts are identified in part via the grievance process for employees, SG's and other parties for negative impacts and through social interaction for positive impacts as reported in 6.5.

Following a major participatory social impact assessment of HOPL activities 2009, a Social improvement Plan (SIP) was formulated to alleviate the negative impacts and enhance positive outcomes. Information on other social impacts is continuously gathered through a number of

mechanisms prescribed by RSPO and internal management guidelines. They include SEIA of new planting areas, the Grievance Process for Internal and External Parties, as well as the periodic meetings of the Gender Committee and the compound-based Peace and Order Committees. Attendance to participatory assessment meetings and committee meetings is recorded in relevant files. The information provided by these avenues is evaluated by the Environment and Sustainability Department (ESD) and where necessary incorporated into the annually revised and updated SIP. The latest version of the SIP was produced on 14 January 2013

A SIA and EIA have been done for the existing estates and the new developments at Mungen Bakada. Some areas for improvement have been highlighted and have now been integrated into an improvement plan / mitigation plan which continues to be implemented. With the new development at Mungen Bakada there is evidence of further meetings with stakeholders. There is a record of all meetings in each area or with each ILG. Socialization were carried out between 26 June to 01 July 2009, e.g. 26 June –discussion with buyers and sellers in Navo market, 27 June – Bago village, 28 June Gigipuna and Gomu, 29 June Sulu and Kiava, 30 June Noau and Painave, and 01 July internal discussion with HOPL and Mosa. Records are available including items discussed, attendance and dates – minutes are distributed to all attendee representatives.

HOPL maintains records of attendance at any assessments of any adverse social impacts with affected parties. Participation by stakeholders is now more than adequate and continually improving. The peace and order committee in each compound is involved in decisions on any future developments and to decide what the priorities are.

There is an action plan suggested in the SIA and now to ensure action is taken, time frames and responsibilities are formulated and records in relation to any changes to procedures or implementation are kept. There is a financial forecast that covers social components like housing and other improvements ablution and shower blocks in Atata and Makakiwa and these are now all related to the SIA and also are based on priorities set within the SIA.

Company improvement plan was updated in March 2013. The updates include recommendations of the SIA, planned actions, person in charge and target for completions. For example, "Any lease-lease back arrangement is undertaken on the basis of adequate land for gardening and other subsistence purposes, and reasonable access to this resources (so that food security is not at risk as a result of the expansion"; is OPRA responsibility due in December 2011.

6.1.3 Observation: The plan and timetable for mitigation, monitoring. Reviewing is in place however it is not clear as to when the plan is to be updated on improvements made. Although action plans for new development at Mungen Bakada relatively good the

timetable for existing planting is not clear in mentioning responsibilities

Action: Company improvement plan was updated in March 2013. The updates include recommendations of the SIA, planned actions, person in charge and target for completions.

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.

HOPL has a communication policy that outlines the provision of information to the public and handling of requests by interested parties for specific information. The company maintains a regularly updated list of stakeholders and records all public inquiries and the corresponding company responses. The General Manager retains overall control over communication but general community communication is overseen by the Community Affairs (CA) Manager and the ESD Manager looks after environmental and sustainability related communication. HOPL's policies are displayed in all company offices, work sites and clinics. They are also available on the company's website. The CA division is in the process of translating all the policies into Tok Pisin. Senior management engages with other levels within the company in relation to the communication policy. Excellent progress continues to be made in this area at each subsequent audit. The policy calls for effective communication between all parties.

HOPL has put all relevant policies on its web site, where they are available to stakeholders. There is also a procedure in place in the EMS which addresses consultation and communication with stakeholders.

An officer of Hargy Oil Palm limited has been assigned as the main communication officer with local communities with regards to consultation between growers and millers. There is an Environment & Sustainability Manager within the Hargy management who deals with environmental issues with local communities with regards to consultation and communication on all environmental matters. This is further supported by the whole Sustainability Team.

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.

Closely linked to 6.2 is a Grievance Handling Process designed to quickly and effectively handle complaints and concerns raised by employees and external parties. Each matter is brought to the appropriate official(s) for consideration and the response is conveyed as soon as practicable. Where required, the grievance handling process allows for meetings between the aggrieved party and HOPL. The matters raised and responses provided are recorded in registers kept at each compound office, major work site, Security Office, the CA office, ESD Office and HR office.

Company holds records of grievances locally at each Operating Unit. Inspection of each office confirmed policies available on site. Interview with workers indicated their understanding of the procedures. Each Estate manager is responsible for the management of complaints. A grievance book/register is kept in all estate and mill offices. Items are dealt with on a local level unless cannot be resolved and then referred to more Senior Management for further consideration. An officer of HPOL has been assigned as the main communication officer with local communities with regards to consultation between growers and millers. The Environment & Sustainability Manager within the Hargy management deals with environmental issues with local communities with regards to consultation and communication on all environmental matters. The whole Sustainability Team further supports this.

Company has a list of stakeholders, updated on 17 March 2013. The list includes government office (national, provincial, and local), palm oil growers, local community representatives, ILG, NGO, suppliers, and contractors with contact persons, address, and phone number. Record held on file "List of Stakeholder".

There is a documented procedure for handling grievances and developed internally as an internal response system/procedure to the complaints. If any disputes or complaints surface, the internal procedure will be applied. At a later stage if the initial effort to resolve a complaint was not effective both parties will discuss agreed way/mechanism to resolve disputes/complaints. Records of all complaints and progress to resolution are to be maintained in a current state so all parties are aware of the status of the complaint/grievance.

It is considered that any disputes which are resolved are agreed and are signed off by the grieving party once the issue is resolved.

Time frames need to include for either resolving or escalating grievances.

The grievance registers at OPIC and Hargy Smallholder Affairs offices are established and kept up to date. However, the auditor observed that if a grievance was settled "on the spot", the grievance was not recorded. This is unsatisfactory as all grievances should be noted.

The auditor further observed that the registers did not contain sufficient information about the manner of the grievance – this needs further improvement. HOPL

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.

At the time of the audit all HOPL operations are based on state land to which HOPL has Leasehold title. In the future there are opportunities for expansions on non-

state land however the acquisition of lease – lease back land has now progressed and development is starting to take place and land has been surveyed and ILG's are aware of local boundaries. Hargy is aware about the FPIC and transparency in relation to dealings with customary landowners and has incorporated this in the HOPL procedure.

Records are maintained of all or any compensation paid with regards to customary land. At the time of the audit negotiations concerning compensation for loss of legal or customary rights are not yet applicable but HOPL is developing systems for handling compensation claims and will integrate the FPIC principle in all negotiations.

HOPL is committed to maintaining an amicable relationship with neighbouring local communities and other stakeholders. Any claim for compensation is thoroughly investigated and if justified, a mutually acceptable settlement is determined with the claimant. Each claim is tracked from receipt to conclusion. Documents showing the processing of each claim and its outcome can be made available upon request. The only outstanding compensation claim is from Ewasse Villagers for alleged environmental damage from the marine disposal of the treated Hargy Mill effluent. HOPL is standing by the James Cook University Study that found no grounds for compensation so the claimant may seek legal reconsideration of the matter.

HOPL has an inclusive and participatory process for engaging local landowner communities in lease –lease back partnerships. The process must be formally initiated by the landowners with the full backing of all clan members, land ownership challenges must be satisfactorily resolved and there must be sufficient land available for subsistence cultivation and access to traditional forest resources. Only then can ILG incorporation and land development negotiation proceed.

There is still a large amount of State-owned agricultural land in the Biiala area on which the company is interested in planting oil palm. However rather than entering into lease agreements directly with the State, the company has decided to encourage local landowning communities to lease the land from the State and then sub-lease to the company. This will enable the communities to receive land rental payments and FFB royalties as well as participate in other small business activities. The company should be commended for this approach as it should contribute markedly towards enhancing long-term harmony with the local communities.

There are a few blocks which are best described as Customary Rights Purchase Blocks which should be using the new CLUA for "outsiders" which contains additional payments to the landowning Clan upon harvest of FFB.

This is not a significant issue at Biiala in terms of numbers of growers affected.

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.

HOPL pays its employees an hourly rate that is above the current PNG Minimum Wage which is K2.29 per hour. This includes piece rate paid employees whose hourly rate covering an average two week period would still meet this minimum requirement. An organisation wide annual pay increase was issued by the management on 7th March 2013. HOPL also provides free housing, water, electricity, transportation for school children and medical care for employees and their immediate family members. Samples of randomly selected pay slips were sighted. A sample of employees interviewed confirmed that they were aware of their pay rates. In addition HOPL provides PPE, workers insurance cover and superannuation through NASFUND.

The employment process consists of the following steps: (i) explanation of the nature of the job and its terms and conditions in an interview, (ii) medical examination, and (iii) signing of the employment contract or commencement form before starting work. Samples of randomly selected employment contracts and commencement forms were sighted. A number of employees interviewed confirmed that they were advised about the terms and conditions of employment before deciding to join the company.

Through a formal induction programme, potential contractors are made aware of HOPL's policies and management guidelines as well as its RSPO obligations before being engaged by the company. The key pre-requisites are for the contractor to pay at least the PNG minimum wage rate and issue PPE.

As noted above, HOPL provides free accommodation and amenities in six (6) housing compounds namely Hargy Mill, Makakiwa, Urumaili, Kerakera, Barema, Atata and Ibana. Barema and Ibana are recently established compounds. Although new housing units have been built on the other four compounds, they still have older houses from almost four decades ago which require either major maintenance or replacement. Delayed housing maintenance, over-crowding as well as recurring septic tank blockages and malfunction appear to be the main problems in all the compounds. A bullet point outline of the main issues which need immediate attention at each compound is given below.

Hargy Mill

- The perimeter drain needs to be cleared to avoid breeding of mosquitoes.
- At least some maintenance of General Labour Quarter (GLQ) units should be carried out.

Makakiwa

- Over-crowding in the four-room houses accommodating 4 families is leading to arguments over use of toilet, ablution and kitchen facilities.

Urumaili

- In the old block, 44 families are using 4 open shower taps to wash cooking utensils, shower, do laundry and fetch water for cooking.

- Septic systems in the new housing block suffer frequent blockages.

Kerakera

- Water and electricity reticulation is restricted due to problems with supply.

Barema

- Over-crowding of 4 families one unit is resulting in arguments over use of kitchen, toilet and ablution facilities. In one unit (GLQ71), the septic system has not been fixed for more than two years. Given the limited toilets, these residents are forced to defecate under the nearby palm trees.

Atata

- In the old GLQ section, the over-crowded houses and ablution units need upgrading or replacement. The six (6) pit latrines were filled six months ago and since then the residents have been using nearby bushes for defecation. This is unhygienic for everyone and unsafe for girls and women.

Ibana

- Leakages in plumbing appear to be ignored and compound-wide water pressure needs to be improved.

The Community Affairs Unit is now carrying out quarterly inspections of the housing compounds. The inspections cover a wide range of aspects such as status of houses, number of residents, garbage collection, general cleanliness, use of vegetable plots, meetings of Peace and Good Order Committees, prices of items in shops contracted to operate within the compounds, domestic violence, child labour, water supply, sanitation and electricity supply.

Most of the issues bullet-listed above were noted in the last inspection and brought to the attention of senior management. The company already has a major phased housing replacement and upgrading plan but its implementation has been suspended due to other production related expenditures. While this is understandable from a revenue generation perspective, it is important that the company recognises the severity of some of the above issues particularly with over-crowdedness and the resulting open defecation and takes appropriate remedial actions immediately.

HOPL encourages families to grow vegetables in small plots beside their residences to supplement each family's daily diet and eliminate the need to buy such items. The vegetables permitted for cultivation include peanuts, beans, tomatoes, greens, cabbages, carrots, cucumbers and corn.

Observation 6.5.1: Each general labourer residing in the new General Labour Quarter (GLQ) duplex unit at Barema and Ibana who was interviewed, expressed satisfaction with the two rooms per family as well as

the dedicated veranda area, toilet, shower, laundry and kitchen. If this is adopted by the company as its standard for each family, HOPL would prominently elevate its status in terms of employee welfare.

Observation 6.5.2: HOPL should be careful with its recruitment as this simply leads to over-crowding and all its attendant issues. The housing of a family in a single room should be avoided.

Most block holders worked on their own blocks but where additional labour was occasionally required a "contract" basis was used which ensured payments above minimum wages.

Several block holders explained that the contract amounts depended on the price of oil palm – nevertheless the figures given were still well above minimum wage requirements.

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.

Notices in English and Tok Pisin announcing the right to freedom of association and collective bargaining are displayed in all company offices and operating units. This basic labour right is also emphasised employment interviews, contracts and commencement forms.

The local union namely the HOPL Workers Union is registered with the national Department of Labour and Industrial Relations and affiliated to the West New Britain Workers Union. The HOPL Workers Union Executive meets quarterly with company management to discuss matters relating to the welfare of the workers. Where agreed, appropriate corrective actions are taken by the company. Minutes of meetings are recorded and kept on file. There is currently a critical mal-management allegation concerning a senior union executive that should be resolved soon to ensure the effective operation of the union.

Observation 6.6.1: The allegation of fraud against the current Secretary of the HOPL Workers Union is likely to hinder the work of the union's executive committee. HOPL should take appropriate action to enable the committee to continue to perform its advocacy role.

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.

HOPL adheres to the policy on child labour that disallows employment of children under 16 years of age. This applies to all HOPL operational sites as well as smallholder growers that supply FFB to the company's mills. While under 16 children are strictly prohibited from working on company work sites, those associated

with smallholder blocks may help with light manual work under adult supervision and outside school hours. 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 is the only evidence of age available in PNG.

Although most respondents were very clear that school-aged children were always sent to school and carried out light work only during school holidays and weekends, three block holders admitted that they sometimes kept older schoolchildren from school to help on the block. This was yet another instance where the grower knew that the correct answer was “no never” but they told the truth and are to be commended for that.

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.

Policy is available and includes PNG constitutional requirements.

HOPL has an anti-discrimination policy which is displayed in all company offices and operational sites. The policy is consistent with the relevant provisions of the Constitution of PNG. Workers interviewed are not aware of discriminatory practices within HOPL. The company has set up a Gender Committee which meets regularly to discuss various gender related issues. The committee is concerned that HOPL management has not responded to a number of recently submitted recommendations.

Observation 6.8.1: HOPL management should examine and provide feedback on the recommendations furnished lately by the Gender Committee.

No constitutional infringements have been recorded in recent times.

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.

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

HOPL has an anti-sexual harassment and domestic violence policy which is displayed in all company offices and operational sites. The Gender Committee set up under 6.8 handles sexual harassment and domestic violence issues as well. Following much publicity on the policy and HOPL's zero tolerance for offenders, there has been a marked decline in reported domestic violence incidents across all housing compounds. In some instances, the female victim deliberately refrains from reporting her violent bread-winner husband to avoid his termination and the ensuing economic strife for the family. HOPL can choose to provide counselling to first-

time domestic violence offenders but will not tolerate repeated occurrences.

Observation 6.9.1: A common cause for domestic violence is abuse of income earned by the husband. This seems to be especially typical in families where the wife is unemployed and not involved in any income generating activity. To address this as a cause of domestic violence, HOPL may consider running financial literacy awareness and where possible provide some form of casual employment for wives of employees. Quite a number of female spouses are already engaged as loose fruit collectors.

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

Current and past prices paid for FFB are available. The government approved formula for working out FFB prices is available. The price and formula are made available via printed notice. This is updated monthly and a copy given to OPIC & BOPGA (Bialla Oil Palm Growers Association). Price sheets, showing formula calculation are displayed at OPIC divisional offices where SG's can see them and therefore the information is publically available. Past prices are available via HOPL finance dept. and the company SD.

The SG's can be seen as associated through and function through an independent body and system. SG's although there is no other mill in operation and there is no written contract that HOPL has to purchase smallholder FFB but it is understood that they do and will. Price is controlled by a formula that is known by BOGA and the SG's have access to the price information through OPIC. The payout ratio in the formula is to be regularly reviewed independently. The last review was in 2001 and a new review is to be conducted soon. During this review process milling companies and SG's are consulted. This is carried out by the Commodities Working Group which is a sub-Committee of the Department of Agriculture and Livestock.

SG's are paid the week following pickup of their fruit according to a published schedule. SG's are paid either by cheque or by direct bank deposit and a payslip is provided giving full details of payment and any deductions for tools, fertilisers etc. EFB is supplied to SG's on request as long as it is not applied near housing.

There is access to a grievance procedure at HOPL however several smallholders indicated not being aware of such a procedure.

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

As the biggest oil palm grower and only miller of FFB in the Bialla area, the economic contribution by HOPL is substantial. HOPL is aware of its dominant presence in the area and although its central objective is to maintain profitability, it provides regular assistance to local

communities, non-government organisations and government agencies.

The kind of assistance provided so far ranges from grass cutting machinery for local schools to upgrading of government health centres. Requests from the community are lodged with the Community Affairs Unit which evaluates them and submits them through the Manager HR to the GM for consideration. The response from the GM is then conveyed to the requesting party. Some stakeholders argued that HOPL should be providing more assistance for education, health and maintenance of law and order. This is definitely not the role of the company and it can only contribute so much as a local corporate citizen.

HOPL also provide assistance for major infrastructure projects such as roads and public amenity facilities under the Tax Credit Scheme.

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 Mengen Bakada development commenced in early 2010 and are continuing with them being around 35% complete at the time of ASA4.

A “New Planting Assessment” was conducted for the Mengen Bakada development by BSI in January 2010 as required. The results and summary reported were posted on the RSPO web site for comment. See report on web site.

HOPL prepared an SIA for the Mengen-Bakada development in addition to the Environmental Plan. HOPL have 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 plan 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 9th November 2009.

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 MengenBakada development was that an SIA was required. DEC determined that an Environmental Permit was required. A copy of the permit was presented.

There is a development plan in place for Mengen Bakada dated April 2010. This is wide ranging and is appropriate. It was comprehensive and demonstrated to be participatory. This was demonstrated on a visit to the new development areas which are continuing to be developed.

Although no new plantings were inspected during this audit, RSPO P&C have been incorporated into the standard OPIC “Oil Palm Planting Approval Form” (PAF), which is used for all new plantings and a version is also used for replanting. The PAF covers the requirements for current Clan Land Usage Agreements (CLUAs).

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 Mengen-Bakada soil surveys were undertaken in 2009 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 Mengen-Bakada prepared in 2009 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.

Ecologists from Douglas Environmental Services completed a bio-diversity study of the development area prior to work commencing.

The development area has been extensively logged in the past by various logging companies. These areas have in some cases been logged at least three times in the past.

Within the proposed development a number of bird species were found particularly those of scavenging one's such as Crows, Brahminy kites, Kingfishers and other smaller whistling birds. At the time of the visit 4 non endangered mammals were observed. There are very few mammals to be found in this area of PNG (see also REDD list - birds etc) Therefore all legal

requirements related to species protection are being met as there are no protected species in the area.

See 5.2 with regards to HCV assessment completed.

For SG's the Planting Approval Form is completed by OPIC officers for all new blocks and also at replanting to ensure land is suitable for oil palm and that the planting complies with RSPO P&C.

The dates of land preparation and commencement of planting are recorded on OMP8.

Smallholders inspected during the audit had established their oil palm prior to RSPO but were aware of RSPO requirements during replanting and additional planting. New blocks were fully compliant with the requirements of the RSPO endorsed PAF.

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° HOPL policy limits all plantings to a maximum of 20°.

At this time HOPL has no plans to develop any more area's that would require terracing. HOPL preference is to develop only flat or land with gentle slopes. There are a number of areas which are a little above 9° where very well prepared terracing has been prepared.

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.

RSPO P&C have been incorporated into the standard OPIC "Oil Palm Planting Approval Form" (PAF), which is used for all new plantings and a version is also used for replanting.

The Department of Environment and Conservation (DEC) is considering developing a Code of Practice for planting oil palm which may involve revisions of buffer zone widths for LSS and existing VOP block holders.

Unless there are some allowances for minimising the buffer width requirements on existing blocks upon replanting, incorporation of LCOP buffer zones along water courses will reduce the area available on many blocks, with some becoming economically unviable.

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 now been 30 such meetings with over 800 attendees.

An SEIA was conducted by an independent consultant in 2009 - copy sighted.

HOPL 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. HOPL 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 Mengen Bakada 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.

The company has implemented an environmental Management System that is certified to the ISO 14001:2004 Standard.

Objectives and Targets have been developed and an improvement plan prepared. The third party ISO 14001 Certification Audit checks the achievement of the objectives and targets annually for continuous

improvement. The main focus of continual improvement to date has been environmental performance, while less attention has been given to social impacts. Environmental impacts are documented with a view to improving and reducing these impacts as part of the ISO 14001 certification process.

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. The IPM has been implemented. New more effective and efficient pesticide stores are being constructed throughout Hargy.

OPRA is also looking at alternatives to paraquat.

The recording and tracking of all pollution sources and emissions has been improved and now records of smoke emissions indicate clearly that they are within the legal limits allowable by PNG law.

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

An independent Scoping Assessment was carried out in 2009 to identify a list of social impacts on employees, SG's, ILG's and local communities. A Register has been prepared and risk assessment carried out for the social aspects and impacts.

A Continuous Improvement Plan is attached. Appendix C.

It was very clear during this audit that there had been continuous improvement and guidance from the relevant agencies OPIC and Hargy SHA, but less so from the growers association BOGA.

Under the Smallholder Agriculture Development Project the committee members and executives of Bialla Oil Palm Growers Association are currently being trained by Bob Matae (a very experience ex-DAL trainer) on their roles and responsibilities - a very timely intervention.

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

MAJOR NONCONFORMITIES

There were no further Major NCR's raised as a result of this surveillance audit.

MINOR NONCONFORMITIES

Three (3) Nonconformities were assigned against Minor Compliance Indicators. Details of these Nonconformities are provided below:

NEW:

4.7.2 Minor NCR: A number of Safety Issues were identified in a number of areas which require improved control. These include: Signage require where EFB falling in work area, Diesel not identified in bulk tank, LOTO not properly implemented, Damaged machine guards, worker not wearing ear protection, Expeller blowing into mill – possible eye damage, Electrical switchboard doors not locked.

Minor NC 4.7.3. In Hargy Oil Palm Mil not all potentially hazardous operations have been adequately controlled. There is in place a system for managing high risk operations however it is poorly implemented. Hot works permits, working at heights permits and confined spaces permits are incomplete as far as approval and checking of completed work. A number of these permits also appear to have been back dated and not issued on the actual day of the high risk operations.

5.3.2 Minor NC: The land fill at the time of this assessment was being poorly managed as a substantial amount of waste was not placed in the domestic waste pit and was on the side of the pit. Alaba landfill was also poorly managed with items such as tyres in the hydrocarbon pit which are normally re-used as block markers or to help control erosion.

Hargy 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 Surveillance Assessment visit scheduled for March 2013.

4.4.2 Observation: There was no review of environmental factors concerned with the use of Barema Beach for landing a barge and heavy plant used in the construction of the new Barema mill. Although this is the most favourable place for these activities plans are not in place for the effect these operations will have on the area and the methods to be used to rehabilitate the area once construction is complete.

Observation 5.1.1: The activities surrounding the temporary or abnormal impacts concerning the construction of the new mill at Barema have not been included in the Environmental Aspects and Impacts register. This includes any impacts on Barema Beach and at the gravel areas.

Observation 6.5.1: Each general labourer residing in the new General Labour Quarter (GLQ) duplex unit at Barema and Ibana who was interviewed, expressed satisfaction with the two rooms per family as well as the dedicated veranda area, toilet, shower, laundry and kitchen. If this is adopted by the company as its standard for each family, HOPL would prominently elevate its status in terms of employee welfare.

Observation 6.5.2: HOPL should be careful with its recruitment as this simply leads to over-crowding and all its attendant issues. The housing of a family in a single room should be avoided

Observation 6.6.1: The allegation of fraud against the current Secretary of the HOPL Workers Union is likely to hinder the work of the union's executive committee. HOPL should take appropriate action to enable the committee to continue to perform its advocacy role

Observation 6.8.1: HOPL management should examine and provide feedback on the recommendations furnished lately by the Gender Committee

Observation 6.9.1: A common cause for domestic violence is abuse of income earned by the husband. This seems to be especially typical in families where the wife is unemployed and not involved in any income generating activity. To address this as a cause of domestic violence, HOPL may consider running financial literacy awareness and where possible provide some form of casual employment for wives of employees. Quite a number of female spouses are already engaged as loose fruit collectors

3.3 Noteworthy Positive Components

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

- Continued work into establishment of Ibana Primary school under the Tax credit scheme
- Provision of fuel and electrical service to Ulamona Health centre generator which was previously given by HOPL
- The maintenance of roads and bridges in the project area.
- Creation of job and other opportunities in the Bialla and Navo area as a result of expansion of oil palm plantings
- Use of company landfill by Bialla town commercial residents for rubbish disposal

- Provision of transport and sand/gravel for Wilelo European Union funded water sanitation project.
- Repair & maintenance of Sale/Sege & Wilelo clinics under TCS

Continued maintenance of Bialla Police Station. Bialla Health Centre, Ulamona Health Centre and Bialla Court House. Ongoing maintain of Police, LLG vehicles and Bialla and Ulamona Health Centre Ambulances.

During the interview all the stakeholders interviewed spoke positively about their relationships with Hargy Oil Palm Limited management. One stakeholder stated that Hargy Oil Palm Limited is responsive in terms of its payments to its service providers.

One of the ILG chairman stated that he was happy with HOPL because of its assistance in taking up the cost of all the survey work and documentation for the registration of their Incorporated Land Groups (ILG's). When asked about their communication status with Hargy, he stated that it is generally good.

There is much more awareness by lending institutions on the wealth created by the smallholders and much more competition for loans. The PML is providing loans at 8% for new infill plantings with the cooperation of the company in ensuring that the relevant deductions are made when the grace period runs out after three years. There are issues with the loan agreement in that PML Bialla does not know the full extent of the loan that they providing, for example only the first year costs, which is seedlings and transport can be obtained from their data base. They do not know the costs of fertiliser and tools – so this is an area that needs immediate attention by HOPL Smallholder Affairs, OPIC, BOGA and PML Bialla.

Two inspected blocks had recently obtained housing loans (K20,000.00 materials only) and built high covenant houses) from the National Development Bank and the manager, based in Kimbe assured the auditor that the rate of interest was 8%. He also stated that he had just approved a further 10 such loans during the week of the audit.

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

1. **The Bialla Oil Palm Growers Association (BOGA) is widely considered the best of the growers associations in Papua New Guinea, membership is compulsory for all growers and the membership fee is K5.00 per fortnight or K130.00 per block holder per year. BOGA has a history of being financially responsible in that annual returns and audits of finances are done in a timely manner.**
2. **Despite this, by far the most common response by smallholders was that BOGA "did**

nothing”, except collect the K5.00 fee per fortnight.

3. The collection of the K5.00 per fortnight is complicated by various situations such as non-harvest by some growers, therefore no fee collection; no pick-up due to extreme weather events which led to some harvests rotting and having to be destroyed by fire (hygiene purposes); and “shifting of crop” by some growers to avoid loan deductions by the company. The company’s computer programme prevents deductions if the pay-out drops below a certain point, so with low prices experienced over the past six months deductions for everything except the OPIC levy have been affected.

4. BOGA has requested that these non-payments are overcome by an annual or biannual deduction of K130.00 or K65.00 per block. The company has complied with this request and this has added to the confusion of some growers as they expressed differing views on what the high BOGA levy at one harvest, followed by a nil deduction for many later harvests was used for. Some growers suspected that an additional levy had been deducted to fund the opening of the new BOGA office in 2012.

Many block holders showed the auditor pay slips with nil deductions for the BOGA levy. (see discussions below).

5. All Stakeholders

Most Stakeholders interviewed commented they have very good relationship with company.

HOPL Response: Continue to improve relationships.

Auditor Comment: Appears that HOPL standing in the community is well appreciated by stakeholders.

6. VOPS and estates

Happy that HOPL is involving them in lease-lease back arrangement which they see as very good opportunity for company to develop our land and later hand it back to us. HOPL does not force them to give our land.

HOPL Response: HOPL does not make decisions on its own regarding the development and management of VOPs and estates, the company allows stakeholders to participate and make decisions. Continued transparency is maintained in Lease-lease back

arrangements via FPIC process and communication with all involved.

Auditors Comment: Evidence of stakeholder participation in decisions affecting their welfare.

7 Summary of Confidential Interviews

Overall, there was considerable improvement in the responses to the simple questions; quote “are you happy with the performance and relationship between you as a block holder and the company, Hargy Oil Palm Ltd, OPIC, the statutory designated extension service for smallholders and the growers association BOGA.

There were a few complaints about the price of FFB, a few requests for the company to provide loans for houses, very few residual complaints about late pick up; there was one request for the company to provide a net repair service but overall a vast increase in respondents were happy with the performance of the company and its management including positive references the GM.

Responses on OPIC were also much more positive, with the occasional complaint about lack of block visits, slowness for requests for tools etc. to be followed up, but in general once again a vast improvement from the audit of 2012. Under the recently endorsed organisational reforms of OPIC, there will be a minimum of two visits to each block every year.

For some reason, the growers’ response to the question relating to the performance of BOGA was not only less positive than 2012 but a cause for some concern or conjecture at least. Many respondents said “BOGA em wanem sampting?” (Which means what is BOGA?) These responses surprised the auditor as BOGA is one of or perhaps the most efficient and effective growers associations in Papua New Guinea. The responses could be related to the upcoming national general elections where growers associations are often used by intending candidates for political purposes or perhaps because of the increase in fees since the last audit (20% increase) and compulsory membership for the Bialla smallholders .

8 Meeting with BOGA

Meeting with the Bialla Oil Palm Growers Association (BOGA)

A meeting was held with the executive officers of the growers association at Biialla to discuss amongst other things the negative response from the block holders interviewed to the question regarding the association. Those present were Oka Kamale, Chairman; John Kuave, Vice Chairman; Timothy Sea, Secretary; and Dome Labua, Treasurer.

Main points raised and discussed were:-

- BOGA considers that the transport cost for small holders is excessive and there is suspicion that smallholders are funding the running costs of the Hargy Oil Palm Ltd smallholder affairs department .
- Local contractors are paid K30.00 per tonne for FFB pick up but the growers pay K50.00 per tonne.
- All growers associations had agreed that the OPIC head office should be relocated to Nahavio in West New Britain, and out of Port Moresby, based on economic and ergonomic rational.
- Growers associations did not recognise the Palm Oil Council as it had not been established by an Act of Parliament.
- Recent moves by the Minister for Agriculture was for all export crops to be under one Director for Export Crops, located in the Department of Agriculture and Livestock.
- BOGA considers that screening of gravel for the World Bank funded roads under SADP was a mistake as the screened gravel had washed away in the recent wet weather.
- The chairman suggested that the growers association should have the full pricing formula for smallholders explained in detail.
- There were problems with BOGA levy deductions as not all growers fees were being deducted the same time, thus causing cash flow problems for the organisation.
- BOGA executives had resolved to take the Annual General Meeting to the districts to try to address the negative attitude from its members.
 - BOGA was pushing for an increase in Tax Credit from the current 1.5% to 5 or 10%.

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
Hargy Oil Palm Limited
Sophie Mission

.....
Sophie Mission
Sustainability Manager
Date: 21.5.13

Signed for on behalf of
BSi Management Systems Singapore Pte Ltd



.....
Mr Allan Thomas
Lead Auditor **Date: 21.5.13**

Appendix “A”

RSPO Certificate Details

Hargy Oil Palm Limited
 PO Box 21,
 BIALLA
 WEST NEW BRITAIN PROVINCE
 PAPUA NEW GUINEA

Certificate Number: SPO 535739
 Certificate Issue Date: (RSPO Approval Date)

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

| Hargy Palm Oil Mill and Supply Base | |
|--|---|
| Location | East of Bialla, West New Britain Province, PNG |
| Address | Hargy Mill, Hargy Oil Palms Ltd, P O Box 21, Bialla, WNBPN, PNG |
| GPS | E 151.0109719° -5.31111488° |
| CPO Tonnage | 64,320 |
| CPKO Tonnage | 5,107 |
| Plantations FFB Tonnages Hargy Plantation | 130,156 |
| Smallholder Growers FFB Tonnage | 145,929 |

| Navo Palm Oil Mill and Supply Base | |
|---|--|
| Location | 50 Kms East of Bialla, West New Britain Province, PNG |
| Address | Navo Mill, Hargy Oil Palms Ltd, P O Box 21, Bialla, WNBPN, PNG |
| GPS | E 151.224494° -5.094109° |
| CPO Tonnage | 56,998 |
| CPKO Tonnage | 4,507 |
| Plantations FFB Tonnages Navo/Ibana Plantations | 142,444 |
| Smallholder Growers FFB Tonnage | 101,136 |

Appendix “B”

Surveillance Audit Programme

Sustainability Audit Program
(Combined RSPO Surveillance Assessment & ISO Surveillance Audit)
RSPO/ISO AUDIT SCHEDULE 28.4 - 3.5.2012

| Sunday 28th April | | | | |
|--------------------------------------|--------------------------------|----------------------------------|------------------------------|---------------------------------------|
| Time | Detail | Who | HOPL | Car |
| 16:30 | Pickup HKN | AT, RP, TV, NL | HG/PW | C113/C106 |
| 19:00 | Arr HGH | | | |
| Monday 29th April | | | | |
| Time | Detail | Who | HOPL | Car |
| 07:30 | Pickup HGH | AT, RP, TV, NL | PC, GM | C81, C92 |
| 07:45 | Entry Meeting in Board Room | AT, RP, TV, NL | ESD, HODs, MF | |
| | RSPO | EMS | SMALLHOLDERS | SOCIAL |
| TIME | AT + GL, MF (C92) | RP + SM, GL (C99) | TV + SP, RB (C96) | NL/IN, NT |
| 09:30 | Hargy Mill & Lab (Ramesh) | Hargy Wharf & Ponds (Daniel) | Smallholders/OPIC/BOGA | Hargy Mill Compound (Steven Voragi) |
| 10:00 | Hargy Mill & Lab (Ramesh) | Hargy Wharf & Ponds (Daniel) | Smallholder Documentation | Hargy Mill Compound (Steven Voragi) |
| 11:00 | Hargy Mill & Lab (Ramesh) | Hargy Fuel Bowser | Smallholder Documentation | Hargy Mill Compound (Steven Voragi) |
| 12:00 | Lunch at HGH | | | |
| 13:30 | RSPO Documentation | EMS Documentation | Smallholders Cenaka | Uramaili Compound (Leslie Ima/Pierre) |
| 14:00 | RSPO Documentation | EMS Documentation | Smallholders Cenaka | Uramaili Compound (Leslie Ima/Pierre) |
| 15:00 | RSPO Documentation | EMS Documentation | Smallholders Cenaka | Uramaili Compound (Leslie Ima/Pierre) |
| 16:00 | RSPO Documentation | EMS Documentation | Smallholders Cenaka | Uramaili Compound (Leslie Ima/Pierre) |
| Tuesday 30th April | | | | |
| | RSPO | EMS | SMALLHOLDERS | SOCIAL |
| TIME | AT + GL, MF (C92) | RP + SM, GL (C99) | TV + SP, RB, (C96) | NL, + NT (C81) |
| 07:30 | Barema New Mill (incl. Nivani) | Hargy VWS (Alex) | Smallholders Cenaka | Kerakera Compound (Leslie Ima) |
| 09:00 | Barema New Mill (incl. Nivani) | Hargy VWS (Alex) | Smallholders Cenaka | Kerakera Compound (Leslie Ima) |
| 10:00 | Barema New Mill (incl. Nivani) | Construction (Graeme) | Smallholders Cenaka | Kerakera Compound (Leslie Ima) |
| 11:00 | Barema Mill Housing | Construction (Graeme) | Smallholders Cenaka | Kerakera Compound (Leslie Ima) |
| 12:00 | Lunch | | | |
| 13:30 | Barema Plantation | Stores | Smallholders Bialla | Barema Compound (Robert/John/Richard) |
| 14:00 | Barema Plantation | Stores | Smallholders Bialla | Barema Compound (Robert/John/Richard) |
| 15:00 | Barema Plantation | Area 6 Landfill | Smallholders Bialla | Barema Compound (Robert/John/Richard) |
| 16:00 | Barema Plantation | Area 6 Landfill | Smallholders Bialla | Barema Compound (Robert/John/Richard) |
| Wednesday 1st May | | | | |
| | RSPO | EMS | SMALLHOLDERS | SOCIAL |
| TIME | AT + SM, GL (C92) | RP + GL, MF (C99) | TV + SP, RB, SK (C96) | NL + JK, NT, (C81) |
| 07:30 | Alaba Rehabilitation | Kiba Estate | Smallholders Meramera | Atata Compound (Marcus/Joe) |
| 09:00 | Alangili | Navo Construction (Graeme/Gabby) | Smallholders Meramera | Atata Compound (Marcus/Joe) |
| 10:00 | Alangili | Navo VWS (Alex/Fargo) | Smallholders Meramera | Atata Compound (Marcus/Joe) |
| 11:00 | Alangili | Navo old VWS Rehab (Fargo) | Smallholders Meramera | Atata Compound (Marcus/Joe) |
| 12:00 | Lunch | | | |
| 13:30 | Saltamana | Navo Mill & Ponds (Ramesh) | Smallholders Meramera | Ibana Compound (Marcus/Willie) |
| 14:00 | Navo Landfill | Navo Mill & Ponds (Ramesh) | Smallholders Meramera | Ibana Compound (Marcus/Willie) |
| 15:00 | Atata | Navo Mill & Ponds (Ramesh) | Smallholders Meramera | Ibana Compound (Marcus/Willie) |
| 16:00 | Navo Plantation (M. Henry) | Navo Mill & Ponds (Ramesh) | Smallholders Meramera | Ibana Compound (Marcus/Willie) |

| Thursday 2nd May | | | | |
|-------------------------|----------------------------------|--------------------------|------------------------------|-----------------------|
| | RSPO | EMS | SMALLHOLDERS | SOCIAL |
| TIME | AT + GL, NA (C92) | RP + SM, MF (C99) | TV + SP, RB, SK (C96) | NL, NT, (C81) |
| 07:30 | Kerakera Division (Peter/Leslie) | Documentation | Smallholders Bialla | FPIC (Bill/Joe) |
| 09:00 | Kerakera Division (Peter/Leslie) | Documentation | Smallholders Bialla | FPIC (Bill/Joe) |
| 10:00 | Kerakera Division (Peter/Leslie) | Documentation | Smallholders Bialla | FPIC (Bill/Joe) |
| 11:00 | Kerakera Division (Peter/Leslie) | Documentation | Smallholders Bialla | FPIC (Bill/Joe) |
| 12:00 | Lunch HGH | | | Lunch NAVO |
| 13:30 | Documentation | Documentation | Smallholders | Bialla Communities |
| 14:00 | Documentation | Documentation | Smallholders | Bialla Communities |
| 15:00 | Documentation | Documentation | Smallholders | Bialla Communities |
| 16:00 | Documentation | Documentation | Smallholders | Ewasse LOA 4pm |
| Friday 3rd May | | | | |
| | RSPO | EMS | SMALLHOLDERS | SOCIAL |
| TIME | AT + GL, AP, NA (C92) | RP, SM + MF (C99) | TV + SP, RB, SK (C96) | NL, NT, (C81) |
| 07:30 | Final RSPO doc review | Final RSPO doc review | Final RSPO doc review | Final RSPO doc review |
| 08:30 | Report Preparation | Report Preparation | Report Preparation | Report Preparation |
| 10:00 | Closing Meeting | Closing Meeting | Closing Meeting | Closing Meeting |
| 11:00 | Dep HGH | AT, RP, TV, NL, MF | HG/PW | C113/C106 |
| 15:10 | Dep HKN | | | |
| Auditors | | | | |
| | HOPL | Consultant | | |
| AT -Alan Thomas | SM - Sophie Mission | MF - Murray Feddersen | | |
| RP -Rod Parsons | GL - George Laume | | | |
| TV - Tom Vigus | NA - Noel Apisai | | | |
| NL - Narua Lovai | SP - Steven Patiken | | | |
| | RB - Robert Balip | | | |
| | NT - Naweio Titus | | | |

Appendix “C”

Continuous Improvement Plan

Action Plan for Continual Improvement in Sustainable Performance

Introduction

This Action Plan for Continual Improvement identifies the planned actions that Hargy Oil Palm limited will take in order to further improve its performance in the key areas of:

- Minimising the use of Certain Pesticides;
- Reducing negative and enhancing positive Environmental Impacts;
- Waste reduction;
- Pollution and emissions, and;
- Social Impacts.

HOPL commits to maintaining and reporting on progress implementing this improvement plan commencing 01/01/2013 and reviewing it annually. By following this plan, HOPL will continually improve its performance.

This plan provides guidance on how the sustainability principles to which HOPL subscribes are implemented in a practical manner to provide operational, social and environmental benefits for all stakeholders.

These sustainability principles are defined in the following locations:

- RSPO Principles and Criteria (PNG NIWG National Interpretation)
- ISO 14001 Environmental Management Systems – Requirements with Guidance for Use
- Company Sustainability Documentation
- OHSAS 18001 Occupational Health and Safety Management Systems - Requirements

Aim

The aim of this plan is to provide a blueprint for continually improving the sustainable performance of HOPL whilst ensuring that it prospers and, by doing so, improves the lives of all stakeholders.

Objectives

The objectives for this plan are measurable annual improvements in the sustainable performance of the Company, particularly against measures of the main social and environmental impacts and improvement opportunities for both plantation and milling operations.

The timeframe for realising Objectives can be split into short term (1 to 2 years), medium term (3 to 8 years) and long term (greater than 8 years). Generally, the short term objectives are readily achievable, provide limited returns but have low risk of failure.

The medium term objectives bring greater returns but are harder to achieve and are likely to require revision and modification along the way. The long term objectives are those that will really shape the Company's sustainable future. They require vision and strategic thinking and a long term commitment to bring them into reality.

Scope

This plan for continual improvement in the sustainable performance of HOPL applies to all aspects of the Company's operations including plantation and milling activities. It considers all sustainability criteria including performance in the fields of social, environmental and commercial performance.

Overview

Initiatives in various areas of activity are identified according to the nature of the improvement to be achieved and the timeframe in which it is intended to develop and implement it.

Importantly, the expected indicators of success are identified to provide the basis for performance measurement in the future.

The plan is presented in tabular form with commentary provided to assist understanding of the rationale for the planned activity.

Each activity will be monitored on an ongoing basis by the person responsible for its implementation and reported, where significant events have occurred, at regular management meetings. Periodically the Company will prepare and publish a Report that will report on progress in the implementation of this plan for improvement.

Implementation

The start date of this plan is 2013. It endeavours to cover a time span of 25 years as that is approximately the re-plant cycle of Oil Palm Plantations and some environmental improvements will only be implemented at the time of re-planting.

Having said that though, it must be recognised that this plan will not identify all sustainability initiatives to be actioned over the 25 year period to 2038 and it is expected that many additional sustainability improvements will be identified and actioned within that period. For that reason, the plan is reviewed annually.

The review will not just review progress on previously identified activities but will identify and incorporate additional improvement activities that have arisen because of need, technological, social or environmental change or for other reasons. Within the life of the plan, it is expected that environmental, social, political and commercial requirements and expectations will evolve and the plan will respond in dynamic fashion to ensure continued relevance.

Planned activities are identified on the following pages. They are grouped according to area of endeavour and time-frame. The tables provide information on the expected benefits to be achieved.

1. Pesticides

| No | Indicator | Conformance | Planned improvement | outcome | By whom | Due date |
|-----|--|-------------|--|---|---|---------------|
| 1.1 | 4.6.1 Documented justification of all agrochemical use. | Major | Check that all chemicals used are included and documented. | Improved compliance | ESD Manager | Jan 2013 |
| 1.2 | 4.6.2 Records of pesticide use are maintained. | Minor | OMP records for 2012 to be updated and checked | Improved compliance | Plantation Managers | Jan 2013 |
| 1.3 | 4.6.3 Evolution of use of chemical categorised as WHO type 1A or 1B or listed by the Stockholm or Rotterdam conventions | Minor | PNGOPRA is doing trials with alternative chemicals for control of Sexava. These chemicals are less toxic than Methamidophos. Rat control with warfarin based baits is only carried out if rat populations and damage warrant chemical control methods. | Improved compliance | Agronomist | Dec 2013 |
| 1.4 | 4.6.4 No aerial spraying of pesticides | Major | Not applicable | | ESD Manager | ongoing |
| 1.5 | 4.6.5 Adoption of a suitable economic alternative to paraquat as recommended by the RSPO board | Minor | Paraquat is to be phased out over the next 3 years | Reduced paraquat usage | ESD Manager | Dec 2014 |
| 1.6 | 4.6.6 No herbicide to be supplied to smallholders without prior training and certification. Smallholder management organisations to actively discourage smallholders from using insecticides on oil palm. | Minor | OPIC has trained smallholder growers and certificates have been issued. HOPL will only issue Glyphosate 360 herbicide in 5 litre containers to certified smallholders | Trained and competent smallholders, higher yield | Estate Managers/ ESD Manager | ongoing |
| 1.7 | 4.6.6 No herbicide to be supplied to smallholders without prior training and certification. Smallholder management organisations to actively discourage smallholders from using insecticides on oil palm. | Minor | Increase the number of trained smallholder. Improve on certificate printing and distribution to trained smallholders | Trained and competent smallholders, higher yields | Smallholder department Manager/ OPIC | December 2013 |
| 1.8 | 4.6.7 No paraquat or insecticides to be supplied to smallholders by plantation | Major | Currently compliant and no further action is required. | N/A | | ongoing |

| | | | | | | |
|------|--|-------|--|--|--------------------------|------------|
| | companies or smallholder management organisations | | | | | |
| 1.9 | 4.6.8 Records of training to be maintained | Major | Update training records | Records of trained operators | Plantation Managers | Jan 2013 |
| 1.10 | 4.6.9 Personal protective equipment should be specified in MG/Standard Operating Procedures for pesticides workers in plantations. Appropriate safety equipment must be provided and used. | Major | Currently compliant and no further action is required. | N/A | Plantation Managers | Ongoing |
| 1.11 | 4.6.10 Storage and disposal of all chemicals as described in the GIFAP Code of Practice | Major | Currently compliant and no further action | High level of safety in chemical stores | Plantation Managers | Ongoing |
| 1.13 | 4.6.10 Storage and disposal of all chemicals as described in the GIFAP Code of Practice | Major | Construction of a permanent chemical shed at Imana division | High level of safety in chemical stores | Imana Plantation Manager | Dec 2013 |
| | 4.6.10 Storage and disposal of all chemicals as described in the GIFAP Code of Practice | Major | Develop specific checklist for storage, application and disposal of chemicals and use in relevant areas of operation | High level of safety in use of chemicals | ESD Manager | June 2013 |
| 1.14 | 4.6.11 Only registered agrochemicals following PNG labelling guidance will be used. All chemical inputs require an MSDS | Major | Check that all MSDS sheets are updated available in every store | High safety level | ESD Manager | ongoing |
| 1.15 | 4.6.12 Evidence of CPO residue testing as required and conducted by the supply chain | Minor | No residue testing is required by supply chain as per Sipef's advice. | Compliance | GM | March 2013 |
| 1.16 | 4.6.13 Annual health screening for plantation pesticide operators. Acetyl cholinesterase testing for all organophosphate users. | Major | All sexava treatment workers to be tested as per 2013 plan. | Healthy workers | Company Doctor | Dec 2013 |
| 1.17 | 4.6.14 No work with pesticides for pregnant or breast feeding women | Major | Currently compliant and no further action is required. | No further requirement | HoE | Ongoing |

2. Environment

Environmental impacts of HOPL operations are both positive and negative. The continual improvement plan is built into the environmental aspects list. This list is reviewed every twelve (12) months or more often if significant changes in the Company's operations or in the operating environment (including the regulatory environment) occur. The environment is divided in two chapter, the general environment improvement plan and the significant aspect and impact improvement plan

A. General environment improvement plan

| No. | Indicators | conformance | Planned improvement | outcome | Responsibility | Due date |
|-----|--|-------------|---|--|------------------------------|------------------|
| 2.1 | 5.1.1 An environmental aspects and impacts register has been developed and is periodically reviewed and updated | Major | Currently compliant, update as required. Improve knowledge of EMS system through training. | Improved level of compliance | ESD Manager | Feb 2013 |
| 2.2 | 5.1.2 An environmental improvement plan to mitigate the negative aspects and promote the positive ones is developed, implemented and monitored | Minor | Currently compliant. Requires revision to incorporate ISO14001 program improvements to fully integrate with RSPO | Improved management of improvement program | ESD Manager | Feb 2013 |
| 2.3 | 5.6.2 Significant pollutants and emissions are identified, monitored and plans to reduce them implemented. | Minor | Implement Monitoring Program of Irrigation ponds and review effectiveness | Improved control of overflows | Karla Plantation Manager/ESD | June 2013 |
| 2.4 | 4.4.2 Maintain and/or rehabilitate riparian buffer zones as per PNG logging code of practice at planting or replanting. | Major | Reinstate buffer zones along waterways in accordance with the Logging Code of Practice. Older plantings frequently failed to maintain the required buffer zones. HOPL will progressively re-establish buffer zones when estate blocks are replanted or earlier if resources permit. | Less riverine erosion, creation of wildlife corridors, trapping and filtering of plantation run-off. | HoE | Progressive 2020 |
| 2.5 | 4.2.3 nutrient recycling strategy should be in place | Minor | Update list of blocks for EFB annually | Reduce requirement for inorganic fertilizer | HoE | December 2013 |
| 2.6 | 5.4.1 Monitoring Kwh per ton of renewable energy sources | Minor | Connect Hargy mill to Barema hydro power | Reduced consumption of diesel at Hargy mil | Chief engineer | June 2014 |

3. Significant Environmental Aspects & Impacts

| Environment Impact | Location | Controls | Legal requirement | Planned improvement | Outcome | Responsible | Due date |
|------------------------|------------|------------------------------------|-------------------|---|--|--------------------|----------|
| Contamination of water | Hargy Mill | Bunding, spill kits | Yes | Bunding, spill kits, install trap at lab outlet pipe. | Reduced risk of water contamination | Hargy Mill Manager | Dec-13 |
| Contamination of water | Navo Mill | Bunding, spill kits | Yes | Bunding, spill kits | Reduced risk of water contamination | Navo Mill Mgr | Dec-13 |
| Water Quality | Hargy Mill | Treatment Ponds with 1.5m freebond | Yes | Training of pond attendants & Lab personnel | Effluent discharge within legal limits | Hargy Mill Manager | Dec-13 |
| Water Quality | Navo Mill | Treatment Ponds | Yes | Training of pond attendants & Lab personnel | Effluent discharge within legal limits | Navo Mill Mgr | Dec-13 |
| Water Quality | Hargy Mill | Interceptor traps, daily cleaning | | Install trap for ramp run off | Prevent pollution | Hargy Mill Manager | Dec-13 |
| Water Quality | Navo Mill | Interceptor traps, daily cleaning | | Interceptor traps, daily cleaning & verification | Prevent pollution | Navo Mill Mgr | Dec-13 |
| Water Quality | Hargy Mill | Interceptor traps, daily cleaning | Yes | Interceptor traps, daily cleaning & verification | Prevent pollution | Hargy Mill Manager | Dec-13 |
| Water Quality | Navo Mill | Interceptor traps | Yes | Interceptor traps, daily cleaning & verification | Prevent pollution | Navo Mill Mgr | Dec-13 |
| Water Contamination | Hargy Mill | Auto Level Controls, Bund | Yes | Auto Level Controls, Bund | Reduced risk of overflow | Hargy Mill Manager | Dec-13 |
| Water Contamination | Navo Mill | Auto Level Controls, Bund | Yes | Auto Level Controls, Bund | Reduced risk of overflow | Navo Mill Mgr | Dec-13 |
| Water Quality | Navo Mill | Driver training & awareness | | Driver training & awareness | Reduced risk of accident & spillage | Navo Mill Mgr | Dec-13 |

| Environment Impact | Location | Controls | Legal requirement | Planned improvement | Outcome | Responsible | Due date |
|-------------------------------|-----------------|-------------------------------|-------------------|---|--|--------------------|----------|
| Water quality | Hargy Mill | 24 hour supervision, boom | | 24 hour supervision, boom | Reduced risk of spillage | Hargy Mill Manager | Dec-13 |
| Fauna Habitant loss | New Dev | Environment Permit conditions | Yes | Maintain buffer zones within same site. | Increased level of Compliance | Site Manager | Dec-13 |
| Flora loss | Land Dev | Environment Permit conditions | Yes | Maintain buffer zones within same site. | Increased level of Compliance | Site Manager | Dec-13 |
| Cultural Heritage/Site Damage | Replant/New Dev | Environment Permit conditions | Yes | Maintain buffer zones within same site. | Increased level of Compliance | Site Manager | Dec-13 |
| Water Quality | Replant/New Dev | Environment Permit conditions | Yes | Proper drainage and use of cover crop | Increased level of Compliance | Site Manager | Dec-13 |
| Loss of Top Soil Resource | Replant/New Dev | Environment Permit conditions | Yes | Environment Permit conditions | Increased level of Compliance | Site Manager | Dec-13 |
| Loss of Traditional Resources | Land Dev | Environment Permit conditions | Yes | Environment Permit conditions | Increased level of Compliance | Site Manager | Dec-13 |
| Water Quality | Mill POME | Monitor POME weekly | Yes | Training of pond attendants & Lab personnel | Effluent discharge within legal limits | Mill Managers | Dec-13 |
| Odour | Mill POME | Monitor POME weekly | Yes | Training of pond attendants & Lab personnel | Effluent discharge within legal limits | Mill Managers | Dec-13 |
| Water Quality | New Dev | Comply with permit conditions | Yes | Develop a checklist specifically for buffer zones inspection. | Increased level of Compliance | Site Manager | Jun-13 |
| Biodiversity Protection | New Dev | Comply with permit conditions | Yes | Develop a checklist specifically for buffer zones | Increased level of Compliance | Site Manager | Jun-13 |

| Environment Impact | Location | Controls | Legal requirement | Planned improvement | Outcome | Responsible | Due date |
|---------------------------|-------------------------|-------------------------------------|-------------------|---|-------------------------------|---------------------------|----------|
| | | | | inspection. | | | |
| Biodiversity Protection | Barema | Comply with permit conditions | Yes | Use alternative cover crop | Increased level of Compliance | Barema Plantation Manager | Dec-13 |
| Water Quality | Barema Mill | Environment Permit conditions | Yes | Proper drainage for mill site. | Increased level of Compliance | Barema Mill Manager | Dec-13 |
| Wildlife Corridor | Barema Mill | Environment Permit conditions | Yes | Develop a checklist specifically for buffer zones inspection. | Increased level of Compliance | Barema Mill Manager | Jun-13 |
| Water Quality | Barema Mill site | Environment Permit conditions | Yes | Develop a checklist specifically for buffer zones inspection. | Increased level of Compliance | Barema Mill Manager | Jun-13 |
| Loss of wildlife corridor | Gravel extraction sites | Rehabilitation as per EP conditions | Yes | Use of Gravel extraction permit conditions in inspections. | Increased level of Compliance | Site Manager | Apr-13 |
| Water Quality | Gravel extraction sites | Rehabilitation as per EP conditions | Yes | Use of Gravel extraction permit conditions in inspections. | Increased level of Compliance | Site Manager | Apr-13 |

| Environment Impact | Location | Controls | Legal requirement | Planned improvement | Outcome | Responsible | Due date |
|-------------------------------------|-------------------------|-------------------------------|-------------------|--|-------------------------------|--------------|----------|
| Air Quality/Visual Amenity | Gravel extraction sites | Environment Permit conditions | Yes | Use of Gravel extraction permit conditions in inspections. | Increased level of Compliance | Site Manager | Apr-13 |
| Shortage of housing materials | New Dev | Environment Permit conditions | Yes | Land clearing done as per EP conditions so as not to cause significant impacts | Increased level of Compliance | Site Manager | Dec-13 |
| Loss of gardening Land | New Dev | Environment Permit conditions | Yes | Land clearing done as per EP conditions so as not to cause significant impacts | Increased level of Compliance | Site Manager | Dec-13 |
| Reduce subsistence prod (gardening) | New Dev | Environment Permit conditions | Yes | Land clearing done as per EP conditions so as not to cause significant impacts | Increased level of Compliance | Site Manager | Dec-13 |

4. Waste Reduction

Waste reduction is being achieved in accordance with the Waste Management Plan. Waste reduction provides for reduced generation of waste as well as increased use of re-use and recycling processes to reduce the amount of actual waste that is generated.

Refer to the Waste Management plan for further details.

| No. | Indicators | Conformance | Planned improvement | outcome | Responsibility | Due date |
|-----|---|-------------|-----------------------------|------------|----------------|----------|
| 4.1 | 5.3.1 Identify all sources of waste and | Major | Currently compliant, update | No further | ESD Manager | Jan 2013 |

| | pollution | | as required. | requirement | | |
|-----|---|-------|---|--|---------------------------|-----------|
| 4.2 | 5.3.2 Evidence of the implementation of a waste management and disposal plan including pesticide contaminated waste | Minor | Upgrading of company landfills to DEC requirements | Improved level of compliance | Estate Managers | Dec 2013 |
| 4.3 | 5.3.2 Evidence of the implementation of a waste management and disposal plan including pesticide contaminated waste | Minor | Training and education on compound waste management including rubbish segregation at new sites. | Better rubbish management in all sites | Community Affairs Manager | Dec 2013 |
| 4.4 | 5.3.2 Evidence of the implementation of a waste management and disposal plan including pesticide contaminated waste | Minor | Sale of expellant to stock feed manufacturer | Re-use, reduce risk of ground water infiltration | Chief Engineer | June 2013 |

5. Pollution and Emissions

Pollution and emissions are identified in the Environmental Aspects listing. Plans to reduce these are provided in the list.

Control of rubbish and litter is seen as the biggest single issue in pollution control. It will be controlled through a mixture of education, increased collection, greater emphasis on recycling and greater supervisory intervention. Initiatives including awareness & training are in place and will continue through 2013 to strengthen pollution control programs and heighten awareness among employees and their dependents and their role in environment protection.

| No. | Indicators | Conformance | Planned improvement | outcome | Responsibility | Due date |
|-----|--|-------------|--|---|--------------------------|-----------------------|
| 5.1 | 4.4.1 Domestic Water consumption | Major | Installation of water meters in all water intake for compound areas | Improved compliance | Heads of department | December 2013 |
| | 4.4.1 drains/2.1.1Evidence that all applicable legal & regulatory requirements are implemented as prescribed. | Major | Installation of oil separator system and fuel storage facility at Navo workshop | Reduce pollution | Vehicle Workshop Manager | December 2014 |
| 5.2 | 4.4.1 drains | Major | Installation of truck wash bay at Alangily | Reduce pollution | General Manager | December 2013 |
| 5.3 | 4.4.1 drains | Major | Installation of a triple interceptor at the Hargy bowser drain | Reduce pollution | General Manager | December 2013 |
| | 4.4.1 drains | Major | Construct fuel bowser at Hargy and Barema plantation | Reduce pollution | General Manager | Dec 2013 |
| 5.4 | 5.2.5 Evidence of a commitment to discourage any illegal or inappropriate hunting fishing or collecting activities; and developing responsible measures to resolve human-wildlife conflicts. | Minor | Provide support to Mahonia na dairi to conduct marine conservation awareness for local villagers | Increased awareness on marine conservation among employees & local communities. | ESD Manager | Annual grant of K5000 |

6. Social Improvement plan

Refer to The Social Improvement plan

7. Improvement plan

| No. | Indicators | Conformance | Planned improvement | outcome | Responsibility | Due date |
|-----|--|-------------|--|---|--|-----------|
| 7.1 | 4.7.1 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. | Minor | Develop a short and simplified summary of all site Safety Management Plans targeting the general workforce. | Better understanding of OHS requirements by all employees | OHS Superintendant | June 2013 |
| 7.2 | 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. | Minor | Put concrete floor at Alangily workshop and erect fence around workshop area | Safer workplace | Bakada Plantation Manager | Dec 2013 |
| 7.3 | 6.1.1 A register of all social impacts on employees, individuals and affected communities is maintained, including records of meetings | Major | Review and update of social impacts of HOPLs operations and put in place strategies to control and or reduce negative impacts and strengthen positives impacts | Resolution of social issues | Sustainability Officer/Community Affairs Manager | June 2013 |
| 7.4 | 6.5.4 Where companies provide housing, water supplies, medical, educational and welfare amenities they adhere to | Minor | Improve the water supply at Kiba, Ibana & Alangily. | Improved and consistent water supplied to compounds | Construction & Electrical Service Managers | Dec 2013 |

| No. | Indicators | Conformance | Planned improvement | outcome | Responsibility | Due date |
|-----|---|-------------|--|---|-------------------------------------|----------|
| | national legislation | | | | | |
| 7.5 | 6.5.4 Where companies provide housing, water supplies, medical, educational and welfare amenities they adhere to national legislation | Minor | Re-install al UV treatment along with pipe works to establish a reliable UV system for domestic water treatment for all compounds. | Safe & reliable potable water for the compounds | Construction Mgr /Electrical Mgr | Dec 2014 |
| 7.6 | 8.1.1 Action plan for continuous improvement | Major | Independent estates to be brought up to RSPO standards, chemical shed, OHS, workshop | Better compliance | IE Managers/OPIC/OD | Dec 2013 |
| 7.7 | 8.1.2 Timely response to all RSPO audit findings | Major | Include NCR completion rate as KRA for all site managers and review regularly | Improved Compliance | General Manager/ESD Manager | Dec 2013 |

Appendix 1 Minimising the use of Certain Pesticides

Two conventions (Stockholm and Rotterdam) identify chemicals that are to be phased out of use around the world. The background to this is described below.

In May 1995, the United Nations Environment Programme Governing Council (GC) decided to begin investigating POPs (Persistent Organic Pollutants), initially beginning with a short list of the following twelve POPs, known as the 'dirty dozen': aldrin, chlordane, DDT, dieldrin, endrin, heptachlor, hexachlorobenzene, mirex, polychlorinated biphenyls, polychlorinated dibenzo-p-dioxins, polychlorinated dibenzofurans, and toxaphene.

Since then, this list has generally been accepted to include such substances as carcinogenic polycyclic aromatic hydrocarbons (PAHs) and certain brominated flame-retardants, as well as some organometallic compounds such as tributyltin (TBT).

The groups of compounds that make up POPs are also classed as PBTs (Persistent, Bioaccumulative and Toxic) or TOMPs (Toxic Organic MicroPollutants.)

Stockholm Convention

| Chemical | Current status at XXXX | Planned Action |
|-----------------------------------|------------------------|----------------|
| aldrin | Not currently used | None Required |
| chlordane | Not currently used | None Required |
| DDT | Not currently used | None Required |
| dieldrin | Not currently used | None Required |
| endrin | Not currently used | None Required |
| heptachlor | Not currently used | None Required |
| hexachlorobenzene | Not currently used | None Required |
| mirex | Not currently used | None Required |
| polychlorinated biphenyls | Not currently used | None Required |
| polychlorinated dibenzo-p-dioxins | Not currently used | None Required |
| polychlorinated dibenzofurans | Not currently used | None Required |
| toxaphene. | Not currently used | None Required |

Rotterdam Convention

Annex III

| Chemical | Current status at HOPL | Planned Action |
|----------------------------------|------------------------|----------------|
| 2,4,5-T and its salts and esters | Not currently used | None Required |
| Aldrin | Not currently used | None Required |
| Binapacryl | Not currently used | None Required |
| Captafol | Not currently used | None Required |
| Chlordane | Not currently used | None Required |
| Chlordimeform | Not currently used | None Required |
| Chlorobenzilate | Not currently used | None Required |
| DDT | Not currently used | None Required |
| Dieldrin | Not currently used | None Required |

| | | |
|---|----------------------------------|--|
| Dinitro-ortho-cresol (DNOC) and its salts(such as ammonium salt, potassium salt and sodium salt) | Not currently used | None Required |
| Dinoseb and its salts and esters | Not currently used | None Required |
| 1,2-dibromoethane(EDB) | Not currently used | None Required |
| Ethylene dichloride | Not currently used | None Required |
| Ethylene oxide | Not currently used | None Required |
| Fluoroacetamide | Not currently used | None Required |
| HCH (mixed isomers) | Not currently used | None Required |
| Heptachlor | Not currently used | None Required |
| Hexachlorobenzene | Not currently used | None Required |
| Lindane | Not currently used | None Required |
| Mercury compounds including inorganic mercury compounds, alkyl mercury compounds and alkyloxyalkyl and aryl mercury compounds | Not currently used | None Required |
| Monocrotophos | Not currently used | None Required |
| Parathion | Not currently used | None Required |
| Pentachlorophenoland its salts and esters | Not currently used | None Required |
| Toxaphene | Not currently used | None Required |
| Tributyltin compounds | Not currently used | None Required |
| Dustable powder formulations containing a combination of : benomyl at or above 7 per cent, carbofuran at above 10 per cent, thiram at or above 15 per cent | Not currently used | None Required |
| Methamidophos(Soluble liquid formulations of the substance that exceed 600 g active ingredient/l) | Currently in use on OPRA request | Reduction of use by better field upkeep and preventions means as per the IPM program |
| Phosphamidon(Soluble liquid formulations of the substance that exceed 1000 g active ingredient/l) | Not currently used | None Required |
| Methyl-parathion(emulsifiable concentrates (EC) at or above 19.5% active ingredient and dusts at or above 1.5% active ingredient) | Not currently used | None Required |
| Asbestos <ul style="list-style-type: none"> • Crocidolite • Actinolite • Anthophyllite • Amosite • Tremolite | Not currently used | None Required |
| Polybrominated biphenyls | Not currently used | None Required |
| Polychlorinated biphenyls (PCB) | Not currently used | None Required |
| Polychlorinated terphenyls (PCT) | Not currently used | None Required |
| Tetraethyl lead | Not currently used | None Required |
| Tetramethyl lead | Not currently used | None Required |
| Tris(2,3-dibromopropyl) phosphate | Not currently used | None Required |

Appendix “D”

Nonconformities, Corrective Actions and Observations Summary

0 Nonconformities against Major Compliance Indicators

3 Nonconformities against Minor Compliance Indicators

7 Observations/Opportunities for Improvement

| RSPO Indicator | NCR Ref | Details |
|----------------|---------|--|
| 4.7.2 | 1 | <p>4.7.2 Minor NCR: A number of Safety Issues were identified in a number of areas which require improved control. These include: Signage require where EFB falling in work area, Diesel not identified in bulk tank, LOTO not properly implemented, Damaged machine guards, worker not wearing ear protection, Expeller blowing into mill – possible eye damage, Eletrical switchboard doors not locked.</p> <p>Corrective Action Plan Install signage for EFB area. Install 'Combustible Storage' sign on diesel tank in place of 'Flammable Storage' sign. Replace damaged machine guards. Awareness done on use of already installed water spray to moisten expeller thus preventing it blowing into air. Install locks that have one key to be held by shift electricians who will be the authorised persons having access to switch boards, opening them only when work is being carried out on them.</p> |
| 4.7.3 | 2 | <p>Minor NC 4.7.3. In Hargy Oil Palm Mil not all potentially hazardous operations have been adequately controlled. There is in place a system for managing high risk operations however it is poorly implemented. Hot works permits, working at heights permits and confined spaces permits are incomplete as far as approval and checking of completed work. A number of these permits also appear to have been back dated and not issued on the actual day of the high risk operations.</p> <p>Corrective Action Plan Awareness & emphasis to relevant mill personnel on approval & checking of permits on completion of jobs. Refresher training will be provided to relevant mill personnel, including supervisors. Check of permit documents by Mill manager or his delegate before permits are filed.</p> |
| 5.3.2 | 3 | <p>5.3.2 Minor NC: The land fill at the time of this assessment was being poorly managed as a substantial amount of waste was not placed in the domestic waste pit and was on the side of the pit. Alaba landfill was also poorly managed with items such as tyres in the hydrocarbon pit which are normally re-used as block markers or to help control erosion.</p> <p>Corrective Action Plan 1. Alaba Landfill site Segregate rubbish and place in appropriate pits. Conduct awareness & training to Sabalbala compound residents & rubbish pick up crew on rubbish segregation & waste management. 2. Ibane Landfill Site Dig new domestic waste pit at landfill. Place all rubbish in pit & cover the full pit.</p> |

| | | |
|--|--|---|
| | | Awareness to landfill users on waste management practices |
|--|--|---|

Observations

4.4.2 Observation: There was no review of environmental factors concerned with the use of Barema Beach for landing a barge and heavy plant used in the construction of the new Barema mill. Although this is the most favourable place for these activities plans are not in place for the effect these operations will have on the area and the methods to be used to rehabilitate the area once construction is complete.

Observation 5.1.1Z: The activities surrounding the temporary or abnormal impacts concerning the construction of the new mill at Barema have not been included in the Environmental Aspects and Impacts register. This includes any impacts on Barema Beach and at the gravel areas.

Observation 6.5.1: Each general labourer residing in the new General Labour Quarter (GLQ) duplex unit at Barema and Imana who was interviewed, expressed satisfaction with the two rooms per family as well as the dedicated veranda area, toilet, shower, laundry and kitchen. If this is adopted by the company as its standard for each family, HOPL would prominently elevate its status in terms of employee welfare.

Observation 6.5.2: HOPL should be careful with its recruitment as this simply leads to over-crowding and all its attendant issues. The housing of a family in a single room should be avoided

Observation 6.6.1: The allegation of fraud against the current Secretary of the HOPL Workers Union is likely to hinder the work of the union's executive committee. HOPL should take appropriate action to enable the committee to continue to perform its advocacy role

Observation 6.8.1: HOPL management should examine and provide feedback on the recommendations furnished lately by the Gender Committee

Observation 6.9.1: A common cause for domestic violence is abuse of income earned by the husband. This seems to be especially typical in families where the wife is unemployed and not involved in any income generating activity. To address this as a cause of domestic violence, HOPL may consider running financial literacy awareness and where possible provide some form of casual employment for wives of employees. Quite a number of female spouses are already engaged as loose fruit collectors

Minor Nonconformities (Detail) ASA 3

2 Nonconformities against Minor Compliance Indicators

Minor Nonconformities (Detail)

| RSPO Indicator | NCR Ref | Details |
|----------------|---------|--|
| 4.7.2 | 1 | <p><i>Minor NC 4.7.2 – Contractors working on major projects such as the new Vehicle Workshop and Barema Oil Mill construction have not been risk assessment and procedures have not been put in place address any health and safety issues in a formal way.</i></p> <p><i>Hargy 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.</i></p> <p>Corrective Action Plan</p> <p>Action: Closed: There is now in place a hazard and risk analysis for all the activities associated with the Barema Mill project. The risk analysis includes controls in place. There is now a contractor Health and Safety person on site full time. The overall control of contractor safety is much improved.</p> |

| | | |
|-------|---|---|
| 4.7.3 | 2 | <p>Minor NC 4.7.3 At time contractors working on projects at the vehicle workshop are not using provided safety equipment such as hard hats or safety harness provided for working at heights. A few other issues were also highlighted including damaged electrical welders not tagged out (fixed during assessment), no RCD on temporary power boards, Lock out/tag out processes not applied correctly (fixed during assessment).</p> <p>Corrective Action Plan</p> <p>Action: Closed – The control of high risk activities at the Barema mill site has improved considerably. Now PPE is used throughout the site with few in any exceptions. There is now a permit system for high risk activities including working at heights, hot works and working in confined spaces. Workers on the new boiler had in place harnesses which were being used at the time of the assessment.</p> |
|-------|---|---|

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 Surveillance Assessment visit scheduled for April 2011.

1.2.2.Observation: Hargy Oil Palm has amended a number of policies however all have not been circulated in all operating units.

2.2.3 Observation: New CLUAs are still using the clause “for the life of the lessee” as the timeframe for the agreement. This is not considered appropriate and a time frame of 25 years (one oil palm rotation) minimum would be more culturally appropriate, as clan situations change with time.

4.3.5 Observation: The road maintenance plan in each estate is prepared indicating targets for maintenance however achievements are not being recorded as roads are maintained.

4.7.4 Observation: HOPL are not using a set agenda for a number of safety meetings and it is not always evident that accidents/incidents are all discussed.

4.7.7 Observation: It must be ensured that all accidents resulting in LTI which are reported to the clinic are also reported to the department head in a timely manner.

5.1.2 Observation The Environmental Improvement plan needs to be updated when targets dates are reached with details of achievement and whether in fact the improvements were made.

5.3.2 Observation: At time expired drugs and ointments are not disposed of as required and are at times allowed to accumulate at some of the clinics – e.g. Kera Kera and Keba clinics.

5.6.2 Observation: The allowable limits of smoke emissions are incorrectly indicated on graphs which at times incorrectly indicates that emissions are outside allowable limits. Staff at the mills need training in the interpretation and recording of data related to smoke emissions.

6.1.3 Observation: The plan and timetable for mitigation, monitoring. Reviewing is in place however it is not clear as to when the plan is to be updated on improvements made. Although action plans for new development at Mengen Bakada relatively good the timetable for existing planting is not clear in mentioning responsibilities

Appendix “E”

Supply Chain

HARGY MILL 29.4.13

| Requirements | SG |
|--|---|
| 1. Documented procedures | |
| <p>1.1 The facility shall have written procedures and/or work instructions to ensure implementation of all the elements specified in these requirements. This will include as a minimum</p> <p>a. up to date procedures covering all elements of supply chain requirements</p> <p>b. The name of the person having overall responsibility for and implementation of these requirements and shall demonstrate awareness of facilities for implementation of the standard</p> <p>1.2 The facility shall have documented procedures for receiving and processing certified and non-certified FFB.</p> | <p>At this stage there are written/documented procedures for the chain of custody for Hargy, Oil Mill</p> <p>Supply Chain Management Guideline Supply Chain # BMT-RSPO-000019 Issue 2 06 December 2011</p> <p>Approved by Graham King Responsibility: S - Sustainability Manager</p> <p>The documented procedures for receiving and processing certified and non-certified FFB are included in the Supply Chain Manager Guideline</p> |
| 2. Purchasing and goods in | |
| <p>2.1 The facility shall verify and document the volumes of certified and non-certified FFB received.</p> | <p>Around 45% of material comes from HOPLHOPL Estates therefore there is no PO. 55 % comes from Small Holders. With Small Holder HOPL use a Docket system which indicate weight (quality of product is checked in the field and rejected if rotten) and source of materials. This indicates which small holder block this came from. Purchase orders are not used.</p> <p>Yes this is done by weighbridge docket indicate weight and source of RSPO material. In this case PO is not used because internal supplier. All Small Holder RSPO Material is identified by docket system as to source including small holder block location</p> <p>The volumes of certified and non-certified FFB is documented by the weighbridge – all FFB is certified</p> |

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| 2.2 The facility shall inform the CB immediately if there is projected over production | There is no projected over production for each mill. |
| 3 Record keeping | |
| 3.1 The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of these requirements. | There are records in place which are complete, up to date and accurate for all requirements. These are available from the weighbridge and within the system. All were readily retrievable |
| 3.2 Retention times for all records and reports shall be at least five (5) years. | The system requires that all records and reports are retained for a minimum of 5 years |
| 3.3 The facility shall record and balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO, PKO and palm kernel meal on a three-monthly basis. | The mill records and balance of all materials on a 3 monthly basis – all material is RSPO certified FFB |
| 3.4 The following trade names should be used and specified in relevant documents, e.g. purchase and sales contracts, e.g. *product name*/SG or Segregated. The supply chain model used should be clearly indicated. | The supply chain model is clearly indicated on all sales contracts |
| 4. 4 Sales and goods out | |
| 4.1 The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information: a) The name and address of the buyer; b) The date on which the invoice was issued; c) A description of the product, including the applicable supply chain model (Segregated) d) The quantity of the products delivered; e) Reference to related transport documentation. | The company is able to issue an invoice which will allow them under the segregation scheme to include amount of RSPO materials. This is included Date of issue of invoice is recorded Description of product is included – including supply chain model This is via an arrival alert that client has received product |
| 5. Processing | |

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| <p>5.1 The facility shall assure and verify through clear procedures and record keeping that the RSPO certified palm oil is kept segregated from non-certified material including during transport and storage and be able to demonstrate that it has taken all reasonable measures to ensure that contamination is avoided. The objective is for 100 % segregated material to be reached. The systems should guarantee the minimum standard of 95 % segregated physical material; up to 5 % contamination is allowed.</p> | <p>There are clear and precise procedures in place that record that RSPO product is segregated – however product is 100% segregated</p> |
| <p>5.2 The facility shall provide documented proof that the RSPO certified palm oil can be traced back to only certified segregated material</p> | <p>All material is RSPO certified</p> |
| <p>5.3 In cases where a mill outsources activities to an independent palm kernel crush, the crush still falls under the responsibility of the mill and does not need to be separately certified. The mill has to ensure that:</p> <ul style="list-style-type: none"> • The crush operator conforms to these requirements for segregation • The crush is covered through a signed and enforceable agreement | <p>Not applicable to HOPL or its mills</p> |

| Requirements | SG |
|---|---|
| 1. Documented procedures | |
| <p>1.1 The facility shall have written procedures and/or work instructions to ensure implementation of all the elements specified in these requirements. This will include as a minimum</p> <p>a. up to date procedures covering all elements of supply chain requirements</p> <p>b. The name of the person having overall responsibility for and implementation of these requirements and shall demonstrate awareness of facilities for implementation of the standard</p> <p>1.3 1.2The facility shall have documented procedures for receiving and processing certified and non-certified FFB.</p> | <p>At this stage there are written/documented procedures for the chain of custody for nAVO, Oil Mill</p> <p>Supply Chain Management Guideline Supply Chain # BMT-RSPO-000019 Issue 2 06 December 2011</p> <p>Approved by Graham King Responsibility: Sophie Mission - Sustainability Manager</p> <p>The documented procedures for receiving and processing certified and non-certified FFB are included in the Supply Chain Manager Guideline</p> |
| 2. Purchasing and goods in | |
| <p>2.1 The facility shall verify and document the volumes of certified and non-certified FFB received.</p> | <p>Around 45% of material comes from HOPL Estates therefore there is no PO. 55 % comes from Small Holders. With Small Holder HOPL use a Docket system which indicate weight (quality of product is checked in the field and rejected if rotten) and source of materials. This indicates which small holder block this came from. Purchase orders are not used.</p> <p>Yes this is done by weighbridge docket indicate weight and source of RSPO material. In this case PO is not used because internal supplier. All Small Holder RSPO Material is identified by docket system as to source including small holder block location</p> <p>The volumes of certified and non-certified FFB is documented by the weighbridge – all FFB is</p> |

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| <p>2.2 The facility shall inform the CB immediately if there is projected over production</p> | <p>certified</p> <p>There is no projected over production for each mill.</p> |
| <p>3 Record keeping</p> | |
| <p>3.1 The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of these requirements.</p> <p>3.2 Retention times for all records and reports shall be at least five (5) years.</p> <p>3.3 The facility shall record and balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO, PKO and palm kernel meal on a three-monthly basis.</p> <p>3.4 The following trade names should be used and specified in relevant documents, e.g. purchase and sales contracts, e.g. *product name*/SG or Segregated. The supply chain model used should be clearly indicated.</p> | <p>There are records in place which are complete, up to date and accurate for all requirements. These are available from the weighbridge and within the system. All were readily retrievable</p> <p>The system requires that all records and reports are retained for a minimum of 5 years</p> <p>The mill records and balance of all materials on a 3 monthly basis – all material is RSPO certified FFB</p> <p>The supply chain model is clearly indicated on all sales contracts</p> |
| <p>4. 4 Sales and goods out</p> | |
| <p>4.1 The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information:</p> <ul style="list-style-type: none"> f) The name and address of the buyer; g) The date on which the invoice was issued; h) A description of the product, including the applicable supply chain model (Segregated) i) The quantity of the products delivered; j) Reference to related transport documentation. | <p>The company is able to issue an invoice which will allow them under the segregation scheme to include amount of RSPO materials.</p> <p>This is included</p> <p>Date of issue of invoice is recorded</p> <p>Description of product is included – including supply chain model</p> <p>This is via an arrival alert that client has received product</p> |

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| 5. Processing | |
| 5.1 The facility shall assure and verify through clear procedures and record keeping that the RSPO certified palm oil is kept segregated from non-certified material including during transport and storage and be able to demonstrate that it has taken all reasonable measures to ensure that contamination is avoided. The objective is for 100 % segregated material to be reached. The systems should guarantee the minimum standard of 95 % segregated physical material; up to 5 % contamination is allowed. | There are clear and precise procedures in place that record that RSPO product is segregated – however product is 100% segregated |
| 5.2 The facility shall provide documented proof that the RSPO certified palm oil can be traced back to only certified segregated material | All material is RSPO certified |
| 5.3 In cases where a mill outsources activities to an independent palm kernel crush, the crush still falls under the responsibility of the mill and does not need to be separately certified. The mill has to ensure that: <ul style="list-style-type: none"> • The crush operator conforms to these requirements for segregation • The crush is covered through a signed and enforceable agreement | Not applicable to HOPL or its mills |
| 6. Training | |
| 6.1. The facility shall provide the training for all staff as required to implement the requirements of the Supply Chain Certification Systems. | Staff in the weighbridge is already competent in separating the source of the material and this can be related to company & small holder material – all RSPO. There are records of competency of staff in weighbridge |
| 7. Claims | |
| 7.1 The facility only makes claims regarding the use of or support of RSPO certified sustainable palm oil that are in compliance with the RSPO approved claims | All RSPO material |

NAVO Mill

| Requirements | SG |
|--|---|
| 1. Documented procedures | |
| <p>1.4 The facility shall have written procedures and/or work instructions to ensure implementation of all the elements specified in these requirements. This will include as a minimum</p> <p>a. up to date procedures covering all elements of supply chain requirements</p> <p>b. The name of the person having overall responsibility for and implementation of these requirements and shall demonstrate awareness of facilities for implementation of the standard</p> <p>1.5 The facility shall have documented procedures for receiving and processing certified and non-certified FFB.</p> | <p>At this stage there are written/documented procedures for the chain of custody for Sumbiripa Oil Mill</p> <p>Supply Chain Management Guideline Supply Chain # BMT-RSPO-000019 Issue 2 06 December 2011</p> <p>Approved by Mike Jackson Responsibility: Paul Maliou - Sustainability Manager</p> <p>The documented procedures for receiving and processing certified and non-certified FFB are included in the Supply Chain Manager Guideline</p> |
| 2. Purchasing and goods in | |
| <p>2.1 The facility shall verify and document the volumes of certified and non-certified FFB received.</p> | <p>Around 53% of material comes from HOPL Estates therefore there is no PO. 47 % comes from Small Holders. With Small Holder HOPL use a Docket system which indicate weight (quality of product is checked in the field and rejected if rotten) and source of materials. This indicates which small holder block this came from. Purchase orders are not used. Yes this is done by weighbridge docket indicate</p> |

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| <p>2.2 The facility shall inform the CB immediately if there is projected over production</p> | <p>weight and source of RSPO material. In this case PO is not used because internal supplier. All Small Holder RSPO Material is identified by docket system as to source including small holder block location The volumes of certified and non-certified FFB is documented by the weighbridge – all FFB is certified</p> <p>There is no projected over production for each mill.</p> |
| <p>3 Record keeping</p> | |
| <p>3.1 The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of these requirements.</p> <p>3.2 Retention times for all records and reports shall be at least five (5) years.</p> <p>3.3 The facility shall record and balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO, PKO and palm kernel meal on a three-monthly basis.</p> <p>3.4 The following trade names should be used and specified in relevant documents, e.g. purchase and sales contracts, e.g. *product name*/SG or Segregated. The supply chain model used should be clearly indicated.</p> | <p>There are records in place which are complete, up to date and accurate for all requirements. These are available from the weighbridge and within the system. All were readily retrievable</p> <p>The previously certified ISO 14001 system requires that all records and reports are retained for a minimum of 5 years</p> <p>The mill records and balance of all materials on a 3 monthly basis – all material is RSPO certified FFB</p> <p>The supply chain model is clearly indicated on all sales contracts</p> |
| <p>4. 4 Sales and goods out</p> | |
| <p>4.1 The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information:</p> <p>k) The name and address of the buyer;</p> <p>l) The date on which the invoice was issued;</p> | <p>The company is able to issue an invoice which will allow them under the segregation scheme to include amount of RSPO materials.</p> <p>This is included</p> <p>Date of issue of invoice is recorded</p> <p>Description of product is included – including</p> |

| | |
|--|--|
| <p>m) A description of the product, including the applicable supply chain model (Segregated)</p> <p>n) The quantity of the products delivered;</p> <p>o) Reference to related transport documentation.</p> | <p>supply chain model</p> <p>This is via an arrival alert that client has received product</p> |
| <p>5. Processing</p> | |
| <p>5.1 The facility shall assure and verify through clear procedures and record keeping that the RSPO certified palm oil is kept segregated from non-certified material including during transport and storage and be able to demonstrate that it has taken all reasonable measures to ensure that contamination is avoided. The objective is for 100 % segregated material to be reached. The systems should guarantee the minimum standard of 95 % segregated physical material; up to 5 % contamination is allowed.</p> | <p>There are clear and precise procedures in place that record that RSPO product is segregated – however product is 100% segregated</p> |
| <p>5.2 The facility shall provide documented proof that the RSPO certified palm oil can be traced back to only certified segregated material</p> | <p>All material is RSPO certified</p> |
| <p>5.3 In cases where a mill outsources activities to an independent palm kernel crush, the crush still falls under the responsibility of the mill and does not need to be separately certified. The mill has to ensure that:</p> <ul style="list-style-type: none"> • The crush operator conforms to these requirements for segregation • The crush is covered through a signed and enforceable agreement | <p>Not applicable to HOPL or its mills</p> |
| <p>6. Training</p> | |
| <p>6.1. The facility shall provide the training for all staff as required to implement the requirements of the Supply Chain Certification Systems.</p> | <p>Staff in the weighbridge is already competent in separating the source of the material and this can be related to company & small holder material – all RSPO. There are records of competency of staff in weighbridge</p> |
| <p>7. Claims</p> | |
| <p>7.1 The facility only makes claims regarding the use of or support of RSPO certified sustainable palm oil that are in compliance with the RSPO approved claims</p> | <p>All RSPO material</p> |

Appendix “F”

LIST OF SMALL HOLDER INTERVIEWED AND LOCATION

| CENAKA DIVISION | | | | | | | | |
|-----------------|------------------|----------|-------------------|-------------------|-------------------|-------------------|--|-------------------------|
| SUB DIVISION | NAME | BLOC K # | YEAR OF PLANTINGS | | | | | TOTAL AREA PLANTED (Ha) |
| | | | Phase 1 | Phase 2 | Phase 3 | Phase 4 | | |
| Tiauru LSS | Yapani Yambin | 01-303 | 1978 (1.5Ha) | 1994 (1.48 Ha) | 2005 (3.05 Ha) | | | 6.03 |
| | Bernard Inadu | 01-230 | 1992 (2 Ha) | 2003 (2 ha) | 2005 (2 Ha) | | | 6 |
| | Liu Densuit | 01-243 | 1996 (2 Ha) | 2005 (4 Ha) | | | | 6 |
| | Joe Kohau | 01-233 | 1994 (4.84) | 2011 (2 ha) | | | | 6.84 |
| | Awi Pumai | 01-392 | 1998 (2Ha) | 2005 (1.83) | 2009 (2) | | | 5.83 |
| | Maraka Mandembra | 01-354 | 1994 (2 Ha) | 1996 (1.75Ha) | 1998 (1.98 Ha) | | | 5.73 |
| | Marcus Lukara | 01-255 | 1978 (2 Ha) | 2000 (1.58 Ha) | 2005 (2 Ha) | | | 5.58 |
| Kiava VOP | Kilma Mote | 11-056 | 2004 (2.74 ha) | | | | | 2.74 |
| | Joseph Moro | 11-1201 | 2006 (2 Ha) | | | | | 2 |
| | Erick Wali | 11-033 | 2002 (2 Ha) | | | | | 2 |
| Malasi LSS | Martin Veimuli | 04-627 | 1982 (2 Ha) | 1998 (2 Ha) | 2005 (1.99 Ha) | 2007 (1.93 Ha) | | 7.92 |
| | Kennedy Lakoti | 04-620 | 1986 (1.8 Ha) | 1998 (2 Ha) | 1999 (2 Ha) | 2010 (2 Ha) | | 7.8 |
| Sale LSS | Puasu Kotalo | 29-597 | 2005 (1.75 Ha) | | | | | 1.75 |
| | Vuenga Thomas | 29-604 | 1999 (1.98 Ha) | 2005 (2 Ha) | 2011 (2 ha) | | | 5.98 |
| Lalopo LSS | Maria Pache | 32-1093 | 1995 (3.05 Ha) | 2001 (1.95 Ha) | 2006 (0.9 Ha) | | | 5.9 |
| | Nick Katun | 32-1081 | 1994 (3.44 Ha) | 2001 (2.54 Ha) | | | | 5.98 |
| | John Goru | 32-1105 | 1995 (2.79 Ha) | 2000 (2.29 Ha) | 2007 (1.45 Ha) | | | 6.53 |
| Uasilau LSS | Joseph Viviamo | 05-162 | 1999 (1.97 | 2006 (2 Ha) | | | | 3.97 |

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|--|----------------|--------|----------------------|----------------------|----------------------|----------------|----------------|------|
| | | | Ha) | | | | | |
| | Samuel Paraide | 05-149 | 1984 (1.88 Ha) | 2000 (1.96 Ha) | 2007 (1.8 Ha) | | | 5.64 |
| | James Ai | 05-206 | 1998 (2.06 Ha) | 2000 (2 Ha) | 2006 (1.96 Ha) | | | 6.02 |
| | Lesigana Waisa | 173 | 1982 (0.52 Ha) | 1999 (1 Ha) | 2000 (1.39 Ha) | 2006 (4 Ha) | 2007 (2 Ha) | 8.91 |

| MAUTUTU DIVISION | | | | | | | |
|-------------------|--------------------|---------|-------------------|-------------------|----------------|-----------------|-------------------------|
| SUB DIVISION | NAME | BLOCK # | YEAR OF PLANTINGS | | | | TOTAL AREA PLANTED (Ha) |
| | | | Phase 1 | Phase 2 | Phase 3 | Phase 4 | |
| Wilelo LSS | Joe Yoruku | 02-1206 | 1981 (3.98 ha) | 2001 (1.97 ha) | | | 5.95 |
| | Theo Nongadtive | 02-1207 | 1979 (1.91 Ha) | 2003 (1.95 Ha) | | | 3.86 |
| | Kire Pugma | 02-1208 | 2003 (1.97 Ha) | | | | 1.97 |
| | Mamanikam Makakawa | 02-1475 | 1995 (1.98 Ha) | 2006 (2 Ha) | | | 3.98 |
| | Aaron Peter | 02-1485 | 1982 (3.96 Ha) | 2006 (1.98 Ha) | | | 5.94 |
| Mataururu VOP | Alphonse Solomon | 10-1071 | 2003 (2.1 Ha) | | | | 2.1 |
| | Michael Rakua | 10-1080 | 1990 (2.04 Ha) | | | | 2.04 |
| Gomu/Urumaili VOP | Ben Gaa | 12-1259 | 2003 (2.04 Ha) | | | | 2.04 |
| Ewasse VOP | Amos August | 35-3557 | 2004 (2 Ha) | | | | 2 |
| | Vincent Salsal | 35-3510 | 1998 (1.99 Ha) | | | | 1.99 |
| I.E | Babex Estate | 770010 | 2000 (14 Ha) | 2003 (10 Ha) | 2004 (8 Ha) | 2008 (11 Ha) | 43 |

| MERAMERA DIVISION | | | | | | |
|-------------------|---------------|---------|-------------------|----------------|----------------|-------------------------|
| SUB DIVISION | NAME | BLOCK # | YEAR OF PLANTINGS | | | TOTAL AREA PLANTED (Ha) |
| | | | Phase 1 | Phase 2 | Phase 3 | |
| Soi LSS | Manue Aimo | 1555 | 1992 (2 ha) | 1993 (2 ha) | 2006 (2 Ha) | 6 |
| | Thomas Daniel | 1542 | 1992 (2 Ha) | 1994 (2 Ha) | 2004 (2 Ha) | 6 |

| | | | | | | |
|-------------|------------------|------|-------------------|-------------------|-------------------|------|
| | Malangati Nambe | 1683 | 1992 (2 Ha) | 1994 (2 Ha) | 2001 (2 Ha) | 6 |
| | Rusy Jolam | 1761 | 1992 (2 Ha) | 1994 (2 Ha) | 2005 (2 Ha) | 6 |
| | Jerry Kilangi | 1736 | 1993 (2 Ha) | 1994 (2 Ha) | 2005 (2 Ha) | 6 |
| | Luciana Leo | 1719 | 1992 (2 Ha) | 1994 (2 Ha) | 2004 (2 Ha) | 6 |
| | Andrew Sylvester | 1720 | 1992 (2 Ha) | 1995 (2 Ha) | 2009 (1 Ha) | 5 |
| | Bill Johnny | 1582 | 1992 (2 Ha) | 1994 (2 Ha) | 2003 (2 Ha) | 6 |
| | David Guagi | 1732 | 1993 (1.6 Ha) | 1996 (1.7 Ha) | 2009 (2 Ha) | 5.3 |
| Kabaiya LSS | Moite Jerry | 1862 | 1995 (2 Ha) | 2003 (2 Ha) | 2004 (2 Ha) | 6 |
| | Samson Kela | 1991 | 1995 (2 Ha) | 1996 (2 Ha) | 2005 (2 Ha) | 6 |
| | Hakuai Hibuku | 1849 | 1994 (4 Ha) | 2003 (2 Ha) | | 6 |
| | Alphonse Kalaro | 1839 | 1994 (2 Ha) | 2005 (2 Ha) | | 4 |
| | Margret Devoku | 1879 | 1996 (2 Ha) | 2002 (2 Ha) | | 4 |
| | Raphael Mangat | 1895 | 1994 (3 Ha) | 2005 (2 Ha) | | 5 |
| | Binelo Vulia | 1825 | 1994 (1.75 Ha) | 1997 (1.65 Ha) | 2011 (2 Ha) | 5.4 |
| | Babra Willie | 1967 | 1996 (1.75 Ha) | 1998 (1.66 Ha) | 2005 (1.83 Ha) | 5.24 |