



...making excellence a habit.™

PUBLIC SUMMARY REPORT

RSPO ANNUAL SURVEILLANCE ASSESSMENT ASA 1

NBPOL – Milne Bay Estates (MBE)

Milne Bay Province, Papua New Guinea

Report Author

Allan Thomas – March 2014

raneall@ozemail.com.au

Tel: +61 412 492 353

BSI Group Singapore Pte Ltd (Co. Reg. 1995 02096-N)
1 Robinson Road
#15 01 AIA Tower
Singapore 048542
Tel +65 6270 0777
Fax +65 6270 2777
Aryo Gustomo : aryo.gustomo@bsigroup.com

PT BSI Group Indonesia
Menara Bidakara II,
Jl. Jend.Galot Subroto kav. 71-73Komplek Bidakara
Pancoran, Jakarta Selatan 12870
INDONESIA
Tel +62 21 83793174
Fax +03 2032 2253

TABLE of CONTENTS

Page N°

SUMMARY	1
1.0 Scope of Certification Assessment	1
1.1 National Interpretation Used	1
1.2 Certification Scope	1
1.3 Location and Maps	1
1.4 Description of Supply Base	3
1.5 Date of Plantings and Cycle	3
1.6 Other Certifications Held.....	4
1.7 Organisational Information / Contact Person.....	4
1.8 Time Bound Plan for Other Management Units	4
1.9 Area of Plantation	4
1.10 Approximate Tonnages Certified.....	5
1.11 Date Certificate Issued and Scope of Certificate	5
2.0 ASSESSMENT PROCESS.....	5
2.1 Certification Body.....	5
2.2 Qualifications of the Lead Assessor and Assessment Team	6
2.3 Assessment Methodology, Programme, Site Visits	6
2.4 Stakeholder Consultation and List of Stakeholders Contacted.....	7
3.0 ASSESSMENT FINDINGS.....	8
3.1 Summary of Findings.....	8
3.2 Detailed Identified Nonconformities, Corrective Actions and Auditor Conclusions (Also included as Appendix D)	29
3.3 Noteworthy Positive Components	29
3.4 Issues Raised By Stakeholders and Findings with Respect To Each Issue	30
3.5 Acknowledgement of Internal Responsibility and Formal Sign-off of Assessment Findings.....	30

LIST of TABLES

1. Mill GPS Locations	1
2. Plantation FFB Production	3
3. Smallholders and FFB Production	3
4. Age Profile of Company Estate Planted Palms.....	3
5. Small Holder Estates Age Profile	3
6. Estates Hectare Statement	4
7. Smallholders Planted Area	4
8. Approximate Tonnages Certified	4

LIST of FIGURES

1 Location Maps	2-3
-----------------------	-----

List of Appendices

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

SUMMARY

BSi has conducted the surveillance assessment of the MBE operations comprising 1 mill, supply base, support services and infrastructure. BSi concludes that MBE operations comply with the requirements of RSPO Principles & Criteria: 2007 and PNG NIWG Indicators and Guidance March 2008 including Annex 4: Procedures for Annual Surveillance; and Supply Chain Certification Standard: November 2011, Module – CPO Mill - Palm Kernel crusher in the same vicinity, Segregation.

Year to date in 2013, the sustainable production of Crude Palm Oil (CPO) and Palm Kernel Oil (PKO) is 39,925 and 4078 respectively.

BSI RECOMMENDS THAT NBPOL - MILNE BAY ESTATES CONTINUE TO BE APPROVED AS A PRODUCER OF RSPO CERTIFIED SUSTAINABLE PALM OIL.

ABBREVIATIONS USED

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

SEIA	Social and Environmental Impact Assessment
SG	Smallholder Grower
SIA	Social Impact Assessment
SM	Company Sustainability Manager
SOP	Standard Operating Procedure
TRP	Timber Rights Purchase
VOP	Village Oil Palm (a class of Smallholder)

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

The operations of the mill, kernel cursher and their supply bases of FFB were assessed against the PNG NIWG: March 2008 of the RSPO Principles and Criteria: 2007 and the supply chain certification standard.

1.2 Certification Scope

The MBE palm oil mill , Crusher and estates are located in Milne Bay province. The PK is crushed within the same mill area and stored within designated PKO tanks.

1.3 Location and Maps

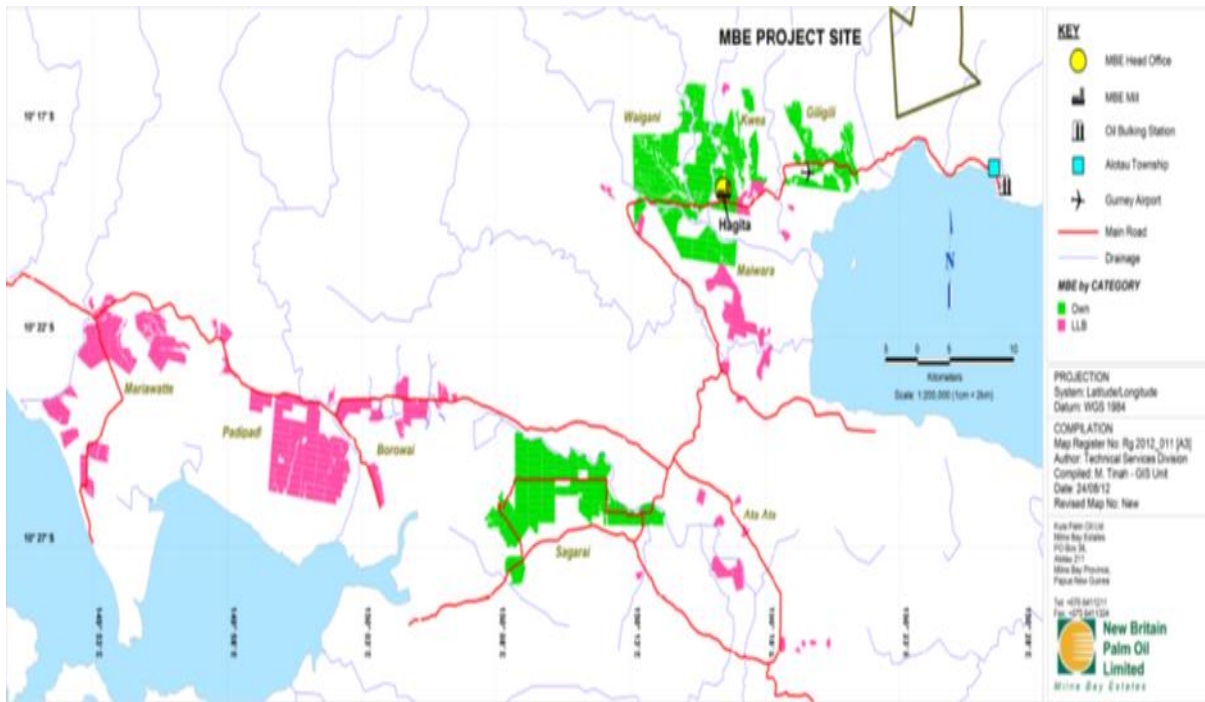
The Hagita palm oil mill and estates are located in Milne Bay province.

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

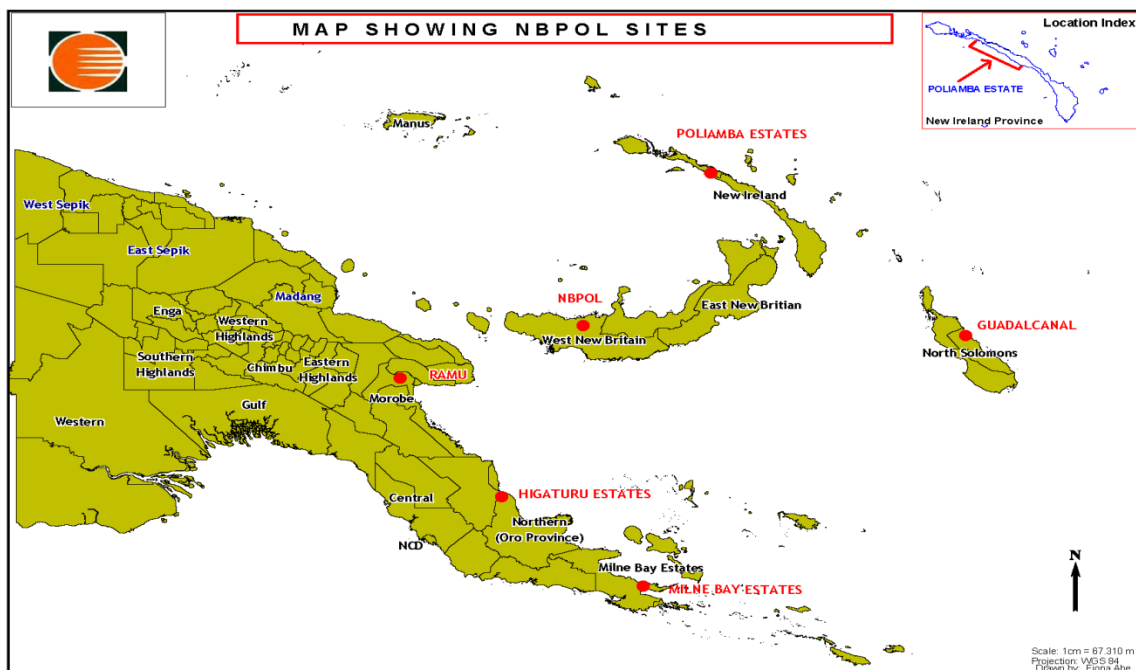
Table 1: Mill GPS Location

MILL	EASTINGS	NORTHINGS
Hagita Mill	E 150°17.174'	S 10°18.944'

Map 1 Land Use Milne Bay Estates



Map 2 Geographical Position of MILNE BAY ESTATES



1.4 Description of Supply Base

Oil palm fruit is sourced from company managed Plantations and from Smallholders.

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

Table 2: Plantation FFB Production February 2014 – February 2015

Plantation	FFB (tonnes) 2014	FFB (tonnes) 2015 forecast
Giligili	1142	169
Hagita	30015	5678
Waigani	15952	2927
Sagarai	43285	9627
Padipadi	64085	13562
Mariawatte	39133	8505
Total	193612	40468
Subtotal for certificate volume 2014/2015	234080	

Smallholder Growers (SG's) supply approximately 6.5 % of oil palm fruit processed by the Mill.

MBE has held comprehensive discussions with the SG's on RSPO implementation. MBE has stated its commitment to work with the SG's on the implementation of the RSPO P&C with the aim of achieving certification. All smallholders are also certified.

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

Table 3: Smallholders and FFB Production Feb 2014- Feb 2015 forecast

Smallholders (Total No), 2013	FFB (tonnes) 2014	FFB (tonnes) 2015 forecast
790	13636	2548
Subtotal for certificate volume	16184	

1.5 Date of Plantings and Cycle

The company owned plantations were developed since 1983 under CDC – PACRIM and CTP (previous owners). The age profile of the palms on Plantations is detailed in Table 4.

Table 4: Age Profile of Company Estate Planted Palms as at 2014

Year	Age	Ha	%
1990	23	639.9	6%
1992	21	623.1	5.8%
1993	20	649.7	6.1%
1996	17	31.9	0.3%
1997	16	21.5	0.2%
1998	15	169	1.6%
1999	14	450.3	4.2%
2000	13	977.8	9.1%
2001	12	525.7	4.9%
2002	11	1,505.2	14.0%
2003	10	786.9	7.3%
2004	9	173.8	1.6%
2005	8	390.9	3.6%
2006	7	264.4	2.5%
2007	6	102.2	1.0%
2008	5	158.6	1.5%
2009	4	336.8	3.1%
2010	3	288.7	2.7%
2011	2	664.1	6.2%
2012	1	993.8	9.3%
2013	0	975.3	9.1%
2014	0	0	0
Total		10,729.6	100.0%

Table 5: Age Profile of Smallholder Planted Palms as at 2013

Year	Age	Ha	%
1987	26	83	4.4%
1988	25	127	6.7%
1989	24	203	10.7%
1990	23	176	9.3%
1991	22	101	5.3%
1992	21	179	9.5%
1993	20	126	6.7%
1994	19	10	0.5%
1995	18	19	1.0%
1996	17	36	1.9%
1997	16	38	2.0%
1998	15	25	1.3%
1999	14	160	8.4%
2000	13	51	2.7%
2001	12	27	1.4%
2002	11	14	0.7%
2003	10	19	1.0%
2004	9	22	1.2%
2005	8	88	4.6%
2006	7	170	9.0%
2007	6	168	8.9%
2008	5	26	1.4%
2009	4	21	1.1%
2011	2	1	0.1%
2012	1	3	0.2%
2013	0	0	0
Total		1893	100.0%

1.6 Other Certifications Held

MBE holds no other certification although were previously certified to ISO 9001 and ISO 14001 under previous management from 2000 to 2009. They intend to regain certification to ISO 14001 by 2015.

1.7 Organisational Information / Contact Person

NBPOL - MILNE BAY
Post Office Box 36
ALOTAU
MILNE BAY PROVINCE
PAPUA NEW GUINEA

RSPO membership number. 1-0016-04-000-00

Contact Person: Mr Robert Nicholls, General Manager
Phone: +675 6411 211 Fax: (+675 6411 324)

EMAIL: rnicholls@nbpol.com.pg

1.8 Time Bound Plan for Other Management Units

MILNE BAY ESTATES is part of the New Britain Palm Oil (NBPOL) group.

NBPOL estates and mills in West New Britain were certified to PNG National Interpretation of the RSPO in 2008.

Guadalcanal Plains Palm Oil Limited (GPPOL) comprises of a mill and approximately 6000 ha planted to palms, in the Solomon Islands. This operation was certified in March 2011 and re-certified.

RAIL was certified to RSPO in July 2010 and re-certified.

Poliamba Estates was certified in March 2012 and recertified.

Higaturu Estates in Oro Province, PNG was certified in February 2013.

Milne Bay Estates in Milne Bay Province PNG was certified in February 2013.

All NBPOL operations in both PNG and Solomon Islands have achieved certification to RSPO in line with the previous time bound plan.

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

1.9 Area of Plantation

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

Table 6: Estates Hectare Statement

Plantation	2013 YTD		
	Mature (ha)	Im-mature (ha)	Other Areas (ha)
Giligili	27	591.6	
Hagita	1,122.2	407.5	
Waigani	1,181.1	516.7	
Sagarai	2,205.2	453.3	
Padipadi	2,643.8	0	
Mariawatte	1,581.2	0	
Under Prep.			277.1
Roads/Compounds/ Other			669.5
Undeveloped			1,985.8
Total	8,760.5	1,969.1	2,932.4

The areas of Smallholders planted palms listed in Table 6.

Table 7: Smallholders Planted Area

	<i>Mature (ha)</i>	<i>Immature (ha)</i>
2012	1,843	50
2013	1,850	43

1.10 Tonnages Certified

Table 8: Tonnages Certified 2014-15

MILL	CPO	PK	PKO
Hagita 2014	46631	11192	4366
Hagita 2015	9518	2284	890
Total certified volume for certificate	56149	13476	5256

1.11 Date Certificate Issued and Scope of Certificate

Scope

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

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

Inclusion of Smallholders

During the audit of MBE operations, the audit team were reminded of continuing resources that MBE had committed to the RSPO implementation and ongoing management for its Smallholders. MBE had initiated RSPO awareness for Smallholders back in 2009 through the Papua New Guinea National Interpretation Working Group (PNG NIWG) process and worked with the local smallholder representative. MBE continues to work closely with the Smallholder representatives in the continued use of a "Planting Approval Form" which is used for environmental screening of SG applications for development of new areas of land to oil palm. The PNG NIWG submitted the "Planting Approval Form" along with the NI to the RSPO, EB and the public review process. Since late 2007, no new Smallholders have been accepted without being subjected to a field assessment in accordance with the "Planting Approval Form".

Smallholders

The PNG NIWG had previously established the status of the SG's as "independent" under guidelines previously set.

Smallholders are not under any obligation or contract to supply to the mill but are associated to the company through geography and logistics. The Government National (OPIC) extension service is present in Milne Bay Province in PNG. MBE has continued to involve Smallholders in the company wide awareness programs, compliance surveys and other

RSPO related work.

MBE has a defined list of all their Smallholders and ascertained each of their location and status. This is compiled into a Company database. There are maps available of all Smallholder blocks. MBE has agreed to collect the fruit from these defined independent Smallholders.

OPIC is legislated to look after the interests of the Smallholders with up to 20 Hectares of oil palm plantings.

The audit was carried out from 28th to 31st of October with 39 block inspections/interviews in total and a meeting with the Milne Bay Farmers Association (MOFA) executive and a confidential meeting with the General Manager of MBE, which concentrated on communications with all stakeholders.

The Smallholder auditor would like to thank MBE Estates (MBE), particularly the Smallholder Affairs department (SHA), OPIC officers and the executive of MOFA who accompanied the auditor on the extensive travels to the individual blocks but did not intrude into the discussions unless specifically requested.

Although Smallholders represent a significant area of plantings, the production of FFB from smallholder blocks is approximately 6.5% (although they have 18% of the area under plantation) of the total FFB production in Milne Bay province. Recent improvements in smallholder fertiliser application have seen a considerable increase in yield which will only improve with continued fertiliser application.

The interviews consisted of a series of questions which required the block holder or caretaker to respond to the Round Table for Sustainable Palm Oil (RSPO) Principles and Criteria.

BSi examined in detail the smallholder survey database from which they selected smallholders to interview. The validity of the smallholder survey results was tested by selecting a sample of 39 Smallholders that were representative of a range of conditions and subjecting these to field audits. This figure is well in excess of the RSPO sampling guidelines. BSi also interviewed Smallholder representatives who had been involved in the baseline survey and confirmed their knowledge of the relevant RSPO P&C's.

2.0 ASSESSMENT PROCESS

2.1 Certification Body

Prepared by
BSI Group Singapore Pte Ltd (Co. Reg. 1995 02096-N)
1 Robinson Road
#15 01 AIA Tower Singapore 048542RSPO Scheme Manager:
Aryo Gustomo:
Phone: +65 6270 0777 Ext 115
Fax: +65 6270 2777
Email: aryo.gustomo@bsigroup.com

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, Jakarta, and Bangkok.

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 22 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 18 years, he has been the Manager of a large certification body based in Australia with responsibilities throughout SE Asia. He has performed over 150 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 18 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.

Deane Woruba – Technical Expert- Smallholders & HCV.

Deane holds a BSc in Science of Agricultural of the Technology University of Papua New Guinea and Master in Philosophy from the University of Charles Sturt in Australia (NSW). Dean is a natural resources research scientist with over 10 years of experience in crop protection, environmental protection and socio-economics in the plantations, government, public sector and the oil and gas industry. He has been working on the development of monitoring tools for toxic chemicals and the incorporation of

GIS technology into the oil palm integrated pest management (IPM) systems. Aside he has experience in environmental system management through his work for the oil and gas industry guiding a team on environmental protection and certification. Dean has experience in survey questionnaire development, conducting trainings, leading and supervising survey teams in remote locations, data management and analysis, and reporting. In 2012 Dean completed a 14001 internal auditor course in Australia. Dean is fluent in English and Tok Pisin.

Mike Finlayson - Technical Expert Social

Mike has 25 years' experience as a development specialist in Australia, Asia and the Pacific and has worked in PNG since 1985. Mike focuses on the social impact assessment (SIA) of large-scale resource projects and has recent experience in Australia, Papua New Guinea, China and the Philippines:

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

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

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

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

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

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

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

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

2.3 Assessment Methodology, Programme, Site Visits

The pre audit for MBE was conducted from 15th to 19th April 2012.

The certification assessment was conducted from the 23rd to 27th of September 2012.

This first annual surveillance assessment (ASA 1) was conducted from 28th to 31st October 2013.

The single mill and its supply base including Smallholders is a single certification unit as defined by RSPO. Therefore the mill was audited together with the plantation and Smallholders as they represented 100% of its supply base. The 2008 PNG National Interpretation of the RSPO Principles and Criteria (as found on the RSPO website) was used throughout and all Principles and Criteria were assessed. The methodology for collection of objective evidence included physical site inspections, observation of tasks and processes, interviews of staff, workers and their families, review of documentation and monitoring data. Checklists and questionnaires were used to guide the collection of information. The comments made by external stakeholders were also taken into account in the assessment.

Smallholders were also included in this audit. A total of 39 blocks were audited out of the 852 smallholder blocks. This is in excess of the requirements. They were all Village Oil Palm (VOP).

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

2.4 Stakeholder Consultation and List of Stakeholders Contacted

Stakeholder consultation involved external and internal stakeholders. External stakeholders were notified of this audit, its timing and purpose by the management of Milne Bay Estates.

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

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

A specific point was made to once again interview representatives of the MILNE BAY Oil Palm Workers Union during the course of this assessment.

External stakeholders included organizations such as Provincial Government and Civil Societies, who have an interest in the Milne Bay area and resident communities in and around MBE.

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

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

RSPO principles, criteria and indicators. In a number of interviews and meetings, the presence of company representatives did not restrict discussion of both the positive and negative aspects of MBE'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 both external stakeholders. For internal stakeholders the same procedure was followed and company representatives left once the consultations started (this occurred with senior management. Employees are involved in consultation and committees).

List of Stakeholders Consulted

- Ray Lakani, OIC Health
- Isaiah Gisawa, Training Manager
- John Mamondo, Assistant Training Manager
- Peter Callister, Sustainability Manager
- Shirley Marjen, Community Affairs Manager
- Neville English, Construction and Building Manager
- Francis Numango, Financial Controller
- Kernah Henry, Interim President, MBE Worker's Union
- Jacklyn Maniana, HR Officer
- Mervyn Taumomoa, Lands Coordinator
- Jeffery Maika, Lands Officer
- Iviso Junior – Sustainability Officer
- Wesley Naiwala, Acting Senior Village Clerk, Hagita
- Russell Waibaru, Village Clerk Trainer
- Muthu Murugiah, Hagita Mill Manager
- Ryan Chancellor, VWS Manager
- Freddy Joshia, Bulking Station Supervisor
- Nek Tomobosi – Field Manager
- Habona Tasman, Senior Plantation Manager
- Chubasco Lamwedina, Sagarai Plantation Manager
- Joel Magaya, Sagarai Village Clerk
- Moses Moso, Padipadi Plantation Manager
- Jerry Watuna, Padipadi Divisional Manager
- Allan Moilovau, Padipadi Village Clerk
- Francis Taruru, Mariawatte Plantation Manager
- Perth Simeon, Mariawatte Divisional Manager
- Mark Cipreon, Mariawatte Village Clerk
- Toi Vakubola, Waigani Plantation Manager
- Wendy Stein, Rotary International
- Robert Nilkare, Tax Credit Scheme Consultant

2.5 Date of Next Surveillance Visit

To be determined however is projected for late November 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 Mill and the Estates. The results for each indicator from each of these operational areas have been aggregated to provide an assessment of overall conformance of the Company's operations with each Criterion. A statement is provided for each of the Indicators to support the finding of the assessment team.

Two (2) Nonconformities were assigned against Minor Compliance Indicators.

MBE has prepared a Corrective Action Plan (Appendix D) addressing the identified nonconformity and observations that was reviewed and accepted by BSi.

Six (6) Observations/Opportunities for Improvement were identified. Details of the Nonconformities and Observations are given in Section 3.2 (Page 28).

BSi's assessment of MBE operations, comprising one palm oil mill and kernel crusher, estates, Smallholders, infrastructure and support services, concludes that MBE operations comply with the requirements of RSPO Principles & Criteria : 2007 and PNG-NIWG Indicators and Guidance : 2008 and supply chain certification standard.

BSi recommends that MBE be 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.

MBE ensures that any requests for information are recorded no matter what the format of that request.

(1.1.1) Requestors are to include name, address and contact details and clearly specify what information is required. There is also a process where a request for information is rejected by MBE and the reasons why it was rejected.

MBE maintain a record of responses - including timeliness and includes all stakeholders - internal and external. This is kept in the information request document which is a register used for this purpose.

Any requests for information are to be recorded by the relevant authority and if information cannot be made available the reason for this decision will also be recorded and explained to the relevant stake holders

On the whole documents that are not released are not harmful to the environment or society and are mainly of a confidential financial nature. However there were no instances of request being refused and very few requests were made.

In fact since the certification audit last year there have been no official requests for information received by MBE.

Nearly all growers are Village Oil Palm (VOP) and have Clan Land Usage Agreements (CLUAs) which are either with them, with OPIC or with National Development Bank (NDB) if there are outstanding loans, or with all three entities. OPIC is currently laminating block holders CLUAs so that copies can be stored safely with the growers.

OPIC is also making multiple photocopies to ensure that the CLUAs can always be found.

However, the cooperation between the company, OPIC and the NDB has yielded excellent results in compliance with this criteria.

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.

Management have decided which documents are to be made available to the public and a updated register of these documents is in place and widely distributed and displayed throughout the organisation in estates and mill offices and all operational areas. This register lists all documents which have been approved by top management and made publicly available. This was most recently updated in October 2013.

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

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

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

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

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

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

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

1.2.2 Group Policies such as OHS, Environmental, HIV-Aids, Equal Employment Opportunities and Sexual Harassment Policies are all available in all operational areas and on public display

1.2.6 MBE has separate policies for the following: Health and Safety, HIV/AIDS, Sexual Harassment, Whistle Blower, Malaria and Domestic violence amongst others. These are also widely available in all operational areas.

1.2.4 The MBE OHS Plan will be made available on request and is displayed on all notice boards throughout mill, estate offices, compound notice boards and many other areas. They are also encouraging small holders to adopt OHS Policy.1.2.5

All Heads of Departments have a copy of the OHS Plan. It is posted in all work areas in a prominent position on noticeboards where workers congregate at certain times.

1.2.8 There is a documented procedure for dealing with complaints and grievances. This is the grievance policy. This is widely displayed and made available in all operational areas.

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

1.2.10 There is a Continuous Improvement Plan (CIP), available for all operations including the mill and estates as well as all other ancillary operations. 1.2.7 This includes: Housing, Medical, Workers welfare, EMS, OHS, Social Issues, Health, and Communication with stakeholders, Free Prior and Informed Consent (FPIC).

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

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

2.1.1/2.1.2 There is in place a documented system which includes the process for ensuring that legal requirements are known and documented. This information is passed on to the relevant areas of operations to ensure that all involved are aware of any changes to laws or any new laws introduced. The Sustainability Manager is responsible for managing the process of ensuring all legal requirements are known and met.

All permits and licences viewed were current this includes all water extraction permits.

This included the following Environmental Permits
WE-L2B-123 Expires 11.8.2018
WE L2B- 98 Expires 19.8.2017
WO L2B- 168 Expires 11.8.2018.

There is evidence that all Permits, Licences and Certificates have been obtained and are up to date. There was evidence available that Boiler Operators certificates were now available. There is evidence in place that all fees were paid on time and the issue of current certificates is out of the

control of MBE. Although MBE have paid all license fees for boilers and boiler operators and have copies of receipts they have not received copies of the current permits which expire in 2014. There is evidence of inspection by the relevant department as well as acknowledgement that these inspections have in fact taken place.

A number of legal requirements which required annual reports such as the **Annual Environment Performance Report** are being completed and forwarded to DEC annually. This includes completion of required Environmental Permit reports, which was completed for 2012 and forwarded to DEC PNG which acknowledged receipt of this documents. A copy of this report was available for review and addressed all required permit items.

There is also a register of compliance which includes all legal requirements, permit and licenses required including information on expiry date and frequency of renewal or review. This is the evaluation of compliance register which has dates for renewal of all relevant licenses and permits and was reviewed in September 2013. This included requirements for example of the Environment Act, Workplace Health and Safety Act as examples. This review is extensive and a determination of legal compliance by the sustainability team.

There is also regular testing of water quality and recent lab results indicated the water was pure and fit for consumption on all occasions with regards to the drinking water provided in the company compounds.

On any occasions where the readings show contaminated water in any area (a rare occurrence) any affected residents are advised to boil all water before drinking. This is done by distributing a memo throughout the areas. This was noted on a previous occasion when some water was contaminated in 2012. The areas are thoroughly investigated to identify the cause of this contamination with action taken to ensure the water is effectively treated.

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

Examples of methods of ensuring laws are being implemented include external re-conformation with such agencies as the Department of Environment and Conservation (DEC), Dept. of Labour and Industrial Relations who visit annually, and Dept. of Health (DOH). This is further supported by internal physical inspections by members of the sustainability team to ensure that certificates, permits etc. are current. This was last updated in October 2013. The legal office also subscribes to publications which advise of legal changes in PNG. For example a requirement for leases was changed with a moratorium in place to determine status of all lease-back schemes. This moratorium remains in place until 2017.

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

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

MBE is proactive in renewing permits due to expire, taking the initiative to contact the official regulatory bodies to follow up on permits etc.

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

Milne Bay is a matrilineal society, all smallholders interviewed were well aware of customary and legal issues.

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

2.2.1 MBE landholdings are mainly State Agricultural Leases that were established by the former owners of MBE. MBE holds a copy of the State Leases and the use of the land is consistent with the terms and conditions (2.2.1). These documents also show a history of land tenure and the actual legal use of the land and include records of any transfers of deeds. Ownership has been legally transferred to MBE. These state leases expire in 2083.

MBE has 99 lease-lease back (LLB) agreements with local landowners for approximately 6,000 ha of oil palm. Considerable work is required to satisfy the requirements of the amendments to the Incorporated Land Act and Customary Land Registration Act, which legally must be completed by 2017. The key requirements for each LLB are to:

- Demonstrate title to the land;
- Have a sub-lease agreements in place; and
- Have a registered and functioning ILG.

MBE's Lands Section faces several challenges, particularly when other local communities question existing land ownership arrangements which is a community issue that MBE is trying to accommodate. The Lands Section is undertaking a comprehensive awareness program, and will undertake social mapping to help confirm the correct landowners. MBE's Land Section will require additional support and resources to facilitate ILG registration and train ILG members over the next four years.

There are in place a number of lease-lease back arrangements.

The issue with regards to the lease-lease back titles many of which need to be located and verified and demonstrated efforts made to rectify this. It is acknowledged that this issue goes back to CDC and CTP days however it must be resolved in the 5 year moratorium period (see next paragraph). Lease holders need to be able to demonstrate tenure and that agreements made with MBE are compliant and transparent – see comments below.

However due to the amendment in the act made in March 2012 this will not be required for 5 years until this is reviewed and all lease-lease back arrangements have been investigated. MBE Land titles officer is at present rigorously working through all leases and titles to ensure all correct leases are available and current by the end of the moratorium in 2017.

Therefore all current documents indicating the present legal ownership or lease of land and all state leases and land titles are available in Head Office as well as any copies in operational areas. These titles are well managed and easy to locate at the moment. All leases/titles could therefore be viewed in the estate Head Office.

An official government letter is available stating that former CTP estates are now owned by NBPOL.

2.2.2 Boundaries are normally landmarks such as Roads and Rivers which have been identified through participatory means with the customary landowners.

MBE engaged a registered surveyor to identify the legal boundaries of all areas. There have not been any disputes recorded at this time and in recent history.

There is therefore evidence that legal boundaries can be clearly identified. Boundaries are marked on maps and with titles - some are marked with concrete boundary pegs and have been previously surveyed. All are normally indicated by natural barriers such as roads and rivers. Boundary pegs are being replaced if necessary once the survey has taken place.

During the audit sightings of maps for all Estates were made. Maps of boundaries identified the position of boundary pegs once located and marked both on maps and via GPS. The maps presented were excellent and of the highest quality.

2.2.3 There are at present no ongoing disputes. MBE use either customary cultural accepted engagement and will only rely on legal means to negotiate with any party if state lease is involved. Otherwise FPIC procedures will be following to discuss the dispute which will include all parties .

2.2.4 There are no significant land disputes within the operations of MBE.

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

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

2.3.1 Current maps are available showing occupied state land and include tenure. 2.3.4 There is no customary land within MBE boundaries. 2.3.3 There are no operations on alienated land.

All Land Titles are in place. See comments on moratorium earlier in this report.

2.3.2 There are copies of the small amount of negotiated agreements available detailing processes of consent – 2.3.5 Copies of negotiated agreements are available in Land Title Officer Office and with company lawyer. This is with regards to a number of lease –lease back arrangements.

Detailed maps for all VOP's were available during this assessment.

All but six of the smallholder blocks in Milne Bay are on customary land and therefore the right to grow oil palm is granted by the Clan leaders.

2.3.6 The CLUA recognizes that that particular person has ownership rights or usage rights over that particular piece of land. Copies of CLUA's sighted at MBE – for privacy reasons these were not recorded in this report but samples are available in audit notes. See 1.1 and 2.2 2.3.7 The VOP Blocks are on customary land by agreement with Clan Leaders.

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

All requirements of this indicator have been met.

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

3.1.1 Annual replanting programme is in place for the next 5 years and includes estates due for replanting including hectares and date for each year. There will be substantial replants in 2013 and 2016 with smaller amounts of replants in the intervening years.

3.1.2 There is a five year business plan for MBE. It is available from the General Manager. There are business plans in place that take into account crop projection, mill extraction rates, costs of production, annual replanting programmes, forecasts and financial indicators. The auditor sighted crop projections for all estates and associated SG's. All projected mill extraction rates are documented for the next 5 years.

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

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

The Five Year plan is reviewed on, at least, a yearly basis with the CEO of the Group. The latest review and update was completed in August 2013.

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

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

These documents are available for Mill, Estates, Transport, Construction, Motor Vehicle Workshops, Clinics and all operational areas.

Standard Operating Procedures (SOP) are also in place for each station in the process of palm oil production from weighbridge to storage.

The mill has in place Work instructions for all mill activities. They are available in the mill and at the area of operations. Adequate document control in the form of issue date and approval is to be put in place.

4.1.1 Observation: Some field management guidelines do not appear to be current and require updating to include any new practices and changes in techniques.

Action: The field management guidelines have now been updated and are current at the time of this assessment. They have included any changes in practices or techniques. For example re-establishing of buffer zones at replant.

4.1.2 Mechanisms are in place to determine the effectiveness of the SOP's. These include regular inspections within the mill with regards to records of operational checks including hourly monitoring of conditions at a number of stations including Sterilisers, Boiler, Powerhouse, Presses and other areas. These are completed and then they are collected and reviewed by the Respective engineer to ensure SOP's are monitored.

On the whole the implementation and monitoring of the effectiveness of SOP's is very well managed in the mill.

The process of determining effectiveness of procedures also takes place with regards to Construction, CWS and other areas. Inspection reports are maintained for all operational areas.

Regular monthly inspections by Sustainability Manager and his team of all operational area to determine effectiveness of processes are in place. In regards to estates the estate managers will ensure MG's are being followed. This will be further supported by inspections by SM. These are quantified with an expectation of continual improvement in all areas. This is monitored on a monthly basis to ensure areas improve in any areas which do not achieve the desired level of compliance.

4.1.4 The SOP's and Management Guidelines are further supported by routine regular scheduled preventive maintenance. This is planned and carried out under the Mechanical and Electrical Engineering divisions to ensure ongoing production capability is maintained and that operating machinery is safe for employees to use. Any deviation from standard procedures is reported in daily records and followed up to ensure documented practices are being followed. This all appears effective as the mill was operating well.

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

The Sustainability team completes an audit of all operating areas at least once per month as documented earlier in this section. The evidence of these ongoing inspections was witnessed in all areas. The reports presented for each area are very extensive and includes both areas of compliance

and non-compliance with any areas not being compliant being followed up at subsequent audits.

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

The estate managers carry out regular field inspections to ensure Management Guidelines are being followed and divisional assistants 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 each Senior Field Manager who carries out extensive monthly field inspections which are further supported by the issuing and circulating of an inspection report to each estate. Any non-conformances are recorded and followed up in a specified time frame. These inspections occur in each estate. The inspections are scored to indicate areas for improvement and record if improvements have been made since the previous inspection.

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

The latest issues of MG's are controlled by the Sustainability Manager who ensures current applicable PNG COP's are in place. This is completed by using an issue date and number, as well as ensuring all documents are adequately controlled. All field and estate managers have copies of all guidelines and work instructions on their local computers and this are readily available.

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

4.2.1 Fertiliser use is being recorded and monitored via OMP 8. Fertiliser inputs are recorded for each estate - including recommendation and application against recommendations. These recommendations are made as a result of the most recent tissue analysis which is an annual event.

Records indicate type of fertiliser used, the estate and block numbers of areas where it is applied

MBE has soil maps in place - includes difference types of soils –these are available. The latest soil sampling was completed by an independent testing authority during 2012 and reports are available which includes outcomes and recommendations. This soil sampling also included maps of areas under planting and the different soil types

4.2.2 There is evidence of an annual tissue analysis– with the most recent being conducted in May 2013. The analysis is completed by Applied Agricultural Resources which is based in Malaysia. This is an accredited lab under Malaysian regulations.

Tissue analysis completed by the external testing body and records where viewed. Recommendations are made by Singapore office on the application of fertiliser. This was sighted in the OMP 8 records of application.

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

Maps are available of where by-products such as Empty Fruit Bunches EFB are applied.

Of the 39 smallholder growers interviewed, 21 growers confirmed they received fertilizers in 2013. Of these 21, 9 have received their two supplies for 2013. From the sample population of 39 smallholder growers interviewed, 15 growers are still to receive their fertilizer supply in 2013 and 12 growers are still to receive their final fertilizer distribution for 2013. Fertilizer distribution for smallholder growers in Milne Bay could be improved.

All of the growers interviewed were not able to confidently identify the types of fertilizers distributed and the correct application rates for the types of fertilizer for their blocks. The PNGOPRA-recommended rates for fertilizers was available at OPIC. This information is included in the OPIC field day training materials which were being rolled out. An improved awareness in fertilizer application rates is anticipated once the 2013 training programme is implemented.

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

4.3.1 There are no slopes over 25° which have been planted by MBE and certainly non since 2007.

MBE have maintained buffer zones near streams and rivers in steep areas. These remain intact.

Techniques to improve soil fertility include the following: Ensure adequate ground cover, avoid over spraying of herbicides, terracing, road design and maintenance.

At MBE the practice is to use old stand as nutrient. In all areas cover crop is planted and regularly inspected to ensure that cover crop is sufficient.

4.3.6 There are no known fragile or problems soils at MBE.

4.3.2 There have been no new plantings on slopes above 25° since November 2007.

During the present replant any steep areas (of which there are few) are not being replanted.

4.3.3 On fields with over 9° erosion control practices are in place. These include use of terracing (also re-establish effective terracing during the current replant, effective cover crop is in place and use of an effective roading strategy which takes any rain water quickly off the roads.

All blocks with slopes over 25° are identified on the estates contour maps.

4.3.1 Erosion risk assessments for each block have been completed. Maps are available which indicates any blocks which could be prone to erosion. Seasonal factors are

considered such as wet and dry seasons and techniques to control erosion include the following: provision of adequate legume ground cover, avoidance of over spraying of herbicides, review of road design and provision of adequate maintenance including appropriate drainage and use of culverts.

MBE is using irrigation practices which are designed to prevent erosion in the nursery - this area is controlled with regards to erosion due to the flat terrain. Fronds are also used to prevent erosion by correct stacking practices following pruning and after harvesting of FFB. They also consider water use efficiency as there is no irrigation at the nursery if over 10 mm of rain fall the previous night.

4.3.5 A plan for road maintenance including roads, blocks and time frames as well as budgets has been produced for 2013 for all estates. This includes management of rainfall run off. The Maintenance plan indicates priority of grading and which roads are to be included on an annual basis.

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

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

Almost all the blocks inspected were on flat land, growers understand the techniques of placing fronds across flows of water that followed (or occurred during) heavy rain and boxing fronds in strategic locations, cover crops and maintenance of a low vegetative cover to minimise soil erosion.

4.3.4 There are no peat soils over 3 metres in depth in the area.

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

4.4.1 MBE has issued a Water Management Plan with the most recent being issued in October 2013.

BOD levels of discharges are monitored and have records for the previous 6 years at least. All recent readings show any discharge of POME is well below the allowable limit. All discharge from the effluent ponds is by land application which requires a BOD of under 5,000. The records of application indicate this is well within these limits.

The Water Management Plan is comprehensive and includes all areas of water use including drinking, mills and other water usage – includes testing regimes and schedules - copies of the water quality criteria for PNG is documented

MBE does have the facility to be able to monitor the water flow in mill as a number of flow meters are installed. Water use is being monitored. Effective records are continuing to be collected and the data will be analysed.

With regards to monitoring of water quality by an outside lab, the results indicate water quality has been very good recently and the most recent test results in October 2013 indicate that there is no faecal coliforms and pH is within the acceptable range as prescribed by the DEC. At any time

when results indicate some contamination action is taken immediately to rectify the issue and trace the source of any contamination and workers and their families are being advised very strongly to boil all water prior to drinking. This is done by the clinics, at morning muster and placing warning letters on the compound/village noticeboards and at each estate office.

MBE will take action to ensure use of water does not have an adverse effect on downstream users. Water Quality has been tested both upstream and downstream where they run through the company's operations to determine if there have been any adverse effects to the water quality. These results indicate very little affect from the company's operations.

There are records in place of the monitoring of water for all downstream users which may be effected by MBE operations however the sample sites are not clearly indicated on the lab analysis reports. Records indicate that water quality is within required limits.

Hazardous Chemical residues are being prevented from entering water courses in a number of areas. This in particular includes CVWS, Construction and Central Stores were management practices prevent hazardous substances entering water courses – improved practices and better management of interceptors and other Pollution Control Devices has resulted in less evidence of any spills having impact outside of the immediate area. The interceptors are proving very effective in managing water quality of any discharged waste water. The plan goes on to formalise how stormwater and mill drains are regularly inspected and includes templates of records of any actions taken. There are records in place of extensive inspections of drains, interceptors and all pollution control devices.

These improvements are providing protection for both ground water and surface water from possible contamination. A number of triple interceptors and sediment traps are in place and are proving to be effective in preventing pollution of storm water.

MBE monitors the water flow in the mill as a number of flow meters are installed. The mill water use per tonne of FFB is being monitored and trend data is available for the previous 6 years since 2008. Use is around 1:1.

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

4.4.2 The riparian buffer zones are maintained in good condition. The buffers in existing plantations were inspected and found to be within the limits as prescribed by the environmental permits and logging code of practice for each estate and are being re-established at re-plant. This was sighted at the recent replant in Waigani.

All permanent water courses have buffers in place and with MBE signage indicating the location and extent of the area.

Now in place is a Buffer Zone Management Plan which ensures that all buffer zones and riparian areas are inspected at least every 2 months to ensure they remain in

place and are not being encroached by outside people with planting of gardens and such.

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

See above; the blocks in the Sagarai division had particularly difficult wet conditions and growers established and maintained drainage channels.

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

4.5.2 There is an Integrated Pest Management Programme (IPM) for specific pests which occur within MBE at present this includes rats, ganoderma and a recent suspected outbreak of Finchshaven Disease for which a plan is being put together by OPRA to combat this outbreak. Other pests such as sexava, bagworm and oryctes as well as other pests including weed infestations are also monitored. The Programme includes the following techniques – pest monitoring, selective use of chemical treatment, and encourage establishment of bio-control agents. Records of locations and application timeframes for all chemicals used are kept. There is a measurement of the amount of each pesticide used and type for each specific pest e.g. for Ganoderma - use established techniques which does not include chemicals and instead use biological control.

As far as Fincshaven outbreak the use of biological control including beneficial plants such as Tunera is being used.

MBE monitors pests and disease as part of the IPM. At present there is extensive monitoring of ganoderma and rats which are the current major problems.

There is a ganoderma team which monitors the extent of any ganoderma and any treatment. Treatment is by manual felling of the infected palm and pesticides are not used. There a regular controlled actions to remove any palms infected with ganoderma with techniques in place to reduce the spread of the spores.

At present the rat issue is a big problem and the rat population continues to be monitored via a regular rat census. If numbers and signs of infestation indicate an increase to a certain level rat baits may be used. There is also in place a strategy to use Owls to also control rats.

4.5.1 MBE is maintaining records of all pesticide toxicity including active ingredients applied per ha using published toxicity data. Workers are trained in the implementation of the IMP as well as in monitoring its continued success.

The Integrated Pest Management Plan (IPM) has been recently updated and includes the control of all pesticides and the methodology for both reducing use of pesticides and / or changing to less toxic chemicals. All pests and diseases which are identified are monitored constantly. The use of pesticides is being monitored and use is being reduced and data is kept. The most recent update was in September 2013 considering the current pests.

4.5.3 The use of all chemicals is justified and a plan to reduce usage has been presented. Types of uses are

weeding, pathways, upkeep and other activities within the estates. This includes chemicals used, dosages, and frequency of use. MBE is recording where pesticides are being used, quantities and against what target pest. The plan includes insecticides, herbicides, fungicides and rodenticides.

A policy of minimal use of pesticides (herbicides in particular) is in place. Smallholders are aware of PPE requirements for sprayers.

Growers contribute a K2.00 levy to the Oil Palm Research Association (OPRA), which manages the IPM. The growers report any incidences of disease (Ganoderma infestation is quite heavy in Milne Bay) or insect attack (rare) to OPIC who then report to OPRA who treat the problem.

Some growers were observed treating their own Ganoderma infested palms by felling and chiselling off the fungus, chopping the infested parts into small pieces and placing in the sun, which is a very effect control method.

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, Smallholders are actively seeking to identify alternatives and this is documented.

4.6.1 There is a formal justification for agro chemical use and this is documented within the management guideline specific for pesticide usage (MG6) which ensures that the most effective and least harmful chemicals are always first choice and there is avoidance prophylactic and indiscriminate spraying,.

The Management Guideline documents what chemicals are used, where and in what situation. This includes path and circles, wheeling roads and other applications as required in the upkeep programmes for each estate. The programme stipulates the maximum dose possible for each application.

There is evidence in place over the last number of years that the use of chemicals is being reduced. This is graphed for a number of the main chemicals used such as glyphosate, Methsulfuron, amine and Surfactants – and these graphs indicate a down ward trend in use overall in MBE. There is a timetable in place in the IPM whereby chemical use is reduced.

There are records of pesticide use and they include active ingredients used, area treated, amount applied per hectare and number of applications.

4.6.5 Paraquat is not used at all at MBE. The application of paraquat was stopped as of 1st June 2012.

The alternative to paraquat has been identified by MBE – is Basta although this is more costly and not as effective. However this is used as an alternative in the nursery and with young palms.

4.6.6/4.6.7 It is MBE policy not to supply paraquat or any chemicals to any Smallholders. This policy is strictly

monitored. During the smallholder section of this assessment there was no evidence of MBE supplying pesticides to smallholders.

All chemicals have been approved by management prior to use and only chemicals listed for use by DEC, and as per PNG Oil Palm Industry practice. MBE has as current register of chemicals which have been approved by PNG Government. This list has been distributed to chemical users to ensure that they have no un-approved chemicals which are being used or within the storage areas.

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

4.6.2 Records of pesticides usage are very good and were displayed in all estates visited during this assessment. This included Waigani, Padi Padi, Sagarai and Mariawatte and include records such as areas treated, amount of pesticide used per hectare and number of applications. Usage is compared with records of previous year and this information is used to monitor and plan reduction in use. There is trend data showing the use of all main chemicals for the last 6 years. There is evidence of reduced use of some major chemicals in this trend data as reported elsewhere in this report.

4.6.3 There is in place a current Management Guideline which is controlled with regards to the use of WHO Type 1A or 1B chemicals. MBE is able to demonstrate that Type 1A & 1B chemicals are not used by application records and purchasing records/stock control.

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

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

- Pesticide Mixers
- Pesticide Sprayers

The records of any training for pesticide handlers are maintained to show the type and content of the training covered. The training appears to be very effective with all pesticide mixers being well aware of PPE use, chemicals use and mixing ratio, storage and hygiene. We questioned sprayers at pesticide sheds and in the field and all appeared well versed in requirements in their particular areas of responsibility. We interviewed sprayers at both Sagarai and Waigani estates and even the new sprayers were well aware of requirements. This was also the case with pesticide mixers at the pesticide sheds in Sagarai, Waigani and Padi Padi estates. Most interviewed had been involved in previous assessments and were confident during the process and answered any questions without hesitation.

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

PPE for sprayers is supplied by MBE and its use demonstrated in the training programs of which there is plenty of evidence of in the estate training records. The company supplies two sets of overalls to all pesticide operators which includes sprayers, mixers and others who may come in contact with sprayers such as central stores. 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 eliminated.

All sprayers and mixers sighted during the assessment were using the correct PPE which is supplied by MBE.

Current 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 in the pesticide shed. The status, availability and display of MSDS in all areas were to be commended. There was continuous improvement in the identification of all chemicals used as only 1 chemical container was found to be unidentified during this audit. This was in a locked area and was quickly marked up and identified clearly.

4.6.10 Storage of chemicals is in specially locked areas with limited access to the chemical mixers. All areas where chemicals are stored are adequately ventilated through cross flow ventilation. All chemicals containers are triple rinsed and pierced prior to being placed in the designated pesticide waste pit (landfill). The pesticide mixers in all areas were aware of this practice and could describe it when questioned. Records of containers disposed are kept including numbers sent to landfill.

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

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

4.6.13 Health checks are conducted for pesticide operators. This is carried out by a medical officer on a twice yearly basis and records of these checks are kept in the relevant clinic. All pesticide operators/handlers had last been screened in and the company Health workers maintain records of screening and schedule. MBE conducts six monthly health checks of all employees handling chemicals (pesticides and weedicides). Records of all health checks are maintained at the Hagita Clinic. The health checks backup the screening at each estate to ensure no pregnant or breastfeeding women are required to handle chemicals.

Cholinesterase tests have not been conducted since 2011 when organophosphates were phased out of all operations.

MBE do not use organophosphates or methamidophos as at present there is no Sexava. However the use of

methamidophos may be considered for the treatment of Finschaven Disease through trunk injection if there are no other alternatives.

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

Agri Chemicals are not applied by Small holders – this done by OPIC personnel.

There are no National regulations for disposal of chemical containers and any containers are disposed of by MBE..

Smallholders demonstrated once again that they use appropriate safety equipment and observe the precautions attached to products. They also demonstrated that they would store chemicals away from children and other vulnerable people and dispose of waste material and containers safely if they used them. The smallholders interviewed had ever used herbicides. Most responded that they were concerned about possible accidental poisoning, particularly with respect to their children and also water contamination.

A number of smallholders expressed interest in having their blocks sprayed – around the base of the palm and along the wheel barrow rows as cut weeds grew back within a couple of weeks. They had noted that this was the technique used on the estates and felt that they should emulate the agronomic practices of the company.

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

4.7.1 There is an OHS Plan in place in all the following areas of MBE operations:

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

MBE has in place a health and safety policy which has been implemented and is being monitored. The policy is widely available to all workers, visitors and contractors. The policy is publically displayed on notice boards and within documentation. It is also available in all areas where people congregate.

All areas have implemented and monitored this plan to a very substantial degree. The situation has improved considerably since the RSPO pre-certification audit and has continued to improve since the certification assessment in 2012. Each plan has been issued and is current with the latest issue being in August 2013 throughout the organisation under the authority of the current General Manager.

4.7.2 Hazards and Risks have been identified and updated for all operations in all areas. This also includes the degree of risk as well as the controls in place. Procedures and plans are in place to address all operations. These have been distributed to all areas and to the respective managers and

supervisors. There are regular documented inspections taking place which ensure that OHS Policy is being implemented. These are carried out at least monthly and more often in higher risk areas.

4.7.2 Minor Non Conformity: The identified hazards and risks in some areas are not adequately controlled. This includes the following examples: Work Permit required for high risk work are not at times completed once the task is completed – these are hot work permits, height permits and others. A number of old drums containing CRC are rusted and should be disposed of in the correct manner. There are a number of damaged gauges on welding equipment. Electrical genset at Padipadi has damaged connections. The mobile scaffold used by contractors at the mill is inadequate and unsafe.

Action: Action has been taken to eliminate as far as possible hazards and reduce risks throughout operations. Housekeeping has much improved and all storage areas for chemicals have been cleaned up and any damaged containers removed. Height permits were sighted for the new bulk tank and the bulk terminal, electrical leads are now inspected and removed if damaged and the company has started the practice of testing and tagging vulnerable electrical equipment. There were no damaged gauges sighted on gas bottles ready for welding.

4.7.3 Observation: It was noted that workers from the Sagarai Estate involved in the building of a stand for the sports field were not using PPE such as safety boots during this work.

Areas of improvement noted during this assessment with regards safe working practices included the following as examples:

- Improvement of housekeeping in mill
- Better control of welding gear throughout MBE operations
- Use and application of the lock out – tag out practice.
- Reduction and removal of trip hazards in the mill and all stores
- Availability of MSDS for all substances used

Higher level of inspections taking place in all operational areas with regards to OH&S. It is concluded that all precautions with regards to products are being observed with regards to both chemicals and other material such as Rockwool which is now well managed. 4.7.3 Contractors are now being included in the control of OHS matters on site. They are now expected to provide a safety plan for their activities and also agree in the induction to site to follow all MBE requirements regards OHS issues including provision of PPE. A number of plans prepared with or for contractors on site were viewed. The following contractors had evidence of completing contractor induction with a commitment to safe work practices in line with mill requirements. These included; Mecca 44, Wale Contractors and Robin and Billy as three examples. There was also evidence in each estate visited of contractors making these commitments also.

MBE has provided the required PPE appropriate to the task after the hazard has been identified and the risk assessed in all regular operational areas. The level of proper use of PPE within all areas for both workers and contractors is excellent and compliant with all requirements apart from the one instance above. In fact all areas of Safety Management have

continually improved. It must also be reported that the staff at MBE are very active with regards to policing the use of appropriate PPE at morning musters and workers are reprimanded if they do not use the supplied PPE.

Workers involved in areas of high risk are being trained in work practices – this includes pesticide operations, fire fighting, construction safety and plant repair and service. Records of training are being maintained for all staff in all operational areas and by the training team based in Head Office who have overall control of all training records.

Effective and well positioned signage supports the use of PPE addressing when and what type of PPE is to be used and under what circumstances very clearly. This is rigorously enforced by managers and supervisors. Sign management and placement has improved and is well controlled as signs are more readily available and are correctly positioned to reinforce any requirements. The fact that the injury frequency rate is well below the set targets clearly indicates that moves in the area of OHS are effective.

4.7.5 There are emergency procedures in each area and these are tested to a degree. All areas had in place records of testing the emergency procedures including tsunami drills, fire drills and other possible emergency situations. Now the estates and mills are also testing many other scenarios with excellent records on all occasions reviewed to indicate if any areas were not satisfactory.

The records of all drills and testing of emergency preparedness are comprehensive and include participation, times, any failings and any improvements which could be made. It was also observed that with regards a number of these drills whole compounds where still being involved rather than just workers. A complete roll call was available of all drills. It was also noted that drills are also held at different times to better simulate actual emergencies.

In each work areas visited there was in place and readily displayed the emergency response plan for each areas with key contacts during this time. We tested a number of these contacts by calling the listed phone numbers and on all occasions these were answered quickly.

4.7.5 Observation: There have been around 15 possible scenarios for emergency drills and these are not being tested other than mainly holding fire drills. These scenarios require testing to determine effectiveness of any plans. Also keys need to be available to access all areas as and when required.

Action: Throughout MBE a large number of scenarios are being tested in the various areas and estates. This includes such emergencies as snake bites, floods, motor vehicle accidents, electrocution, spills of chemicals and many others. Records are full of the results of the drills.

Drills included the following:

CPO spill at Bulk Terminal 24th September

Acid spill in mill – 13th September

Test all emergency stops and conveyor pulls at least monthly.'

Eletriction – Sagarai October 2013

Snake bite – Padi Padi 24th October

Leg Fracture – Mariawatte 14th

There is also regular testing of the fire pump at the Hagita mill to ensure it is ready and available at full capacity in the case of a large fire. There are also fire extinguishers which show evidence of regular inspection in all areas needed.

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

- Mill
- Bulk Terminal
- All Estates
- MVWS
- STORES
- Construction

All areas have regular meetings (at least monthly) to discuss OHS matters. Each area now has a standardised agenda and meetings are conducted after workplace inspections which also help to discuss findings.

All areas are also holding Tool Box talks to spread current or topical information or to reinforce safety issues such as use of PPE. All department meetings provide observations and issues feed into a combined meeting which covers all operations for MBE which is chaired by the Sustainability Manager.

4.7.6 MBE has five clinics with at least two medical staff based in each. The clinics are clean and well-resourced and have reliable communications and reasonably good access to Company-ambulances and are a credit to the MBE medical team. The building program includes plans to expand several clinics over the next three years to meet the growing demand from employees, dependents and local communities.

PNG Red Cross provides first aid training to Company employees. The clinics have improved greatly and repair and renovations have already taken place or at least planned in the improvement plan.

MBE has five clinics with at least two medical staff based in each. Medical officers have formal qualifications and receive fortnightly in-house training. The clinics are clean and well resourced and have reliable communications and good access to the three MBE ambulances. The health services are of a high standard in comparison to other health services provided in rural areas of PNG.

The company also has many Red Cross trained first aiders and uniform first aid kits in all field and mill work areas. The kits are checked and restocked regularly. A number of First Aiders are available in all work areas at all times including day and afternoon shifts. There are up to six trained first aiders who are available to the mill and each estate. The trained first aiders are identified in each work area through the display of photographs.

The OHS representatives and Fire Wardens are also identified in this way.

The training certificates of all current First Aiders were available and sighted.

4.7.7 MBE monitors a number of Safety Performance Indicators such as lost time injuries and regularly reviews all incidents. All accident records are kept and reviewed. The information is reviewed by Management during high level safety meetings to ensure objectives are being achieved and all incidents fully investigated. This was verified during the audit. This is an improvement since it appears that workers are more likely to report both accidents and near misses. The latest companywide meeting was held in September and was attended by all Senior Managers and all operational areas OHS representatives. The chair person is the company OHS Representative.

There are records in place for all incidents, injuries and also near misses. There is now consistency in the completion of the injury forms and this has been standardised throughout the company. With the new system being introduced since early in 2013 the reporting of near misses is exceptional with many reported in all areas using the designated form. Any minor safety breach is treated as near miss with the emphasis of prevention of recurrence.

All departments provide details of LTA's which are then centralised into a report for the whole company and are reported at the main MBE OHS Committee meetings and then to the Group and finally to the Board of Directors. The figures indicate that frequency rates for Lost Time Accidents and Illness is below the stated objectives and at present is well below the target figure. For example at Waigani Estates these has been no lost time injury for over 180 days which equates to over 400,000 work hours.

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

Both OPIC and MBE SHA hold regular training sessions and field days of which records are maintained.

4.7.8 All workers are covered by workers compensation accident insurance.

All respondents clearly understood safe working practices and examination of growers' palms showed no evidence of fruit bunch spike injuries.

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

4.8.1 Training needs are identified by managers and an annual training program is prepared by Human resource training staff. The training program focuses on the provision of short courses, but does not include all training-related support provided by MBE (e.g. apprenticeships, educational support for the dependents of employees).

MBE has an annual training program based on a training needs analysis undertaken by or for each department. The training program includes both internal and external training. Records are maintained for each training event and individual records are maintained for each staff member.

Some external training has been postponed or cancelled this year due to financial constraints, but internal training has generally continued as planned. The number of trainers in the Training Section has been increased over the past year. Various competencies have been reviewed and updated to help ensure training is relevant and effective.

In addition to the formal training program, MBE has 16 apprentices, 11 industrial cadets (which undertake 12 weeks of training with MBE as part of their vocational or technical studies), 2 cadets (newly employed tertiary graduates) and is supporting 2 post-graduate students to complete a Masters degree and a diploma. A checklist is followed for induction training. Although quite detailed, there is an opportunity for improvement by using the induction forms to ensure:

- Any permanent employee not provided with housing receives the Living Out Allowance (or equivalent); and
- All permanent employees are enrolled in a superannuation scheme (refer Criterion 6.5 for further details).

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 and on the job.

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

Some of the records are in the form of training attendance registers recording field training as well as more formal skills courses such as plant operators, driver's licenses, boiler operators and Red Cross First Aid training.

Training records are therefore kept for all employees.

Records of competency and on the job training are kept on site in the various estate offices, mills and workshops etc.

4.8.1 OFI: A checklist is followed for induction training. Although quite detailed, there is an opportunity for improvement by using the induction forms to ensure:

- Any permanent employee not provided with housing receives the Living Out Allowance (or equivalent); and
- All permanent employees are enrolled in a superannuation scheme.

Action:

4.8.3 Training of Smallholders is being implemented by MBE and this will be continued and ongoing. This training is done through field days, awareness sessions and the company newsletter. The names of all Smallholders who undertake training are recorded and a register is kept by MBE. All growers pass on any training they receive from OPIC or the company to their family.

The training materials used in farmer training were relevant and of good quality. The programme approach was more targeted to smaller groups of growers so as to ensure quality of information disseminated to a more interactive audience. There were some night sessions of the programme scheduled to get maximum attendance with two successful sessions done prior to the audit. A training/meeting hut was constructed in East Gurney. This is proof of growers' commitment and extension workers' work progress.

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.

5.1.1 An Environmental Aspects and impacts register has been developed and is reviewed and updated at least annually the last update being in October 2013. The register is comprehensive and clearly identifies significant environmental aspects and also nominates any legal requirements or restriction classed within the aspects. This register covers all operations impacted upon by MBE. This register also includes occasional operations such as construction of roads, construction, management of mill and replants as well as intermittent operations such as drainage and irrigation and disposal of specific waste.

AT the bulk terminal in Alotau the impact of CPO spill was not included however when this was pointed out it was quickly amended and included in the aspects register.

All environmental impact assessments have been carried out when and where appropriate. Records of all impact assessments carried out are readily available.

The methodology for determining aspects and impacts has documented and matrix was available to determine how impacts were applied although some areas of the methodology require consistency and be applied across all operations

All environmental impact assessments cover both on site and off site activities. Whenever there are changes made to operations and changed impacts are updated to reflect these changes. All departments visited did have current Environmental Impacts and assessments available.

There are many environmental improvement plans in place for the estates, mill, motor vehicles workshop construction, Store and other areas. Such plans have funds allocated to them and clear, time frames for completion identified. All plans are now formalised and the improvements made are noted in the CIP (See 8.1). Some of the improvements identified at the pre-audit are already complete e.g. chemical storage and identification.

During the audit it was noted that all Smallholders audited 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.

5.1.2 There is an Environmental Management plan in place which includes -

Impact assessment includes:

- Building new roads, processing mills or other infrastructure.
- Putting in drainage or irrigation systems.
- Management of waste
- Control of polluting activities

- Replanting or expansion of planting area.
- Disposal of mill effluents (see criterion 4.4).

This Environmental Improvement Plan was recently review and updated in September 2013. This review includes details on any improvements made in line with the nominated time frames and whether they have been achieved and if not to what extent.

Once actions or plans have been achieved in full and satisfactorily this is noted as the Environmental plans is updated and continually monitored by the Sustainability department.

Impacts are reviewed as techniques or operations change and this is carried out at least every three months to determine the status of all plans.

The awareness of the rationale behind RSPO and the principles and criteria for RSPO certification had brought awareness to growers about the potential negative impacts of their activities and appropriate mitigation techniques.

Smallholders are aware that fertilisers should not be applied close to watercourses and all those interviewed had decided not to use herbicides because of their inherent toxicity and potential harm.

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.

5.2.1 An approved assessor (Guy Williams) selected from the RSPO register of HCV assessors has carried out an assessment of the presence of HCVs within and adjacent to the MBE plantations. The ecologists used the PNG National Interpretation of the HCV Toolkit and prepared a report on their findings. All of the land within the plantations has previously been used for other agricultural purposes and had previously been extensively logged in the past.

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

Within the estate some areas are not planted and these habitats are being left in their natural state. These areas have been identified as HCV 4 as they are normally on river bank and in other steep areas

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

5.2.2 Therefore any HCVF areas that have been identified are mapped. HCVF and Buffer Zones have been clearly marked and native trees are being planted to expand and protect them. The native trees come from the native trees nursery which is propagated by the sustainability team.

5.2.3 The sacred site which was discovered near and adjacent to the Waigani Estate – now known as the DIU DIU

caves. MBE have continued to manage this area to prevent damage and encroachment in the area and have maintained the 200 metre buffer which has not been planted to continue to preserve this area. Further measures are now place with the assistance of local authorities to further protect this area. There is a sign in place which identifies the area as HCV and discourages any other use being made of the area. In line with the previously mentioned Buffer Management Plan to area is regularly inspected by the Sustainability team with records kept to ensure the area is protected.

The HCV Assessment report contained many recommendations for basically continuing the good work that has been carried out by MBE.

5.2.4 As far as possible MBE is attempting to avoid damages to habitats by putting in place correct buffer zones and declaring habitats such as reserves and wet lands to be free from any activities which may deteriorate the habitat. This is also managed and included in the Buffer Zone Management Plan.

5.2.5 Company employees are prohibited from the hunting and taking of fauna from the plantation and adjacent land. Sign boards have been posted adjacent to buffer zones and other conservation set aside advising of the protected area. Any legal requirements within any areas are applied and enforced by MBE management. Also conservation areas are well identified and well managed by the estate managers and staff with further support from the Sustainability team.

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

Inspection during this assessment indicated there was little evidence of hunting, fishing or collecting activities in the MBE area.

MBE have provided gardening areas for use by workers adjacent to their housing to discourage worker encroachment into buffer zones and protected areas. This has been successful. Occasionally land owner groups implement their own systems to discourage encroachment.

MBE have in 2013 initiated 2 food security and welfare programs targeting both employees and the surrounding communities. These are rice planting and fish farming. Although still in its infancy stage, these programs illustrate MBE's commitment to social improvement.

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

Smallholders are aware of the history of the Milne Bay Province with extended years of forest logging and conversion to agricultural crops. All Smallholders expressed the need to conserve what natural habitat remained for the benefit of their children and future generations.

During the block visits several birds of paradise calls (Paradisia regiana) were heard coming from remnant vegetation, which had been logged but was regenerating. Growers are aware of the values of these wildlife refuges and the need for their conservation.

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

5.3.2 The waste management plan is presented in a separate management guideline (MG 8) and includes pesticide contaminated waste. The waste management plan is up to date and in place at all operations. The waste management and disposal plan was recently reviewed and re-issued under the control of the General Manager in September 2013. All waste streams are included as well as control methods. There are now records in place for all areas which indicates the type of waste, method of disposal and date the waste was sent to the land fill areas.

This waste is divided into House hold waste, Chemical waste, industrial waste and Hydrocarbon waste is the segregated into each cell prepared for this purpose.

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

The company's aspects register formally identifies all sources of pollution and waste and states their impacts and required mitigation measures. This register is updated at least annually or when new waste sources become apparent. The latest review and re-issue was in October 2013.

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

5.3.1 The following waste streams have been identified and are controlled through the Environmental Management System in operation at MBE.

- Mill Effluent – through effluent ponds and land application.
- EFB other by products – Recycled to the field
- Fibre by-product – Fuel for furnace.
- Oils and Hydrocarbons (including containers) to Hydrocarbon pit or recycled with cooperation with a stakeholder in Alotau who is developing a facility to treat waste oil to enable re-use.
- Hydrocarbon spills treated with sawdust or other collecting material then burnt in boiler.
- Used oil – recycled, burnt in boiler.
- Pesticides (including containers which are triple rinsed, punctured and to pesticide pit.
- Pesticide spills – cleaned with spill kits used kits sent to pesticide pit.
- Office Waste – segregated, recycled where possible with rest to the landfill.

- Household waste – segregated, recycled where possible with the rest to the landfill.
- Human waste – Septic and soak a-ways.
- Industrial waste – landfill or recycled

Landfill sites are in place for all areas. The landfill sites are well managed and sign posted. This has been a large improvement in the land fill sites and through effective management and the sites are large enough to last a long time and therefore reduce the stress on the area with the problem of finding new sites being reduced and delayed considerably. In all estates visited the landfills were of similar dimensions with managers indicating that had lasted as long as 2 or 3 years and remained in use although at this stage they are not recording the actual date the particular cell was started, when it was full and closed or the capacity. This would enhance the ability to plan landfills for the long term use. There is evidence of regular covering and compaction of waste.

There is little or no odour and little evidence of waste outside of each cell.

The collection of household waste is well controlled. There are formal rubbish collections in all areas at least weekly. This is monitored regularly. The garbage collection system in each staffing compound includes separate bins for green waste and other household garbage. The green waste is recycled and utilised for agriculture. The remaining household garbage is buried in landfill sites which are adequately fenced and managed. There is no evidence of windblown waste or bad odour in these areas.

Waste is separated into green waste and other household rubbish and collected from each MBE village on a weekly basis. Each clinic separates general waste, medical waste and sharps, and incinerates them as required. The remains fall into a pit with concrete lining. Records of medical waste disposal are maintained at all clinics.

There is no evidence of burning or putting green waste in landfills. All landfills are mapped. All landfill sites are well away from waterways and residential areas – over 1 kilometre in all cases. Landfill operators now fill from one end and compact as they go with regards to general waste. There is an attempt to segregate all waste and to recycle whatever can be recycled. Waste is therefore recycled wherever possible. Recycling includes information as types of wastes, prohibited wastes, recycling guides, re-use of nutrients, management of effluent ponds, increasing the efficiency mill extraction etc.

5.3.2 Observation: The proposed landfill site for green waste would be better used as the next domestic waste management pit as this is more effective and efficient. Any green waste can be mulched and put back into the field as nutrient.

Action: There is now a collection area for any green waste in all areas and this mulch is now returned to the field as nutrient or used for gardening rather taking up space in the land fill system.

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

MBE have in place a current documented treatment system for POME in the form of effluent ponds. The effluent ponds are effectively maintained and managed. The POME once treated is sent back to the field as land application.

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

Therefore the audit concluded that the waste management plan has been effectively implemented.

Very few growers live on their blocks, preferring to remain in their villages and walk to their blocks when required. Those that did live on their blocks have appropriate rubbish pits and pit toilets.

There were no users of hazardous chemicals.

MBE emphatically discourages the use of fire on smallholder blocks and provides training in the safe disposal of waste materials and containers. The majority of Smallholders live in their villages and so there are few domestic houses on blocks. Where these were seen all such block holders have rubbish pits for disposal of domestic waste.

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

5.4.1 MBE uses fibre to power the boiler which produces steam, drives the turbine and produces electricity. The use of renewable energy in this early stage is low due to the updating of the boiler. Once this is completed rates should lift once again.

MBE provides records of both monitoring of kilowatt hours per tonne of palm product and kilogram of steam per tonne FFB.

At this stage of the year due to low crop situation and the fact that fuel in the form of fibre and grit is now sufficient there more reliance on the diesel generators. As the crop increase there will be more use of renewable power sources. There was also one boiler and turbine out of action which resulted in the use of more fossil fuel since January 2013.

The ratios of Non – Renewable to Renewable for the following times are given as examples. January 21.11/2.34, April 16.10/2.47, July 16.23/3.57 and September 25.44/5.12.

For example:

Natural lights is used in all areas during daytime operations

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

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

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

5.5.1 There is no burning during replanting and there are no new developments at present. Burning is not allowed by MBE and there is no evidence of burning.

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

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

5.5.4 The incineration of all medical wastes such as sharps, used bandages and gloves is permitted. Records are maintained of the amounts destroyed. This is carried out using a specially designed and constructed incinerator. Comprehensive records are maintained of any disposal of medical waste.

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

Milne Bay Estates have a no-burn policy and smallholders use fire sparingly to dispose of waste or during replanting for sanitary/phytosanitary reasons.

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

5.6.1 Assessments have been carried out on all recognised polluting activities and include gas and smoke emissions, particulate and soot emissions, effluent control, treatment and discharge.

5.6.2 All Significant pollutants and emissions have been identified. There is a plan in place to reduce pollution – this is included in the aspects/impacts register and the waste management plan. This also an integral part of the Environmental improvement Plan which is regularly reviewed and updated as required.

MBE is maintaining all records of mill emissions and effluent including critical data such as Smoke emissions, BOD levels, Total Suspended Solids and Oil & grease as required by the relevant environmental permits.

Any significant pollutants are included in the Environmental Impacts register and plans are in place to reduce impacts via this Environmental Improvement Plan which was updated in September 2013.

Plans indicate allowable waste levels and systems such as segregation and recycling have been introduced.

5.6.3 The treatment methodology of POME is recorded in effluent pond management plans and in MG 11 however MBE is discharging to land application POME at this stage.

Stack emissions are being measured by a combination of the Ringelmann method and by smoke density readers that show emission levels are within allowable limits. The reader/meter is recording data on smoke density and mill management are able to interpret this information in relation to allowable smoke emissions levels. The current records indicates that during the last 12 months (on a rolling average) that the emissions have been below 20% in excess of 80% of time as determined by the Regulatory authority.

Ringelmann measurement/observation is used as a backup to this system until management are convinced it is working smoothly.

Records are now in place for 6 years.

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

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.

MBE engaged an independent contractor to conduct a Social Impact Assessment (SIA) in August 2012. The consultant engaged broadly and prepared a report that provides a good overview of the social impacts of MBE's oil palm operations, including perceived social impacts, and a number of suggestions to enhance the positive impacts and mitigate the negative impacts.

The SIA was used to prepare a detailed register of social impacts (indicator 6.1.1) and a Social Improvement Plan that includes, for key social impacts, a number of planned actions with timetable and responsibilities (indicator 6.1.3). The Social Improvement Plan has been updated periodically and continues to have a clear focus on the main social impacts. MBE has also prepared a communication program to discuss and enable input to the Social Improvement Plan for a range of internal and external stakeholders (indicator 6.1.2).

Several of the planned actions relate to activities specified in the 3-year building program (e.g. housing maintenance, upgrading water supplies, provision of electricity). The Social Improvement Plan and building program need to be reviewed periodically to ensure they are aligned.

The Social Improvement Plan is the basis for the social component of the Continuous Improvement Plan (indicator 8.1.1). The Continuous Improvement Plan should include clear indicators for each of the planned actions, and a report prepared on an annual basis indicating the progress in implementing the planned actions over the past year.

Criterion 6.2: There are open and transparent methods for communication and consultation between Smallholders

and/or millers, local communities and other affected or interested parties.

MBE has a communication policy (indicator 6.2.1) and a list of stakeholders with key contacts and key issues for these stakeholders (indicator 6.2.2). Over the past year MBE has strengthened its communication with both internal and external stakeholders:

- MBE has initiated a program of regular meetings with local councillors;
- MBE has entered an MOU with the National Department of Health and Provincial Health Authority;
- MBE has commenced an awareness programs on Radio Milne Bay; and
- Senior MBE personnel are conducting periodic walks through MBE villages with the Village Clerks, which provides an opportunity for management to engage with village residents, identify and discuss problems, and improve communication between management and residents.

MBE continues to have a good relationship with the Provincial Administration. However, as noted elsewhere in the report, additional effort is or will be required to effectively communicate information to landowners involved in LLB arrangements (refer Criterion 2.2) and smallholders (refer Criterion 6.10).

There has been regular communication between MBE and the Milne Bay Provincial Administration over the past three years, and there is an excellent cooperative relationship between MBE and the Provincial Health Authority. However, MBE realises a need to improve its communication with external stakeholders and has included in its Social Improvement Program activities which are continuing and to:

Establish a Tax Credit Scheme Committee;

Provide awareness to explain the FFB price to MOFA and smallholders; and

Provide awareness to ILGs on the FFB price and legislative changes to the Incorporated Land Act and Customary Land Registration Act; and

Establish an MOU between MBE and the Provincial Health Authority.

The appointment of the Community Affairs Manager provides an opportunity to further improve communication, particularly with political leaders, the Milne Bay Provincial Administration and local communities. A similar group, possibly with additional government representation, would provide an excellent forum to discuss social impacts and mitigation strategies (i.e. the Social Improvement Plan) on an ongoing basis.

6.2.2 OFI: The appointment of the Community Affairs Manager provides an opportunity to improve communication, particularly with external stakeholders including political leaders, the Milne Bay Provincial Administration and councillors, service providers and others living in the vicinity of MBE operations. During the audit a meeting was held with a number of local councillors and school representatives. A similar group, possibly with government representation, would provide an excellent forum to discuss social impacts and mitigation strategies (i.e. the Social Improvement Plan) on an ongoing basis.

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.

MBE has a grievance policy and has revised the guideline and process for managing grievances over the past year. Improvements have been noted in the recording of grievances across MBE operations. Although noting the improvement, there is potential to provide additional information on how some grievances were resolved. Therefore there is a need to ensure sufficient information has been recorded in the grievance register to not only determine what actions were taken to resolve the grievance, but to document whether the grievance was resolved to the satisfaction of the person raising the grievance.

6.3.1 Observation: The guideline describing the grievance mechanism needs to be revised to ensure adequate description of what should be included in the grievance mechanism, the documentation required, and when a grievance should be referred to the General Manager. This should facilitate more effective training on the grievance mechanism, and lead to more details on the actions taken and whether the grievance was satisfactorily resolved.

Response: MBE has revised the guideline describing the grievance mechanism and provided training as required. Improvements have been noted in the recording of grievances across MBE operations

Both OPIC and the company Smallholders Affairs (SHA) department have grievance procedures in place. Most grievances are handled by OPIC initially but often referred the company SHA as many grievances relate to pay dockets.

Both these grievance procedures need minor improvements (see discussion below).

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.

MBE has lease-lease back agreements with 89 landowner groups. The procedures and processes for identifying customary owners, calculating compensation and discussing the entire process are documented in Management Guideline #21. However, agreements with the existing landowner groups were made prior to NBPOL's purchase of MBE in 2010. Records for the LLB agreements are incomplete. MBE's Land Section is working to address this. In addition, and as noted under Criterion 2.2, considerable work is also required to satisfy the requirements of the amendments to the Incorporated Land Act and Customary Land Registration Act, which legally must be completed by 2017. The key requirements for each LLB are to:

- Demonstrate title to the land;
- Have a sub-lease agreements in place; and
- Have a registered and functioning ILG.

The Lands Section will require additional resources to complete the required work over the next four years.

6.4.2 MBE has lease-lease back agreements with a large number of ILGs. The procedures and processes for identifying customary owners, calculating compensation and

discussing the entire process are documented in Management Guideline #21. References to organisations or committees in West New Britain should be removed from the Guideline and replaced with equivalent organisations or committees in MBE.

As noted above, the Social Improvement Plan includes an activity to provide awareness to all ILGs on the FFB price and the amendments to the Incorporated Land Act and Customary Land Registration Act. 6.4.3 Awareness will also be provided on MBE's plans for future development. In coming years many of the ILGs will need to decide whether they will continue with lease-lease back arrangements, develop their own 'mini-estates' or return the land to other uses. The planned awareness activity will provide an opportunity for ILG members to discuss these options and the compensation arrangements, which for lease-lease back currently include land rental and royalty payments.

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.

On 1 July MBE increased its minimum wage by 5% to K2.26 per hour. While slightly less than the minimum wage of K2.29 per hour, MBE generally provides housing, electricity, water, medical coverage and some education support free of charge to its employees. The health services provided to employees and dependents is of a high standard in comparison to other health services provided in rural areas of PNG.

Employees providing their own accommodation are paid a Living Out Allowance of K69/fortnight. The majority of employees at Sagarai do not have electricity and receive kerosene from MBE free of charge.

MBE has initiated a survey to estimate the cost of living of its employees. Around 200 surveys have been completed and will be analysed in the near future. This will help ascertain if the wages paid are able to provide for a decent standard of living. MBE has facilitated the establishment of an ATM at Hagita, and the construction of a BSP branch (under construction) at Padipadi. These will substantially reduce the cost of living for employees (and other residents within the local community), as it will help avoid the need to travel to Alotau to access funds in the bank (which for example, costs around K40 return from Mariawatte).

MBE has made an effort to increase the proportion of employees enrolled in superannuation, although continued effort is needed, as an estimated 40% of the permanent workers are not yet enrolled.

Contractors are required to sign an agreement in which they commit to meeting (or exceeding) legal minimum terms and conditions for their staff.

Although actively limiting the number of passengers in MBE villages, undertaking housing maintenance and renovations, and reducing the size of the workforce, overcrowding and basic living conditions remain significant problems. Many houses have poor ventilation, and when also overcrowded, are likely to contribute to the relatively high level of

respiratory diseases among employees and their dependents.

Employment conditions

6.5.3 Observation: MBE workers are currently employed under a mix of working conditions and entitlements; some reflect the previous management and some reflect those of NBPOL. The mix is causing confusion and uncertainty among some employees. The working conditions and entitlements should be finalised as soon as possible.

MINOR non-compliance: NBPOL (Singapore) has been in the process of reviewing and standardising employment conditions for well over a year. Failure to finalise employment conditions means that MBE employees do not have employment contracts and there is some uncertainty over both existing and future benefits and entitlements. The working conditions and entitlements should be finalised as soon as possible.

Response: There has been limited progress in finalising working conditions and entitlements over the past year. This has been elevated to a minor non-compliance (see Section 3 below).

6.5.3 As noted under criterion 6.6, the extended transition in working conditions and entitlements may limit the capacity of the Union to practice collective bargaining in the near future.

6.5.3 Observation: During the audit some employees indicated that some permanent employees may not be participating in the superannuation scheme (in which MBE contributes 8.4% and employees a minimum of 6%). Although initiated on a voluntary basis, it is in the interest of all permanent employees to be members of the superannuation fund and to contribute throughout their term of employment.

Response: MBE has actively encouraged those employees not enrolled in a superannuation scheme to join. MBE has achieved an increase in the proportion of employees with superannuation, and while there is further work required to enrol additional employees, the response from MBE over the past year is regarded as satisfactory.

As noted under Criterion 4.8, the induction checklist could be modified to ensure that:

- Any employee not provided with housing receives the Living Out Allowance (or equivalent); and
- All permanent employees participate in the superannuation scheme.

Living conditions

During the pre-audit concerns were raised in regard to overcrowding in MBE villages, and the general standard of housing, including provision of water and electricity, the quality of washing/toilet facilities, and drainage.

MBE has responded by:

- Taking a much tougher stance of 'passengers' in Company villages;

- Reviewing workforce requirements and initiating a program to reduce excess employees (including repatriation to the place of origin); and
- Preparing a 3-year building program and commencing some activities, including general housing maintenance, the renovation of washing/toilet facilities, improving ventilation and lighting in enclosed haus kuks and addressing poor drainage.

6.5.4 The building program (and Social Improvement Plan) includes a target of maintaining all houses over a 5-year period (i.e. 20% each year). The building program also includes plans for improving the water supply at Padipadi and providing electricity to villages at Sagarai. Improving the water supply at Padipadi is a priority.

Reducing workforce numbers will preferably prevent, in the not-so-distant future, any family from staying in the single-room barracks. The barracks should preferably be used only by seasonal workers (who are engaged for no longer than 5 or 6 months), and are not accompanied by family members or other dependents. If families continue to reside in the barracks there will need to be improvements in ventilation and cooking facilities, in addition to improving toilets/washing areas (which is included in the building program).

6.5.6 Observation: Implementing the 3-year building program is considered an adequate response to the improvements required for workforce accommodation. However, the provision of electricity for lighting at Sagarai is considered a basic requirement, both from a welfare and occupational health and safety perspective. Lights in the streets and houses should be provided as a matter of priority, and should not be delayed beyond the timeframe outlined in the building program.

The reduction in capital expenditure is not considered adequate without a good overview of the amount of workers and dependence that should be housed and MBE commits to address the needs based on this assessment. Given the importance of providing adequate facilities the building plan will be committed to by the senior management of the company including a budget and time line.

MINOR non-compliance Although MBE has prepared a three year building plan which was agreed upon as being adequate, the financial constrain is delaying the implementation. This is not seen as a good approach towards the pressing situation of housing and a better overview needs to be giving toward the number of people and dependence that the company commits to house versus the financial planning towards adjusting this ratio. The financial plan needs commitment of the senior management so it is understood, committed and given the priority based on the agreed standard ratio.

6.5.4 OFI: There is also an opportunity for improvement for MBE through the provision of power points in all houses provided for workers and their dependents. The provision of power points in Sagarai would allow families to buy and use a range of electrical appliances which has potential to greatly improve living conditions and worker productivity:

Power points in Sagarai would also enable household residents to charge their mobile phones and buy radios or TVs. Radios and TVs will provide entertainment and may help reduce a range of social problems, particularly problems associated with boys and young men.

The provision of power points will eradicate the practice of illegal wiring, which is a health and safety concern in Sagarai villages.

It is recommended that power points are included in the construction of all new houses, and a program is prepared for the provision of power points in all houses at Sagarai over a 3 to 4-year timeframe. There is sufficient experience elsewhere in PNG in regard to the regulation of electrical appliances (to manage the amount of power required) and to help ensure the safe provision of electricity.

Progress in improving housing conditions and addressing the overcrowding problem has been hampered by financial constraints that have reducing the capital expenditure available. Given the importance attached to overcrowding and living conditions across all MBE estates, any delay to the implementation of the building program is not considered an effective or systematic approach to the provision of adequate facilities.

The single-room barracks should preferably be used only by seasonal workers (who are engaged for no longer than 5 or 6 months), and are not accompanied by family members or other dependents. Due to the overcrowding problem families are occupying many of the rooms (one room per family). Improvements have been made over the past year, however, including the addition of covered verandas (in progress), improving ventilation in haus kuks, and improving water supplies. Further work is required to improve the toilets/washing areas.

6.5.6 OFI: There is an opportunity for improvement for MBE through the provision of power points in all houses provided for workers and their dependents. The provision of power points would allow families to buy and use a range of electrical appliances which has potential to greatly improve living conditions and worker productivity. The provision of power points will eradicate the practice of illegal wiring, which is a health and safety concern in all villages. It is recommended that power points are included in the construction of all new houses, and a program is prepared for the provision of power points in all houses over a 3 or 4-year timeframe.

Action: MBE has made progress with renovations to houses, cooking facilities, water supply and sewerage. However, progress has been hampered by financial constraints that have reducing the capital expenditure available to improve the living conditions of employees and dependents. Given the importance of providing adequate housing and living conditions, the reduction in capital expenditure is not considered adequate, and this has been elevated to a minor non-compliance (see Section 3 below).

Most growers manage their blocks using their own family members. Where occasional casual outside help is required they either use a contract system or pay well above the minimum wage. However see discussion below on OPIC recommended contract rates.

No smallholders have formal employees.

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.

6.6.1 MBE has a freedom of association policy. The Milne Bay Estate Worker's Union was established in 1992 but in recent years has been relatively inactive, despite having over 400 financial members.

In the past year the President left without any warning; is alleged to have illegally taken the Union's financial reserves with him; an Interim President has been appointed; and the Treasurer is alleged to have illegally withdrawn Union funds for personal use and has subsequently been suspended. As a result of the above, MBE conducted awareness among employees and suspended all financial contributions from Union members (which were deducted by MBE from the fortnightly pays and transferred to the Union's bank account).

The Interim President is in contact with MBE, the Provincial Labour Officer and the PNG Trade Union Congress (which oversees trade unions in PNG). An audit of the accounts is required, followed by an Annual General Meeting and the election of a new executive (in addition to potential legal action over the illegal use of Union funds by previous executives). The Union has virtually no funds left, and is therefore reliant on MBE, the Provincial Labour Officer or the PNG Trade Union Congress to provide necessary funds for awareness, the audit, the AGM and election of new executives, and any legal action. The Union is unlikely to be in a position to recommence meetings with MBE management in regard to working and living conditions for at least 6 months, and possibly longer.

MBE has offered its support to the Interim President to help resolve the current issues.

6.6.2 There is a statement published with regard to freedom of association and is available of notice boards.

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.

6.7.1 MBE has a clear policy against the employment of children under the age of 18 and supervisors and employees are made aware that children must not help them during working hours. For new workers that fail to provide a birth certificate or clinic book, their age is estimated by health staff during the initial medical check. All respondents stated that they only allow children to assist in light duties on their blocks outside school hours, e.g. on school holidays and weekends.

No smallholders interviewed ever stopped the school aged children from attending school to work on the family block.

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

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

6.8.1 The Equal Opportunities Policy is published in the company's "Sustainability Handbook". The Company's Legal Officer advised there are no known constitutional infringements. 6.8.2 Interview of male and female workers did not identify any cases or forms of discrimination. The Policy is available to the public and includes PNG constitutional requirements.

MBE has an equal opportunities policy and displays this at appropriate locations. There have been no constitutional infringements over the past year.

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.

6.9.1 MBE has a policy against sexual harassment and domestic violence, and has established a separate and confidential grievance mechanism for sexual harassment/domestic violence. There appears to be a good understanding of the policy, grievance mechanism and actions required by different members of staff within MBE, including the village clerks, health workers, security and management. Most cases of domestic violence are resolved locally, ie. by the relevant Head of Department, although MBE utilises the services of Tingim Laip – a locally-based NGO – which provides counselling services when required. Cases that cannot be resolved locally or are of a more serious nature are referred to the HR Manager, and to the Police as required. Over the past year only two employees have been dismissed because of domestic violence.

Funding for Tingim Laip ends within a couple of years. MBE is having internal discussions on how counselling services may be provided in the longer term.

The Company has a breastfeeding policy in accordance with government requirements. The Company also provides a total of 12 weeks paid maternity leave for all permanent employees, which is to be commended. Although the counselling approach is fully supported, there are opportunities for further improvement:

- It is essential that all employees who could be required to initiate actions in a domestic violence case are adequately trained, so they are clear when cases need to be referred to the Police, health staff and/or counsellors; they take all necessary steps to collect sufficient information from both parties involved, and witnesses if appropriate; and are aware of the documentation requirements and referral process; and
- 6.9.3 A guideline describing MBE's approach and process for dealing with domestic violence is in place,

ensuring adequate guidance on when cases need to be referred to the Police, health staff and/or counsellors; the steps to collect sufficient information from both parties involved, including witnesses; documentation requirements; and the referral process.

Although the counselling approach is fully supported, there are opportunities for further improvement:

- It is essential that all employees who could be required to initiate actions in a domestic violence case are adequately trained, so they are clear when cases need to be referred to the Police, health staff and/or counsellors; they take all necessary steps to collect sufficient information from both parties involved, and witnesses if appropriate; and are aware of the documentation requirements and referral process; and
- A guideline describing MBE's approach and process for dealing with domestic violence is required, ensuring adequate guidance on when cases need to be referred to the Police, health staff and/or counsellors; the steps to collect sufficient information from both parties involved, including witnesses; documentation requirements; and the referral process.

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

6.10.1 The industry has established a formula for calculating the price that Smallholders in PNG receive for FFB. While the formula and calculations appear fair and are publically displayed on notice boards, the formula is difficult to understand. The industry as a whole should prepare a poster or short pamphlet explaining how the price is calculated, and explaining why price variations occur. 6.10.3 This should be prepared specifically for Smallholders, using appropriate language and examples, and disseminated within all oil palm regions. While not a MBE responsibility, it may be a suggestion that MBE management makes to the appropriate industry body. 6.10.2 Current and past prices paid for FFB are available. The government approved formula for working out FFB prices is publically available. The price and formula are made available via printed notices in the local newspapers.

Improvement in transportation of smallholder crop due to allocation of 2 trucks dedicated to pick up smallholder crop.

This situation will be improved with better planning of fruit pickup times and improved labelling of smallholder blocks (a sign showing block number near the fruit market place) so the fruit truck crew can make the crop receipt to the correct block.

MBE is one of the main commercial entities in Milne Bay Province. Local contractors are used for a number of activities, including construction and transport. Contracting contributes to local employment and stimulates the level of economic activity in the province. Although this is very much a positive contribution to Milne Bay, it will be important to ensure that all contractors are aware of and

have access to the grievance mechanism. MBE has included the grievance mechanism as a part of the induction training provided to contractors.

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

6.10.4 Improvement opportunity: There were a number of recorded grievances relating to incorrect information on the smallholder payslips. A majority of these cases was due to the misunderstanding of the printed information. An example observed was fertilizer deductions made and indicated on the payslip did not indicate the fertilizer was distributed in previous years thus confusing the smallholder who assumed it was for the current year, which the smallholder farmer calculated, that was paid off.

6.10.5 EFB is freely available to outgrowers and properly controlled.

6.10.3 Improvement opportunity: There were a number of recorded grievances relating to smallholder crop payments made to the wrong block numbers and claims of incorrect crop weights. These claims were attributed to fruit pickup during times when the smallholders were not available (mostly late in the evening) and vital information such as block number was not confirmed and the smallholders did not observe the pickup weight.

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

6.11.1 MBE is one of the main economic drivers in the Province, particularly as a high proportion of the workforce is from Milne Bay. MBE pays around K20 million in wages, K2.5 million to smallholders and K0.5 million in royalties to landowners annually. The Company is also contributing to health and education services, which supports employees, dependents and local communities, and contributes to road maintenance and repair, training and professional development, and support for local organisations through donations and other assistance.

Ongoing stakeholder consultation will help ensure that support provided by MBE aligns with local priorities. MBE is also preparing to participate in the Tax Credit Scheme, but first requires formal approval from the National Government.

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.

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.

See above 7.1.

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

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

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.

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.

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.

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

8.1.1 Substantial change has occurred since NBPOL assumed control of MBE in 2010. A wide range of both internal and external stakeholders noted that NBPOL has already shown a commitment to improving the working and living conditions of its employees and is engaging with local stakeholders in a more open and inclusive manner.

Substantial progress has been made in addressing the concerns raised during the Pre-Audit (April 2012), including but not limited to:

- The finalisation of a Social Improvement Plan, in consultation with internal and external stakeholders;
- Improvements to water supply and sanitation in existing compounds, along with general housing maintenance;
- The progression of plans for five centralised housing compounds;
- The simplification of Company policies that are displayed in *Tok Pisin*;
- Improvements at all clinics, including the management of medical waste; and
- The inclusion of in-service training for the Health Extension Officer (HEO) and nursing officers.

Indicator 8.1.1: Action Plans for continuous improvement

As discussed under Criterion 6.1, the Social Improvement Plan is the basis for the social component of the Continuous Improvement Plan. The social component of the Continuous Improvement Plan is updated periodically and has a clear focus on the main social impacts. Some consideration needs to be given to the preparation of a report, prepared on an annual basis, which summarises the progress in implementing the planned actions over the past year. This would preferably capture some of the contributions to local sustainable development (as discussed under Criterion 6.11).

When NBPOL assumed control of the MBE the housing and general living conditions of the workforce and dependents were well below an acceptable level. The workers that are provided with housing are currently located in a large number of generally small compounds with few of the basic needs.

Further comments on workforce living conditions are made under Principle 6.

The company has implemented a Continuous Improvement Plan. Continuous improvement is a key requirement and a particular strength of the RSPO Principles and Criteria. The initial improvement plan has been expanded, particularly in the area of social impacts, and indicators developed against which performance can be monitored and assessed. A range of indicators to monitor social impacts should be developed for employees, customary owners with VOP or lease-lease back agreements, other local communities and local service providers. These indicators should be reflected, where possible, in the suggested summary reports described under Criterion 4.8 and 6.11.

Objectives and Targets have been developed and an improvement plan prepared. The focus of continual improvement includes:

- Reduction in the use of certain pesticides (criterion 4.6).
- Environmental impacts (criterion 5.1).
- Waste reduction
- Pollution and emissions (criterion 5.6).
- Social impacts (6.1).

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.

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

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

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

A Continuous Improvement Plan is attached. (refer to Appendix C).

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

MAJOR NONCONFORMITIES

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

MINOR NONCONFORMITIES

Two (2) Nonconformities were assigned against Minor Compliance Indicators. Details of these Nonconformities are provided below:

6.5.3 MINOR non-compliance NBPOL (Singapore) has been in the process of reviewing and standardising employment conditions for well over a year. Failure to finalise employment conditions means that MBE employees do not have employment contracts and there is some uncertainty over both existing and future benefits and entitlements. The working conditions and entitlements should be finalised as soon as possible.

6.5.6 MINOR non-compliance Although MBE has prepared a three year building plan which was agreed upon as being adequate, the financial constrain is delaying the implementation. This is not seen as a good approach towards the pressing situation of housing and a better overview needs to be giving toward the number of people and dependence that the company commits to house versus the financial planning towards adjusting this ratio. The financial plan needs commitment of the senior management so it is understood, committed and given the priority based on the agreed standard ratio.

MBE 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 Audits

Previous Non Conformity - 2012

BSI NC reference	Indicator & category	Issue Date	Close date
A 801186/1	4.7.2	20.10.12	26.10.13

OBSERVATIONS / OPPORTUNITIES FOR IMPROVEMENT

There were Six (6) observation made as a result of this assessment.

4.2.3 Observation: Of the 39 smallholder growers interviewed, 21 growers confirmed they received fertilizers in 2013. Of these 21, 9 have received their two supplies for 2013. From the sample population of 39 smallholder growers interviewed, 15 growers are still to receive their fertilizer supply in 2013 and 12 growers are still to receive their final fertilizer distribution for 2013.

4.7.3 Observation: It was noted that workers from the Sagarai Estate involved in the building of a stand for the sports field were not using PPE such as safety boots during this work.

6.2.2 OFI: The appointment of the Community Affairs Manager provides an opportunity to improve communication, particularly with external stakeholders including political leaders, the Milne Bay Provincial Administration and councillors, service providers and others living in the vicinity of MBE operations. During the audit a meeting was held with a number of local councillors and school representatives. A similar group, possibly with government representation, would provide an excellent forum to discuss social impacts and mitigation strategies (i.e. the Social Improvement Plan) on an ongoing basis.

6.5.4 OFI: There is also an opportunity for improvement for MBE through the provision of power points in Sagari houses provided for workers and their dependents. The provision of power points would allow families to buy and use a range of electrical appliances which has potential to greatly improve living conditions and worker productivity

6.10.3 Improvement opportunity: There were a number of recorded grievances relating to smallholder crop payments made to the wrong block numbers and claims of incorrect crop weights. These claims were attributed to fruit pickup during times when the smallholders were not available (mostly late in the evening) and vital information such as block number was not confirmed and the smallholders did not observe the pickup weight.

6.11.1 OFI: MBE continue to provide a number of goods and services to surrounding communities and organisations. By accurately measuring these and allocating a value to the provision of these goods and services, it would better illustrate MBE’s commitment to community development.

3.3 Noteworthy Positive Components

- Improvements to water supplies in MBE villages;
- Improvements to the Type 7 houses (including kitchen and ventilation) when renovated;
- Expanding the training team;
- Facilitating eye tests and when required, eye surgery and/or provision of discounted reading glasses to employees and dependents;

- Facilitating the introduction of contraceptive implants for female employees, dependents and others in the community, which is a more effective and cost efficient method to avoid pregnancies, which in turn has a range of benefits, including a reduction in maternal mortality, a reduction in health costs and providing opportunities for girls to complete high school studies;
- Commencement of an awareness program on Radio Milne Bay;
- Improved communication between MBE and local councillors and employees/dependents;
- Rice and fish pond demonstrations, which aim to improve diets for employees and dependents in MBE villages;
- Facilitating the establishment of an ATM at Hagita and a BSP branch (under construction) at Padipadi;
- The approach, involving Village Clerks, to regulate and limit the number of ‘passengers’ in MBE villages;
- Up-skilling of handymen in MBE villages; and
- Development and implementation of a Buffer Zone Management Plan

AN INCREASE IN THE PROPORTION OF EMPLOYEES WITH SUPERANNUATION. 3.4

Issues Raised By Stakeholders and Findings with Respect To Each Issue

1. Small Holders -payslips

There were a number of recorded grievances relating to incorrect information on the smallholder payslips. A majority of these cases was due to the misunderstanding of the printed information. An example observed was fertilizer deductions made and indicated on the payslip did not indicate the fertilizer was distributed in previous years thus confusing the smallholder who assumed it was for the current year, which the smallholder farmer calculated, that was paid off.

MBE Response: It is suggested that the reporting format of the smallholder payslip be improved for clarity and transparency.

Audit Team: This is acceptable and samples noted are no clearer.

2. Small Holder – Crop Pickup

There were a number of recorded grievances relating to smallholder crop payments made to the wrong block numbers and accusations of incorrect crop weights. These complaints were attributed to fruit pickup during times when the smallholders were not available (mostly late in the evening) and vital information such as block number was not confirmed and the smallholders did not observe the pickup weight.

MBE Response: This situation will be improved with better planning of fruit pickup times and improved labelling of

smallholder blocks (a sign showing block number near the fruit market place) so the fruit truck crew can make the crop receipt to the correct block.

Audit Team – The identification of each block via a sign will improve pick up and ensure the correct receipt is issued.

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
MBE



.....
Mr Rob Nicholls
General Manager

Date: 21.1.14

Signed for on behalf of
BSi Management Systems Singapore Pte Ltd



.....
Mr Allan Thomas
Lead Auditor

Date: 21.1.14

Appendix “A”

RSPO Certificate Details

Website:

Certification Details: SPO579527 15.02.2013 15.2.2013 – 15.2.2014

RSPO Principles & Criteria: 2007 and PNG NIWG Indicators and Guidance March 2008 including Annex 4: Procedures for Annual Surveillance; and Supply Chain Certification Standard: November 2011, Module – CPO Mill - Palm Kernel crusher in the same vicinity, Segregation.

Kula Palm Oil Limited, Hagita Palm Oil Mill and Supply Base		
Location Address	Hagita Palm Oil Mill, Hagita, Milne Bay Province, Papua New Guinea.	
GPS Location	South 10° 18.944dd, East 150° 17.174dd	
	2012	2013
CPO Tonnage Total	52,324	45,279
PK Tonnage Total	12,401	11,645
PKO Tonnage Total	Nil	4,648
FFB Tonnage Processed Total	231,823	199,703
Smallholders FFB Tonnage	16,945	12,956

Estate	Production (ha)		Undeveloped (ha)		Total Lease (ha)	Annual FFB Production (mt)	
	2012	2013	2012	2013		2012	2013
Giligili	756	676	266	346	1,022	6,299	663
Hagita	1,971	1,967	203	207	2,174	34,602	30,811
Waigani	1,873	1,791	210	292	2,083	8,477	13,237
Sagarai	2,878	2,819	33	92	2,911	62,065	48,537
Padipadi	2,768	2,768	1,043	1,043	3,811	66,822	60,683
Mariawatte	1,655	1,655	6	6	1,661	36,613	32,816
TOTAL	11,901	11,676	1,761	1,986	13,662	214,878	186,747

Note: There is a large replant for 2013 hence the reduction in production.

Appendix “B”

ASA 1 Audit Programme

RSPO ASA 1 AUDIT SCHEDULE

RSPO Certification Audit Program

Audit Dates: 28th October to 31st October 2013

Auditors: Mr Allan Thomas (Lead Auditor)
Mr Mike Finlayson (Social Specialist)
Mr Deane Waruba (Smallholder Specialist)

Arrive Gurney on Sunday 27th October

Monday 28th October

7:30am – 8:00am Audit Opening meeting (Senior Managers)

Allan Thomas

Time	Activity	MBE Representatives
8:30am – 11:00pm	Inspect Mill incl. Laboratory & Ponds, Store	Muthu, John K, Ipiso
11:00am – 12:00noon	VWS	Ryan & Peter
12:00 noon – 1:00pm	Lunch (Hagita Guest house)	
1:00pm – 3:00pm	Bulking Station	Muthu, Freddy (BS Spvsr) & Peter
3:00pm – 5:00pm	Construction Dept	Neville and Peter

Mike Finlayson

Time	Activity	MBE Representatives
8:00am – 12:00noon	Various internal stakeholders - Hagita	various
12:00 noon – 1:00pm	Lunch (Alotau)	
1:00pm – 5:00pm	continue meetings at Hagita and walk around Hagita Estate	Various

Deane

Time	Activity	MBE Representatives
8:00am – 8:30am	Select Smallholders to be audited	James & Siyos
8:30am – 12:00noon	Meet with Smallholders (6) Gurney East	James, Siyos and extension officer(s) for this area,
12:00 noon – 1:00pm	Lunch (Hagita Guest house)	
1:00pm – 5:00pm	Meet with Smallholders (3) Gurney East and start Gurney West (3)	James, Siyos and extension officer(s) for this area,

Tuesday 29th

Allan Thomas

Time	Activity	MBE Representatives
8:00am – 12:00noon	Inspect Sagarai 1, 2 & 3 Plantation Operations	Nek T, Chubasco, Peter
12:00noon – 1:00pm	Lunch (Padi Padi Guesthouse)	
1:00pm – 3:00pm	Inspect Mariawatte & Padi Padi Plantation Operations	Habona, Moses, Francis, Peter
3:00 pm – 5:00 pm	SCCS audit – Hagita Mill	Peter, Weighbridge staff

Mike Finlayson

Time	Activity	MBE Representatives
8:00am – 12:00noon	Inspect Sagarai 1, 2 & 3 Housing, clinics and meet employees	Ray & Shirley & Sagarai VC Joel Magaya
12:00noon – 1:00pm	Lunch (Padi Padi Guesthouse)	
1:00pm – 5:00pm	Mariawatte, Padi Padi Housing, clinics and meet employees	Ray & Shirley, Padipadi VC Alan Molovau and Mariawatte VC Mark Cipreon

Deane

Time	Activity	MBE Representatives
8:00am – 12:00 noon	Meet with Smallholders (7) Sagarai West	James, Siyos and extension officer(s) for this area
12:00noon – 1:00pm	Packed Lunch at Sagarai	
1:00pm – 5:00pm	Meet with Smallholders (5) Sagarai East	James, Siyos and extension officer(s) for this area

Wednesday 30th

Allan Thomas

Time	Activity	MBE Representatives
8:00am – 12:00 noon	Waigani Estate and Diuidu HCV site	Nek T, Toi, Peter
12:00noon – 1:00pm	Lunch (Hagita Guesthouse)	
1:00pm – 2:00pm	Review of Documentation continued	
2:00pm – 3:30pm	Audit team meeting	

Mike Finlayson

Time	Activity	MBE Representatives
8:00am – 12:00 noon	Meet with Union, Tax Credit Scheme Rep and Rotary International	Various
12:00noon – 1:00pm	Lunch (Hagita Guesthouse)	
1:00pm – 2.00pm	Hagita clinic	Ray
2:00pm – 3:30pm	Audit team meeting	

Deane

Time	Activity	MBE Representatives
9:00am – 12:00noon	Meet with Smallholders (6) Gurney West	James, Siyos and extension officer(s) for this area
12:00 noon – 1:00pm	Lunch (Hagita Guest house)	
1:00pm – 2:00pm	Meet with Smallholder coordinator	James
2:00pm – 3:30pm	Audit team meeting	

Thursday 31st October 8 am Exit Meeting

Thursday 31ST October 2013

Depart Guesthouse for Gurney airport and departure on PX955 for Port Moresby

Appendix “C”

CONTINUOUS IMPROVEMENT PLAN

MILNE BAY ESTATES



**New Britain
Palm Oil
Limited**

M i l n e B a y

Action Plan for Continual Improvement in Sustainable Performance

TABLE OF CONTENTS

Action Plan for Continual Improvement in Sustainable Performance	
Record of Revision.....	1
Introduction	1
Aim	1
Objectives.....	2
Scope.....	2
Overview	2
Implementation.....	2
1. Pesticides.....	4
2. Environment	5
3. Waste Reduction	6
4. Pollution and Emissions	6
5. Social Impacts	8
6. Health and Safety	11
7. Legal Compliance and Transparency	12
8. General (Forward Planning and other issues).....	12

Record of Revision

Revision	Date	Section	Page(s)	Issue No.	Authorised By:
	Sept 2012	Whole Document	All	Issue 1	Callum Skeet
1	October 2013	Whole Document	All	Issue 2	Peter Callister

Introduction

This Action Plan for Continual Improvement identifies the planned actions that New Britain Palm Oil Limited Milne Bay (MBE) 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.

MBE commits to maintaining and reporting on progress implementing this improvement plan commencing January, 2012 and reviewing it annually. By following this plan, MBE will continually improve its performance.

This plan provides guidance on how the sustainability principles to which MBE 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 (Papua New Guinea National Interpretation)
- ISO 14001 Environmental Management Systems – Requirements with Guidance for Use
- The Company Sustainability Handbook
- 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 MBE 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 MBE 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 as Sustainability Report that will report on progress in the implementation of this plan for improvement.

Implementation

The start date of this plan is January 2012. 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 2037 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 of 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.	Improvement Action	Reference	Expected Outcome	Timeframe	Indicators	Responsibility	Status at Review Date
1.1	Improve sprayer training to reduce spraying of non-target areas	4.7.3	Reduced herbicide use, reduced ground cover damage, greater efficiency	March 2014	Training record, reduced evidence of improper spraying.	Field Manager, TSD, Training Manager	80%
1.2	Review pesticide and herbicide registration requirements in Papua New Guinea and confirm compliance. If necessary, work with Government and suppliers to clarify this issue.	4.6.10	Develop new pesticide and herbicide import registration requirements. To include chemicals categorised under WHO type 1A and 1B or listed by Stockholm or Rotterdam conventions.	Completed	Update import and labelling regulations that are compatible with the Company's pesticide use.	Sustainability Manager, Field Manager	100%
1.3	Extend training on the information contained in MSDS to increase understanding and awareness of their importance	4.6.11	Trained personnel who know the importance of MSDS and how to apply them.	Completed	Improved awareness by personnel handling chemicals	Sustainability Manager, Training Manager	100%

2. Environment

Environmental impacts of MBE 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.

No.	Improvement Action	Reference	Expected Outcome	Timeframe	Indicators	Responsibility	Status at Review Date
2.1	Progressive reinstatement of buffer zones in replant areas.	4.4.2	All watercourses through the plantation areas have compliant buffer zones by the end of the current replant cycle.	2020	Evidence of established buffer zones	Sustainability Manager	20%
2.2	Progressive removal of unharvestable palms overhanging watercourses to reduce the quantity of fruit and fronds that cause pollution.	4.4.2	Watercourses free of fronds and FFB	2015	Clear watercourses	Field Manager	25%
2.3	Completion of the construction and commissioning of a Methane Capture Plant for POME to reduce the load on the treatment ponds.	4.4.1	Reduced odour and methane emission from the effluent ponds	2016	Methane Plant operation	General Manager Sustainability Mgr	5%
2.4	Education of staff and smallholders on the need to reduce burning and to ensure rubbish is segregated and correctly placed in landfill sites.	5.5.3	Zero Burning at landfills	June 2014	No burned landfills	Sustainability Mgr	60%
2.5	Improve collection and treatment of septic waste and grey water at Hagita compound to reduce water pollution in the river.	6.5.4	Improved water quality for downstream communities resulting in improved health.	June 2015	Water quality meets PNG legal requirements	Sustainability Mgr	40%
2.6	Reduction in the quantity of water used in compounds through prompt repair of leaks and reduction of wastage.	4.4.1	Reduced water waste, reduced electricity consumption for pumping and treatment	June 2015	No evidence of leakage Awareness to compounds	Sustainability Mgr	50%
2.7	Develop and implement an ISO14001 compliant Environmental Management System and obtain certification	NBPOL Policy	Improved environmental performance	December 2015	ISO 14001 Certification	Sustainability Mgr	15%

2.8	Create landfill procedures, investigate option of landfill fencing and ensure appropriate signage		Improved management of landfill and correct segregation of waste	Dec 2013	Clean landfill sites Accurate disposal of rubbish	Sustainability Manager	90%
-----	---	--	--	----------	--	------------------------	-----

3. 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.	Improvement Action	Reference	Expected Outcome	Timeframe	Indicators	Responsibility	Status at Review Date
3.1	Refer to waste management plan						

4. 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. (December 2012)

No.	Improvement Action	Reference	Expected Outcome	Timeframe	Indicators	Responsibility	Status at Review Date
4.1	Construct new, more efficient boiler at Hagita mill to reduce emissions and increase the amount of power generated from renewable resources	5.4.1	Reduced diesel fuel use and increased use of renewable energy	Completed	New boiler in operation	Mill Manager	100%
4.2	Install new more efficient diesel generators	5.4.2	Reduce diesel fuel use by greater efficiency.	Completed	New Genset and turbine in operation	Mill Manager	100%
4.3	Education program on litter control	5.3.2	Less litter	March 2014	Litter reduced	Sustainability Mgr	50%
4.4	Formalise and document procedure for regular inspection of tanks at Alotau Bulking Station		Minimise risks involved and ensure quality assurance	Completed	Tanks in good condition	Mill Manager Sustainability	100%

						Manager	
4.5	Bunding for all diesel tanks, fuel and oil drums, chemicals		All dangerous good are stored in a banded area and bunds are in good condition.	Completed	Bunds where required and in good condition	Sustainability Manager VWS Manager Stores/Proc Mng	100%

5. Social Impacts

Continued improvement in the social impacts of MBE's activities include: construction of additional housing, establishment of improved stakeholder communications, improvements to clinic facilities, improved communication and consultation with external communities. Planning for increased housing is progressive as plantation rehabilitation activities reduce, staff turnover reduces and attendance improves. A Community Affairs Manager has been appointed (August 2012) and works closely with the Sustainability Manager to establish objectives for improvement.

There is evidence that as labour turnover decreases, improved stability within the workforce will reduce some of the issues that result from a high level of transient workers.

A dedicated Social improvement plan has been developed and has been further refined with input from external stakeholders. The Social Improvement Plan will continue to be regularly updated as and when required. Refer to the Social Improvement Plan for further detail.

No.	Improvement Action	Reference	Expected Outcome	Timeframe	Indicators	Responsibility	Status at Review Date
5.1	Provide a mechanism to ensure that Payroll Department is aware of which employees are provided with housing to enable checking that only employees with housing receive less than K2.29 per hour.		All staff are being paid accurately	June 2014	No complaints or grievances	HR Manager General Manager	75%
5.2	Review success of bonus system at NBPOL – WNB and introduce at Milne Bay if successful		Employees are rewarded for their hard work and commitment	December 2013	Register of bonus payments made	HR Manager General Manager	75%
5.3	Improve labourer housing to reduce overcrowding for a standard family of four.		<p>a) Review manpower requirements for the Company after attendance rates are increased,</p> <p>b) determine housing requirements and budget for achievement over five years.</p>	December 2013 June 2017	1 employee per household (except for where both partners are employed).	General Manager	75% 10%
5.4	Upgrade water supply to all estate villages with priority given to villages like Padipadi.		Availability of clean water for all employees	December 2013	24 hour water supply to all villages	Construction Manager Sustainability Manager	75%

No.	Improvement Action	Reference	Expected Outcome	Timeframe	Indicators	Responsibility	Status at Review Date
5.5	Investigate provision of reliable cooking fuel supply and gardening land for subsistence crops.		On-going issue to improve cooking facilities in haus kuks. Possible use of compressed PKE as fuel. Increased reliance on subsistence crops	June 2014	All houses have designated gardening area.	Sustainability Manager Community Affairs Manager	60%
5.6	Provide electricity to residents of the three Sagarai Estate villages.		Eelectricity is provided to Salima, Tamonau and Bomata	December 2015	All Sagarai houses have electricity	General Manager Sustainability Manager	10%
5.7	Improve the water sampling and analysis program to identify any downstream impact of Company operations on waterways. Communicate the findings and act to improve if problems are identified.		Water sampling plan to be developed to provide for sampling upstream and downstream and analysis for residues indicative of Company impact (human habitation, fertiliser application and Agri-chemical application). After implementation of the plan, review results to identify impacts. Develop and conduct an education program for downstream communities.	Completed	Plan in place and awareness program created	Sustainability Manager	100%
5.8	Improve buffer zone species diversity and facilitate drainage of surface runoff.		Carry out work to develop a clear strategy for buffer zone re-establishment following replanting. Clear strategy created for Giligili, Waigani and Hagita.	Completed	Buffer zone Management plan in place and up to date.	Sustainability Manager	100%
5.9	Use the Tax Credit Scheme to improve roads within and leading into and out of the estate.		Liaise with Government to determine suitable projects. Improve communication to the community regarding specific projects that are funded through the Tax Credit Scheme. Are we currently doing this?	Completed	TCS utilised appropriately	General Manager Sustainability Manager	100%
5.10	Use Government resources to provide health services in the area.		A) Create an MOU with the Provincial Health Authority.	Completed December	Health Service provided to all areas	Comm. Affairs Mgr, Sustainability	100% 5%

No.	Improvement Action	Reference	Expected Outcome	Timeframe	Indicators	Responsibility	Status at Review Date
			B) Develop additional Health clinics in new development areas	2014		Mgr & HR Mgr	
5.11	Discuss FFB pricing with MOFA (Milne Bay Oil Palm Farmers Association).		Improved communication required with MOFA to explain the pricing formula including the impact of exchange rate variation as the Kina strengthens.	Completed	MOFA/VOP's aware of pricing formula	Operations Mgr Smallholder Manager	100%
5.12	Discuss information sharing, land rentals and FFB royalty rates with ILGs.		Improve communication with ILGs. Identify ILG representatives, determine a program and record communication events.	Completed	Understanding amongst all ILG's	Lands Coordinator Operations Manager	100%
5.13	Facilitate provision of financial literacy and small business development assistance to smallholders through MOFA and to the ILGs.		ILG's/smallholders are trained and improved company relations and improved small businesses	December 2014	Small business and financial training register maintained	General Manager	5%
5.14	Implement various agricultural and/or livestock programs as an option for employees to improve food security and finances.		Improved food security amongst employees	June 2014	Food security improvement register	Sustainability Manager	60%

6. Health and Safety

No.	Improvement Action	Reference	Expected Outcome	Timeframe	Indicators	Responsibility	Status at Review Date
6.1	Review of all accidents to clearly identify trends and highest risk activities and review of safety management plans	4.7.7	Targeted action plan to reduce accidents	Completed	Reduce accident rate , initially by 5%	Sustainability Manager	100%
6.2	Develop and deliver OHS training for specific issues including Confined spaces, Harvesting near powerlines, Lifting (FFB), Working at heights, Dangers of electricity and Use of PPE	4.7.3	Workers have received specialised training	June 2014	Training records show greater competency	Sustainability Manager Training Manager	25%
6.3	Work more closely with Government medical staff to improve the level of care to Company employees, their dependants and members of neighbouring communities	Company Policy	Higher level of care provided through Company facilities	Completed	Records of communication with Health Dept officials	HEO Community Affairs Manager	100%
6.4	Commence regular safety audits to confirm checking of items such as testing of emergency stops and other safety interlocks, use of PPE, identification, availability of fire fighting equipment and isolation of hazards.	4.1.2	Fewer hazards in the workplace	Completed	Audit records	Sustainability Manager	100%
6.5	Development of a formalised program for emergency drills.	4.7.5	All drills to be reported to Sustainability Dept and followed up if not received.	Completed	All drills conducted on time	Sustainability Manager	100%
6.6	Development of a mechanism for interchange of safety information with other Group Companies.		Regular meeting of Sustainability Dept Managers from all Company locations	December 2014	Records of meetings	Group Sustainability Director	25%
6.7	Domestic Water Sampling Points		Safe drinking water as per WHO requirements	Completed	Records of monthly water samples Register and map available	Sustainability Manager	100%

7. Legal Compliance and Transparency

No.	Improvement Action	Reference	Expected Outcome	Timeframe	Indicators	Responsibility	Status at Review Date
7.1	All land agreements updated to comply with revised legislation	2.2.1	Fully compliant documentation	Completed	Current documentation for all land leases	Lands Coordinator, Operations Mgr	100%

8. General (Forward Planning and other issues)

No.	Improvement Action	Reference	Expected Outcome	Timeframe	Indicators	Responsibility	Status at Review Date
8.1	Conduct forward planning for new development areas including SEIA, permits and definition of new mill site.	3.1.1	Timely issue of permits and approvals for development	December 2016	Compliant permits and approvals	General Manager Sustainability Manager	25%
8.2	Relocation of main admin offices to new building.		Provide additional storage space for Central stores and limit vehicle and pedestrian access to VWS and Mill.	April 2014	New Office Building being utilised	Construction Manager General Manager	75%



Appendix “D”

Nonconformities, Corrective Actions and Observations Summary

ASA 1

2 Minor Non Conformities

6 Observations/OFI

DESCRIPTION	NCR Ref.	Minor Non-Conformance Details	Corrective Actions	Responsibility	Date Due	Status
6.5.3 MINOR non-compliance	CR02	NBPOL (Singapore) has been in the process of reviewing and standardising employment conditions for well over a year. Failure to finalise employment conditions means that MBE employees do not have employment contracts and there is some uncertainty over both existing and future benefits and entitlements. The working conditions and entitlements should be finalised as soon as possible.	NBPOL company regulations will be finalised in february 2014 and roll out to all the sides by briefing to the GM's and HR departments in the coming 6 months. The implementation will be finalised by June 2014. In the meantime the HR departments will be briefed on current policy to follow conditions according to previous rules and any specific or special cases can be escalated to the head office for specific advice.	HR Department	Feb 2014	open
6.5.6 MINOR non-compliance	CR 03	Although MBE has prepared a three year building plan which was agreed upon as being adequate, the financial constrain is delaying the implementation. This is not seen as a good approach towards the pressing situation of housing and a better overview needs to be giving toward the number of people and dependence that the company commits to house versus the financial planning	MBE maintain commitment to fulfilling all aspects of the building program within the timeframes allocated. This includes the provision of electricity to Sagarai Estate. All these programs are reliant on capital expenditure approval from Singapore. Visitor approval procedure will continue to be managed by village clerks and be supported by the HR Dept and Sustainability.	Construction and management	July 2014	open

DESCRIPTION	NCR Ref.	Minor Non-Conformance Details	Corrective Actions	Responsibility	Date Due	Status
		towards adjusting this ratio. The financial plan needs commitment of the senior management so it is understood, committed and given the priority based on the agreed standard ratio.	<p>MBE will continue with all R&M to improve and enhance the existing infrastructure. This is illustrated by the upgrading of labour housing (Type 7) in September – November 2013 and will continue into 2014.</p> <p>Further strategic management will be conducted to maximise the productivity and efficiency of employees with the aim of decreasing the workforce.</p> <p>Ensure all future developments are planned and budgeted for with adequate housing.</p> <p>Research and development a cost effective solution to build additional labourer houses.</p>			

4.2.3 Observation: Of the 39 smallholder growers interviewed, 21 growers confirmed they received fertilizers in 2013. Of these 21, 9 have received their two supplies for 2013. From the sample population of 39 smallholder growers interviewed, 15 growers are still to receive their fertilizer supply in 2013 and 12 growers are still to receive their final fertilizer distribution for 2013.

4.7.3 Observation: It was noted that workers from the Sagarai Estate involved in the building of a stand for the sports field were not using PPE such as safety boots during this work.

6.2.2 OFI: The appointment of the Community Affairs Manager provides an opportunity to improve communication, particularly with external stakeholders including political leaders, the Milne Bay Provincial Administration and councillors, service providers and others living in the vicinity of MBE operations. During the audit a meeting was held with a number of local councillors and school representatives. A similar group, possibly with

government representation, would provide an excellent forum to discuss social impacts and mitigation strategies (i.e. the Social Improvement Plan) on an ongoing basis.

6.5.4 OFI: There is also an opportunity for improvement for MBE through the provision of power points in all houses provided for workers and their dependents. The provision of power points would allow families to buy and use a range of electrical appliances which has potential to greatly improve living conditions and worker productivity.

6.10.3 Improvement opportunity: There were a number of recorded grievances relating to smallholder crop payments made to the wrong block numbers and claims of incorrect crop weights. These claims were attributed to fruit pickup during times when the smallholders were not available (mostly late in the evening) and vital information such as block number was not confirmed and the smallholders did not observe the pickup weight.

6.11.1 OFI: MBE continue to provide a number of goods and services to surrounding communities and organisations. By accurately measuring these and allocating a value to the provision of these goods and services, it would better illustrate MBE's commitment to community development.

2012 | MINOR 7 OBSERVATIONS

DESCRIPTION	NCR Ref.	Minor Non-Conformance Details	Corrective Actions	Responsibility	Date Due	Status
6.5.3 MINOR non-compliance	CR02	4.7.2 Minor Non Conformity: The identified hazards and risks in some areas are not adequately controlled. This includes the following examples: Work Permit required for high risk work are not at times completed once the task is completed – these are hot work permits, height permits and others. A	Inclusion of identified areas of concern into monthly site inspections conducted by Sustainability team identifying who is responsible to ensure corrective action. <ul style="list-style-type: none"> • Creation and utilization of a 'Sustainability Register' identifying all OH&S, Environmental and social risks/hazards that need to be brought to the attention of senior management for 	All departments	30.6.13	closed

DESCRIPTION	NCR Ref.	Minor Non-Conformance Details	Corrective Actions	Responsibility	Date Due	Status
		<p>number of old drums containing CRC are rusted and should be disposed of in the correct manner. There are a number of damaged gauges on welding equipment. Electrical genset at Padipadi has damaged connections. The Mobile scaffold used by contractors at the mill is inadequate and unsafe.</p>	<p>corrective action.</p> <ul style="list-style-type: none"> • Staff trained in conducting Risk Assessments and provided with the resources to conduct these in the workplace and at home. • Specific training conducted with OH & S representatives for each site to be able to identify, check and take corrective measures to eliminate the risk. • SOP's reviewed for all tasks that have been identified as requiring improved control measures. Reviewed by OH&S committee and updated by Sustainability Department. • Contractor inductions – improved contractor induction checklist to identify areas of specific concern. This will continue to change as OH&S areas of improvement are identified through monthly inspections. • Improve contractor management when onsite with OH&S representatives encouraged to conduct ad 			

DESCRIPTION	NCR Ref.	Minor Non-Conformance Details	Corrective Actions	Responsibility	Date Due	Status
			<p>hoc inspections.</p> <ul style="list-style-type: none"> •Improved contractor communication regarding OH&S and Environmental Responsibility. 			

4.1.1 Observation: Some field management guidelines do not appear to be current and require updating to include any new practices and changes in techniques.	Observation for Improvement	Field and Sustainability Dept's	New issues of the Field Management Guidelines have been developed however majority of content remains the same. SOP's are also in place and are developed to be more site specific.
4.7.5 Observation: There have been around 15 possible scenarios for emergency drills and these are not being tested other than mainly holding fire drills. These scenarios require testing to determine effectiveness of any plans. Also keys need to be available to access all areas as and when required.	Observation for Improvement	All Departments	Various drills have been conducted at all sites ranging from snake bite drills to chemical/oil spills. Refer to the Emergency Drill Register for more information.
5.3.2 Observation: The proposed landfill site for green waste would be better used as the next domestic waste management pit as this is more effective and efficient. Any green waste can be mulched and put back into the field as nutrient.	Observation for Improvement	All Departments	<p>Much education and awareness has been done in the compounds to encourage people to use the green waste their own gardens or into the windrows in the field. Designated compost areas have also been developed at some of the compounds.</p> <p>Green waste management is checked monthly on the sustainability site inspections and much improvement has been observed.</p>
6.3.1 Observation: The guideline describing the grievance mechanism needs to be revised to ensure adequate description of what should be included in the grievance mechanism, the documentation required, and when a grievance should be referred to the General Manager. This should	Observation for Improvement	All Departments	<p>Guideline has been revised and a new form implemented to improve the escalation of the grievance to the relevant HOD, or if required to the General Manager.</p> <p>Additionally, the sustainability department checks all grievances to ensure that they are being actioned promptly and a resolution reached.</p>

facilitate more effective training on the grievance mechanism, and lead to more details on the actions taken and whether the grievance was satisfactorily resolved.			
6.5.3 Observation: MBE workers are currently employed under a mix of working conditions and entitlements; some reflect the previous management and some reflect those of NBPOL. The mix is causing confusion and uncertainty among some employees. The working conditions and entitlements should be finalised as soon as possible.	Observation for Improvement	HR Department	NBPOL company regulations are yet to be finalized by head office however MBE has taken interim measures to address employee working conditions and entitlements. This is managed by the HR Dept and an entitlements register created for all employees.
6.5.3 Observation: During the audit some employees indicated that some permanent employees may not be participating in the superannuation scheme (in which MBE contributes 8.4% and employees a minimum of 6%). Although initiated on a voluntary basis, it is in the interest of all permanent employees to be members of the superannuation fund and to contribute throughout their term of employment. MBE should take the necessary steps to ensure all permanent employees are participating in the superannuation scheme.	Observation for Improvement	HR Department	HR Dept has spent a lot of time concentrating on increasing the number of employees who are participating in the superannuation scheme. There are currently 1846 employees who are contributing to a superannuation fund. Additionally, new employees are provided with all documents to register at point of employment.
6.5.6 Observation: Implementing the 3-year building program is considered an adequate response to the improvements required for workforce accommodation. However, the provision of electricity for lighting at Sagarai is considered a basic requirement, both from a welfare and occupational health and safety perspective. Lights in the streets and houses should be provided as a matter of priority, and should not be delayed beyond the timeframe outlined in the building program.	Observation for Improvement	Construction and Sustainability Dept's	MBE maintains its aim to have electricity provided to all of Sagarai by the end of 2015 and will continue to allocate capital expenditure accordingly. To date, minimal work has been conducted due to budget constraints for 2013.

Appendix E Supply Chain Report

NBPOL Hagita Oil Mill Supply Chain 26.11.13 Mill capacity 60 tonnes per hour

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. Complete and up to date procedures covering the implementation of all the elements in these requirements</p> <p>b. The name of the person having overall responsibility for and authority over the implementation of these requirements and compliance with all applicable requirements. This person shall be able to demonstrate awareness of the facilities procedures for the implementation of this 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 Milne Bay Oil Mill</p> <p>Supply Chain Management Guideline Supply Chain # BMT-RSPO-000019 Issue 2 06 December 2011</p> <p>Approved by Rob Nicholls Responsibility: Peter Callister - 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>2.2 The facility shall inform the CB immediately if there is projected over production</p>	<p>Around 93% of material comes from NBPOL Estates therefore there is no PO. 7 % comes from Small Holders. With Small Holder NBPOL 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> <p>There is no projected over production for the mill.</p>
3 Record keeping	

REQUIREMENTS	SG
<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 and that remains the case as documented.</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 - segregation</p>
4. 4 Sales and goods out	
<p>4.1 The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information:</p> <p>a) The name and address of the buyer;</p> <p>b) The date on which the invoice was issued;</p> <p>c) A description of the product, including the applicable supply chain model (Segregated)</p> <p>d) The quantity of the products delivered;</p> <p>e) Reference to related transport documentation.</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 supply chain model - segregation</p> <p>This is via an arrival alert that client has received product</p>
5. Processing	
<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</p>	<p>There are clear and precise procedures in place that record that RSPO product is segregated – however product is 100% segregated</p>

REQUIREMENTS	SG
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.	
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 NBPOL 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 shall only make claims regarding the use of or support of RSPO certified palm oil that are in compliance with the RSPO Rules for Communication and Claims.	All RSPO material

Green Palm = 28,005 tonnes

Records of CPO and PK produced 2013 – monthly

Month	CPO	PK
January	4165.53	1098
February	3636.98	951.76
March	4752.01	1237.48
April	5415.5	1307.1
May	5191.3	1349.48
June	4430.28	1256.42
July	4547.51	1217.42
August	3627.11	902.06
September	2275.9	587.4
October	1882.8	468.39
November	2527.66	638.66
December	2827.1	630.77

FFB received each month – 2013

Month	FFB
January	18570.55
February	15815.48
March	21306.58
April	23352.48
May	22570.63
June	20257.94
July	20929.59
August	15707.24
September	9818.08
October	8406.66
November	10742.48
December	12230.16