



PUBLIC SUMMARY REPORT

**FOURTH ANNUAL SURVEILLANCE ASSESSMENT
(ASA4)**

**RAMU AGRI INDUSTRIES LTD
(RAIL)**

Lae, Morobe Province, Papua New Guinea

Report Author

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SUMMARY

BSi has conducted the second surveillance assessment of the RAIL operations comprising 1 mill, supply base, support services and infrastructure. BSi concludes that RAIL operations comply with the requirements of RSPO Principles & Criteria: 2007 and PNG NIWG Indicators and Guidance March 2008; Annex 4: Procedures for Annual Surveillance; Supply Chain Certification Standard: November 2011, Module D – CPO Mills: Segregation. for the following scope:

Sustainable production of crude palm oil (54,294 tonnes CPO) and crude palm kernel oil (4600 tonnes of CPKO, 9773 tonnes of PK).

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

ABBREVIATIONS USED

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

| | |
|---------|---------------------------------------------|
| POME | Palm Oil Mill Effluent |
| POPA | Palm Oil Producers Association |
| PPE | Personal Protective Equipment |
| RAB-QSA | Internal Auditor Accreditation Body |
| RAIL | Ramu Agricultural Industries Limited |
| RFI | Request for Information |
| SADP | Smallholder Agriculture Development Project |
| SABL | Special Agriculture Business Lease |
| SEIA | Social and Environmental Impact Assessment |
| SG | Smallholder Grower |
| SIA | Social Impact Assessment |
| SM | Company Sustainability Manager |
| SOP | Standard Operating Procedure |
| TRP | Timber Rights Purchase |
| VOP | Village Oil Palm (a class of Smallholder) |

1.0 SCOPE OF ANNUAL SURVEILLANCE ASSESSMENT**1.1 National Interpretation Used**

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

Supply chain module is Segregation (SG).

1.2 Certification Scope

This certification assessment includes the production from ONE (1) Palm Oil Mill and 6 estates owned by RAIL and Small holders.

1.3 Location and Maps

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

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

Table 1: Mill GPS Location

| MILL | EASTINGS | NORTHINGS |
|-------------------------------|------------------|-----------------|
| Gusap Capacity: 45 mt/hour | E 145° 59' 04.5" | S 06° 04' 23.5" |

Figure 1 LOCATION MAP OF RAMU

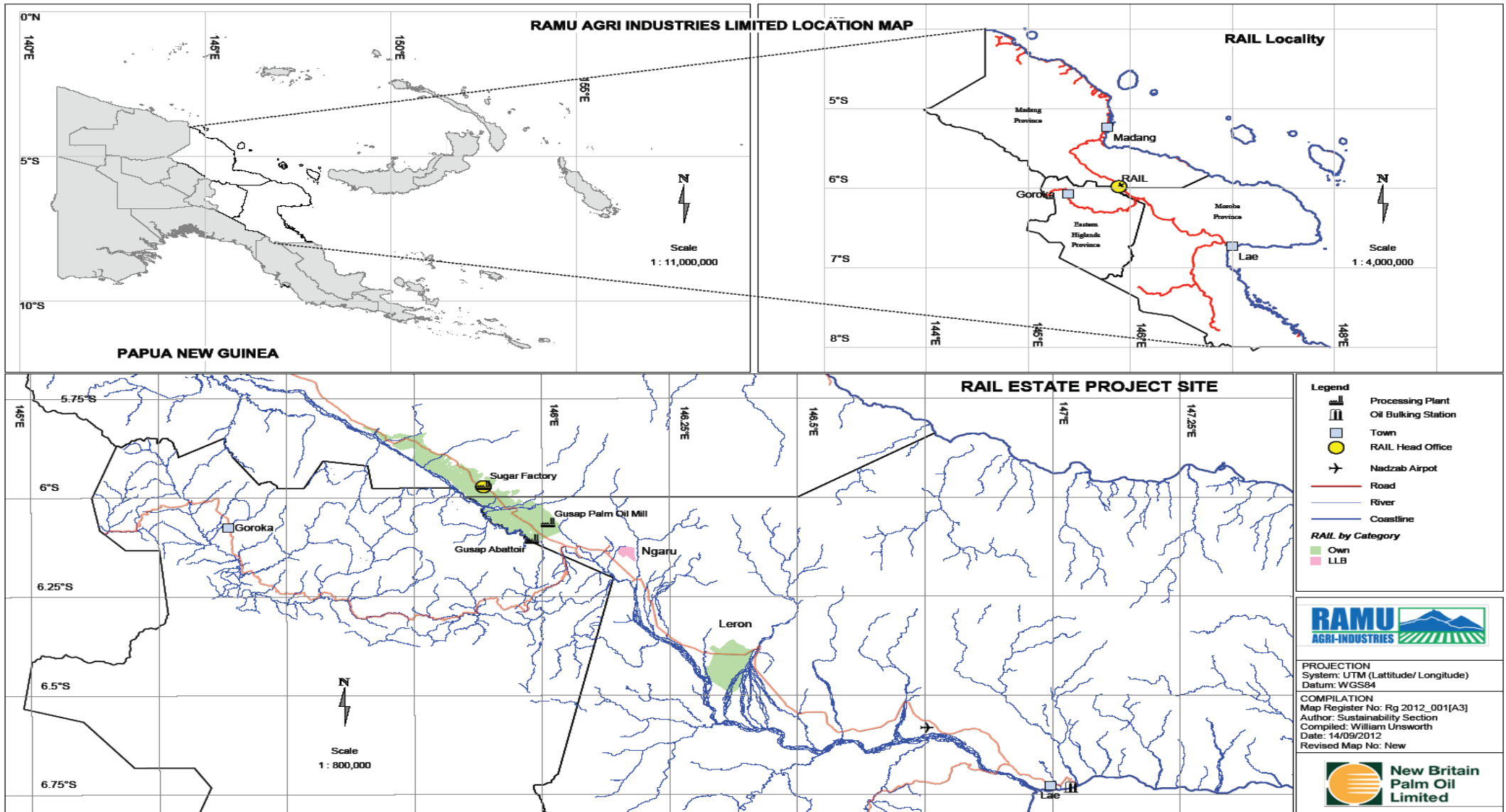
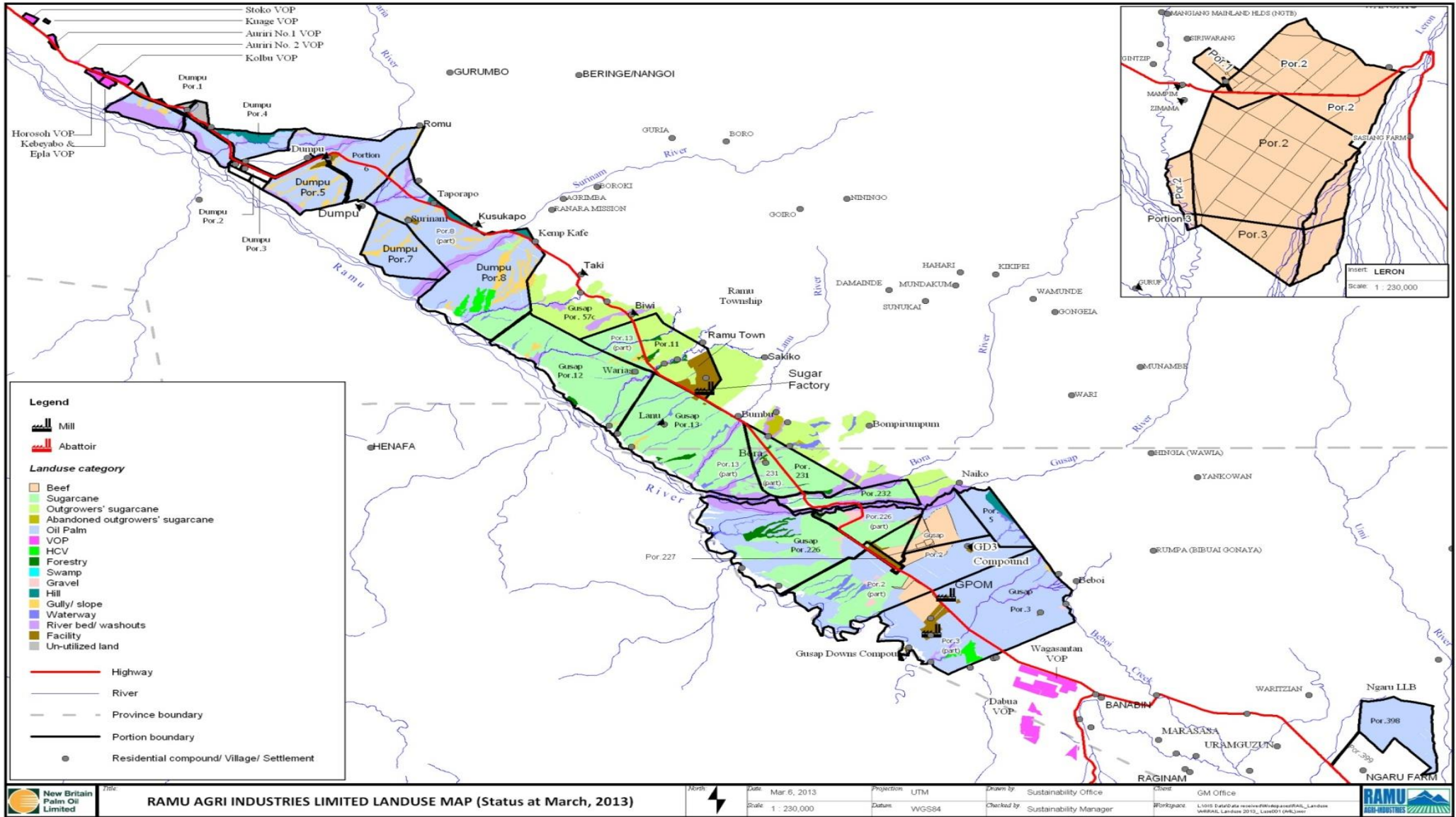


Figure 2 MAP OF RAMU LIMITS OF PLANTATION



1.4 Description of Supply Base

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

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

Table 2: Plantation FFB Production August 2014 – July 2015

| Plantation | FFB (tonnes) 2014 | FFB (tonnes) 2015 forecast |
|--------------------------------------------------|-------------------|----------------------------|
| Gusap East (Gusap) | 33,550 | 33,722 |
| Gusap West (Paddock) | 25,800 | 33,235 |
| Surinam | 11,830 | 21,952 |
| Dumpu | 14,950 | 29,986 |
| Ngaru | 4,550 | 7,348 |
| J Estate (Jephcott) | 0 | 8,254 |
| Total | 90,680 | 134,497 |
| Subtotal for certificate volume 2014/2015 | | 225,177 |

Table 2A PK Production 2014 – 2015 certificate date

| Year | Amount |
|-------------------------------------|---------------|
| Jan 2014- July 2014 | 4,776 |
| Aug 2014- Dec 2014 | 4,221 |
| Jan 2015- July 2015 | 6,552 |
| Total for certificate period | 10,773 |

Table 2B CPO Production 2013 year output up to 2015 certificate expiry

| Year | Amount |
|------------------------------------------------|---------------|
| Jan 2014 – July 2014 | 27,468 |
| Aug 2014 – Dec 2014 | 22,670 |
| Jan 2015 – July 2015 | 33,624 |
| Total over certificate period 2014-2025 | 56,294 |

Table 2C PKO Production 2014-2015 certificate date

| Year | Amount |
|-------------------------------------|-------------|
| Jan 2014 – July 2014 | 2442 |
| Aug 2014 – Dec 2014 | 1813 |
| Jan 2015 – July 2015 | 2792 |
| Total for certificate period | 4605 |

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

RAIL has continued comprehensive discussions with the SG's with regards to ongoing RSPO management and continued implementation. RAIL has continued its commitment to work with the SG's on the implementation and management of the RSPO P&C with the aim of maintaining certification.

The SG's comprise small holdings of oil palm that are being developed under the 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 August 2014 – July 2015

| Smallholders (Total No), 2014 | FFB (tonnes) 2014 | FFB (tonnes) 2015 forecast |
|----------------------------------------|-------------------|----------------------------|
| 273 (May 2014) | 2,665 | 4,225 |
| Subtotal for certificate volume | | 6,890 |

1.5 Date of Plantings and Cycle

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

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

| Year | Age | Ha | % |
|--------------|-----|---------------|---------------|
| 2002 | 12 | 14 | 0.12 |
| 2003 | 11 | 1,064 | 8.93 |
| 2004 | 10 | 995 | 8.35 |
| 2005 | 9 | 146 | 1.23 |
| 2006 | 8 | 1,119 | 9.40 |
| 2007 | 7 | 1,344 | 11.28 |
| 2008 | 6 | 1,483 | 12.44 |
| 2009 | 5 | 1,167 | 9.80 |
| 2010 | 4 | 2,480 | 20.82 |
| 2011 | 3 | 872 | 7.32 |
| 2012 | 2 | 353 | 2.96 |
| 2013 | 1 | 452 | 3.79 |
| 2014 | 0 | 424 | 3.56 |
| Total | | 11,913 | 100.0% |

1.6 Other Certifications Held

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

1.7 Organisational Information / Contact Person

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

Contact Person: William Unsworth
Sustainability Manager
Phone: (675) 474 3236
Fax: (675) 474 3476

EMAIL: wunsworth@rai.com.pg

1.8 Time Bound Plan for Other Management Units

RAIL is part of a group owned by New Britain Palm Oil (NBPOL). NBPOL estates and mills in West New Britain were certified to PNG National Interpretation of the RSPO in 2008 and recertified in 2013 during the renewal assessment. RAIL has advised BSI that there are no land disputes, legal non-compliance's or litigations at its operations in PNG. In addition RAIL has not developed on HCV and are in compliance with the NPP process for their new plantings on the old sugar areas. The extension of New Planting into J Section (old sugar) is on an existing government lease held by RAIL. RAIL has been assessed using the PNG P & C March 2008.

Guadalcanal Plains Palm Oil Limited (GPPOL) comprises of a mill and approximately 6,000 ha planted to palms, in

the Solomon Islands. This operation was certified in March 2011.

Poliamba Estates in New Ireland Province were certified to RSPO P & C in March 2012.

Milne Bay Estates were certified to RSPO P & C (PNG) in February 2013.

Higaturu Oil Palm were certified to RSPO P & C (PNG) in February 2013

Therefore all operations of NBPOL; in both PNG and Solomon Islands are now RSPO P & C certified. They are committed to ongoing surveillance audits to maintain certification.

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

1.9 Area of Plantation

The areas of planted palms managed and owned by smallholders are reflected in table 5.

Table 5: Age Profile of Smallholder Planted Palms as at 2014

| Year | Age | Ha | % |
|--------------|-----|------------|---------------|
| 2003 | 11 | | |
| 2004 | 10 | | |
| 2005 | 9 | | |
| 2006 | 8 | | |
| 2007 | 7 | 98 | 18.2 |
| 2008 | 6 | 162 | 30.1 |
| 2009 | 5 | | |
| 2011 | 4 | | |
| 2012 | 3 | 84 | 16.5 |
| 2013 | 2 | 112 | 20.8 |
| 2014 | 1 | 77 | 14.4 |
| Total | | 538 | 100.0% |

The areas managed by RAIL with planted palms are listed in Table 6 including roads and other areas.

Table 6: Estates Hectare Statement

| Plantation | 2014 YTD | | |
|------------------------|---------------|----------------|------------------|
| | Mature (ha) | Im-mature (ha) | Other Areas (ha) |
| Gusap East | 2,929 | 257 | 12 |
| Gusap West | 2620 | | |
| Surinam | 2366 | 215 | |
| Dumpu | 2160 | | |
| Ngaru | 840 | | |
| J Estate | | 526 | |
| | | | |
| Roads/Compounds/ Other | | | 1318 |
| Forestry | | | 259 |
| Total | 10,915 | 998 | 13,490 |

Table 7: Smallholders Planted Area

| | Mature (ha) | Immature (ha) |
|------|-------------|---------------|
| 2006 | | |
| 2007 | 98 | |
| 2008 | 162 | |
| 2009 | | |
| 2010 | | |
| 2011 | | |
| 2012 | | 89 |
| 2013 | | 112 |
| 2014 | | 77 |

1.10 Approximate Tonnages Certified

Table 8: Tonnages Certified August 2014- July 2015

| MILL | CPO | PK | PKO |
|----------------------------------------|--------|-------|-------|
| GPOM 2014 | 20,670 | 3,721 | 1,563 |
| GPOM 2015 | 33,624 | 6,052 | 2,542 |
| Total certified volume for certificate | 54,294 | 9,773 | 4,105 |

1.11 Date Certificate Issued and Scope of Certificate

Scope

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

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

Inclusion of Small holders

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

There is plan in place to add small holders at a rate of around 50 per year with all blocks averaging around 2 hectares.

Small holders

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

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

RAIL has a defined list of all their smallholders and ascertained each of their location and status. This is compiled into a Company database. RAIL has agreed to continue to collect the fruit from these defined independent Smallholders. This is updated has more small holders have their plantings approved by RAIL.

RAIL continues to operate an Out Grower’s Department that is dedicated to support the smallholders who supply fruit to the company’s mill. The small holders’ land has been mapped including any new developments and RAIL is assisting in the continuing verification of their rights to the land. This is in the form of CLUA’s (Clan Land Usage Agreements). RAIL supplies oil palm seedlings to the small holders and assists them by coordinating pest and disease surveys and treatment of pest outbreaks. RAIL continues to help to facilitate soft loans to its small holders with the National Development Bank for purchase of seedlings, tools and fertiliser, which it delivers to them.

RAIL has continued with awareness training of SGs on the RSPO P&Cs. (Training for Small Holders) in each of the small holder Divisions, commencing in October 2007. RAIL has provided training of Small holders via Field Days on the RSPO P&C, (the latest was at a workshop in Gusap which included upkeep and maintenance of the blocks. RAIL completed baseline survey of any new Small holders determining their compliance with the RSPO guidelines for Independent Small holders. The survey process involved the physical inspection of all new smallholder blocks and interview of each block holder to

assess their understanding of sustainable practices and conformance with the relevant RSPO P&Cs.

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

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

BSi examined in detail the smallholder survey database and concluded that the information showed the great majority of small holders met conformance with the relevant Indicators of the PNG NIWG (March, 2008). The validity of the smallholder survey results was tested by selecting a sample of 58 Small holders that were representative of a range of conditions and subjecting these to field audits. This figure is well in excess of the RSPO sampling guidelines and equates to 24% of small holders. BSi also interviewed Smallholder representatives who had been involved in the baseline survey and confirmed their knowledge of the relevant RSPO P&C's.

A sample of 58 smallholder growers were interviewed and oil palm blocks inspected as a representation of the 224 smallholders of in the area. The number of growers interviewed exceeded the RSPO sampling guidelines (minimum requirement is 12 farmers). These growers had a total of 116 ha under oil palm production. A list of the blocks interviewed is presented in the Appendix 1. The audit required some travel but at each local, the blocks were all joined together and divided into 2 ha for each smallholder grower.

The RAIL Smallholders Affairs (SHA) and Sustainability team are to be commended for their efforts in organising the growers for interview and patience during the interviews and field inspections that followed. The Senior Manager responsible for SHA and the SHA Divisional Manager accompanied the auditor during the visits. The accompanying team did not interfere with the interviews.

Relevant SHA records were inspected and issues were discussed in detail with the Senior Manager responsible for SHA after the field interviews.

2.0 ASSESSMENT PROCESS

2.1 Certification Body

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

2.2 Qualifications of the Lead Assessor and Assessment Team

Allan Thomas Lead Assessor

Allan Thomas holds a tertiary qualification in commerce and accounting from Wollongong University in 1973 and has more than 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 15 years, he has been the Manager of a large certification body based in Australia with responsibilities throughout SE Asia. He has performed over 160 comprehensive audits of management systems throughout the Palm Oil industry including Occupational Health and Safety, Environmental and Quality Management Systems. He has worked in Indonesia, Malaysia, Solomon Islands and PNG in the Oil Palm industry and performed RSPO audits in all 4 countries Allan has conducted over 3200 system audits in the last 16 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.

Mike Finlayson - Technical Expert Social

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

and has recent experience in Australia, Papua New Guinea, China and the Philippines:

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

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

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

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

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

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

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

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

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.

2.3 Assessment Methodology, Programme, Site Visits

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

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

The second annual surveillance assessment was completed from 11-15 June 2012.

The third annual surveillance assessment was conducted from 22-26 April 2013.

This fourth annual surveillance assessment was conducted from 16-18 June 2014.

The single mill and its supply base including Small Holders is a single certification unit as defined by RSPO. Therefore the mill was audited together with the plantation and Small holders as they represented 100% of its supply base. The 2008 PNG National Interpretation of the RSPO Principles and Criteria was used throughout and all Principles were assessed as the implementation of the 2013 P&C process was not finalised by the RSPO at the time of the audit. The methodology for collection of objective evidence included physical site inspections, observation of tasks and processes, interviews of staff, workers and their families, review of documentation and monitoring data. Checklists and questionnaires were used to guide the collection of information. The comments made by external stakeholders were also taken into account in the assessment.

Small holders were also included in this audit. A total of 58 smallholders were audited out of the 224 smallholder blocks. This equates to a sample size of 24%. They were all Village Oil Palm (VOP).

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

2.4 Stakeholder Consultation and List of Stakeholders Contacted

Stakeholder consultation involved external and internal stakeholders.

Individual stakeholders were contacted to arrange meetings. Within the audit process itself, meetings were held with stakeholders to seek their views on the

performance of the company with respect to the sustainability practices outlined in the RSPO and aspects where improvements could be made.

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

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

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

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

In all the interviews and meetings the purpose of the audit was clarified at the outset followed by an evaluation of the relationship between the stakeholder and the company before discussions proceeded in accordance with relevant RSPO principles, criteria and indicators. In a number of interviews and meetings, the presence of company representatives did not restrict discussion of both the positive and negative aspects of RAIL's operations. Although company representative were present they were on the periphery and did not influence the process.

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

List of Stakeholders Contacted

Company employees:

- **William Unsworth, Sustainability Manager**
- **Frank Mitiel, HR Manager**
- **Rurai MacWilliam, Head of Oil Palm**
- **Ian Ellery, Community Relations Manager**
- **Dr Yongoe Kambue, Medical Officer**
- **Rubi-Anne Wahure, Training Officer**
- **Claire August, Welfare Officer**
- **Robinson Danny Smaller Holder Affairs Manager**
- **John Komni, Senior Manager Morobe Estates**
- **Alex Orme, Lands Officer**

- **Leo Guru, Surinam Estate Manager**
- **Roy Alumedi, Gusap West Estate Manager**
- **Nifendao Nansiong, Gusap West Division 4 Manager**
- **Frank Dau, Gusap West Division 3 Manager**
- **John D'Siguria, Sports Coordinator**
- **Diru Bagoi, Resource Centre Manager**
- **Geeman Pangarie, Senior Manager Surinam & Dumpu Estates**
- **Patrick Warbongi Assistant Mill Manager**
- **Pieter Havenga, Gusap East Estate Manager**
- **Jamie Graham, General Manager, RAIL**
- **Lastus Kuniata, Head of Research & Development, RAIL**
- **Wally Croaker Acting Head of Workshops**
- **Greg Kirkpatrick, Stores, Purchasing & Logistics Manager**
- **Ian Ellery, Community Relations Manager**
- **Gusap East & West Estates**
- **Dumpu Estate Management and staff**
- **Surinam Estate Management and staff**
- **CWS Management and staff**
- **Central Stores Management and staff**

National Employees Union:

- **Jeffrey Gundu, President, Ramu Agri-Industries National Employees Union**
- **Lucas Kuniata, Treasurer, Ramu Agri-Industries National Employees Union**
- **Vavine Ipi, Secretary, Ramu Agri-Industries National Employees Union**

Polou Sangi, Community Representative

- **Community:**
- **Indap Kuna, Chairman, Dumpu Resource Owners Association**
- **Francis Nilane, Treasurer, Dumpu Resource Owners Association**
- **Michael Philip, Chairman, Yaru ILG**
- **Solomon Sira, Vice Chairman, Yaru ILG**
- **Ishmael Kisa, Secretary, Yaru ILG**
- **Jack Tamat, Ward 3 Councillor, Umi-Azera LLG**
- **Mr Mantaia, Head Teacher, Waterais Primary School**
- **Noha Mangir, Gideon Mathew, Hackey Yangu and Yasib Apostel, Members of the Aridagan ILG**

- **A number of other members attended meetings with the Dumpu Resource Owners Association, Yaru ILG and Aridagan ILG.**

Other Local Government

- **Provincial Division of Lands**
- **Department of Environment & Conservation**
- **Provincial Division of Health**
- **Provincial Division of Labour**
- **Provincial Division of Primary Industry**
- **Provincial Education Office**
- **Provincial Planning Office**

2.5 *Date of Re-Certification Visit*

Within 9 – 12 months from the date of certificate anniversary.

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.

There were two (2) Minor Nonconformities raised during this assessment.

Nine (9) Observations were identified. Details of the Nonconformities and Observations are given in Section 3.2 (Page 30-31).

Three (3) Opportunities for Improvement were also identified.

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

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

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

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

RAIL ensures that any requests for information are recorded and makes records of any informal requests and telephone enquiries. There is a procedure for dealing with all requests for information (1.1.1).

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

Any register includes all stakeholders, both internal and external and includes a response time for answering such enquiries if and when received.

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

The Development Bank has provided copies of Clan Land Usage Agreements (CLUA) for all of the blocks inspected during this assessment. Therefore the audit found all CLUA's can be made available.

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

All small holder blocks have maps of their blocks attached to Clan Land Usage Agreements

All block holders hold relevant CLUAs.

1.1.1 Opportunity for Improvement: During the smallholder interviews, there seem to be a general understanding of sustainable practices. However, there seem to a lack of understanding of RSPO principles and criteria, which in future could affect the implementation of RSPO. Apart from the good awareness made on sustainability generally, more awareness of RSPO is needed.

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 list of these documents is in place widely throughout the organisation in estates and mill offices. There is a register available of all documents which have been made publicly available which has been approved by top management (1.2.1).

1.2.1. Opportunity for Improvement RAIL could raise awareness that certain documents are publically

available, and raise awareness of which documents are publicly available, both among the workforce and externally. This will facilitate increased transparency.

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

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

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

The list of available documents was recently updated in March 2014. This list is made available on notice boards throughout the operations of RAIL. The list of documents that can be made available on request includes but is not limited to:

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

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

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

Group Policies such as OHS, Environmental, HIV-Aids, Equal Employment Opportunities (1.2.2) and Sexual Harassment Policies are all available. The Equal Employment Opportunities has now been incorporated into the Human Rights policy.

RAIL continues to have separate policies for the following: Health and Safety (1.2.6), HIV/AIDS, Sexual Harassment, Whistle Blower, Malaria and Domestic violence amongst others. These are also widely available in all operational areas. They are attached to notice

boards throughout the operations of RAIL. The areas inspected all had in place current policies and they were on display.

The RAIL OHS Plan will be made available on request (1.2.4). All managers also have a copy of the OHS Management Plan which was recently updated in February 2014. It is also made available on the company's web site. It is also posted in all work areas in a prominent position on noticeboards where workers congregate at certain times. During the audit it was sighted in many areas including the mill and field offices and other areas such as workshops, stores and clinics.

Any plans and/or impact assessments (1.2.7) relating to social and environmental matters are made available.

There is a documented procedure for dealing with complaints. An all details of complaints and grievances are to be made available on request. (1.2.8)

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

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

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

Management documents are available to growers on request. A current list of available documents was available. The price formulation information is displayed on the smallholder office at Gusap where the growers come to for enquiry. Growers interviewed expressed knowledge of the price formulation and where documents of interest can be obtained

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

There is in place a documented system (2.1.2) 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. (2.1.1)

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

Out growers are aware of the relevant customary, local and national laws (1.2.5).

Examples of methods of ensuring laws are being implemented include external re-conformation with

such agencies as the Department of Conservation (DEC), Dept. of Labour, and Dept. of Health (DOH). This is further supported by internal physical inspections to ensure that certificates, permits etc. are current.

There is register of PNG legal and regulatory requirements including codes of practices, environmental permits, etc. and nationally ratified conventions. Copies are held by the Company Secretary and the Sustainability Manager. These two company officials also keep abreast of any changes to legal or regulatory requirements and update the list / register if and when required. The register presented was quite extensive and included all legal and regulatory requirements known to concern RAIL. This was last updated in February 2014.

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

There is evidence that Permits, Licences and Certificates have been obtained and are up to date. RAIL has applied to DEC PNG for umbrella permits restricting this to 8 permits which would make it much easier to manage overall. The PNG government has agreed in writing to this move. All permits and fees have in been paid and receipts are available as proof. RAIL are still awaiting the issue of this combined permits at the time of this assessment. This is being followed up by the Sustainability Manager.

There was also evidence available that Boiler Operators certificates were available at this assessment. There is evidence in place that all fees were paid on time and the no issue of current certificates is out of the control of RAIL. The Government inspector has recently travelled to RAIL to check Boiler Operators and Boilers (pressure vessels) and operator's certificates are expected to be issued shortly. In the last few years the issuing of Boiler Certificates and Permits has improved somewhat and permits are largely current.

It was re stated that PNG government agencies continue to be slow in issuing current or new permits once the previous permit etc. expires. This issuing of new permits is outside the control of RAIL. RAIL is however proactive in renewing permits due to expire, taking the initiative to contact the official regulatory bodies to follow up on permits..

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.

All growers interviewed demonstrated understanding of appropriate land laws at customary, local and national levels.

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

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

Documents indicate legal ownership (2.2.1) or lease of land and all original leases and land titles are available in Head Office as well as any copies in operational areas.

Boundaries are normally landmarks (2.2.2) such as Roads and Rivers which have been identified through participatory means with the customary landowners. RAIL engaged a registered independent surveyor to identify the legal boundaries of its estates (Gusap, Dumpu and more recently Ngaru and J Estate (which is on a government lease)) in the last two years. Boundary pegs also identify these boundaries and in addition they are located and marked via GPS and included in Satellite Imaging of all RAIL estates. During this assessment boundary pegs and other means of identification such as natural markers such as streams were sighted. Also sighted the recording of the GPS position of boundaries.

Members of the Dumpu Resource Owner's Association raised a complaint that the Company has planted oil palm outside the State lease boundary, which is leased to RAIL. (that is, oil palm is being grown on customary owned land). At the same time, members of the Association reside in a series of hamlets, and have established nearby food gardens, within the State lease boundary. RAIL's Lands Officer has negotiated an agreement with the Association in which a transfer of land will occur. The land planted to oil palm outside the State lease boundary will effectively be exchanged for land where members of the Association are currently residing and growing food gardens.

During the audit a meeting was held with various Association members at Taparapo. The Association members indicated that the exchange was a good outcome, and they were happy with the process being implemented. The next stage in the process is to have both parcels of land surveyed, and then submit a formal application to the Department of Lands to modify the State lease boundary.

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

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

At present there are no ongoing disputes (2.2.3). RAIL negotiates with the party in dispute and uses either the PNG legal system (village court or district court) or the more informal village system discussing matters directly with the village elders.

In the past RAIL has used the District Administrator for dispute resolution and seeking advice from the Department of Primary Industries on compensation to be paid and also included Value Generals Dept. (2.2.4)

Records of any resolutions are maintained with Sustainability Manager.

There is a reasonably new estate at Ngaru to the east of Gusap and this is a lease-lease back area. Copies of all agreements on this area are available – see Principle 7 for further details. This estate was planted in late 2011 once the NPP took place in 2010.

The new planting on the estate known as J Section (crop conversion from sugar) is on government lease and therefore there is little likelihood of there being any disputes.

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

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

See 1.1, there are no disputes on current smallholder blocks

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

Current maps are available (2.3.2) showing occupied state land and include tenure. There is no customary land within RAIL boundaries. There are no operations on alienated land (2.3.1).

All Land Titles are in place and current.

There are copies of negotiated agreements available detailing processes of consent - Copies of negotiated agreements are available in Land Title Officer Office and with company lawyer. (2.3.5)

Survey maps for all VOP including (2.3.4) any further new blocks were available during this assessment.

VOP's blocks are established on Customary Land. The CLUA is an agreement whereby the clan leaders allow the VOP grower to plant oil palm on a particular piece of land. The CLUA (2.3.6) recognizes that that particular person has ownership rights or usage rights over that particular piece of land. Copies of CLUA's sighted at RAIL – for privacy reasons these were not recorded in this report but samples are available in audit notes. See 1.1 and 2.2

The VOP Blocks are on customary land by agreement with Clan Leaders.

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

See 1.1 and 2.2

The planting approval form used by the smallholder growers includes approval of land use for oil palm to the grower by the local clan chief, and a statutory declaration from a Commissioner for Oaths and RAIL management.

Observation 2.3.6: A CLUA form for Ismael Kisa dated 15 May 2013, was not signed off by block owner himself and the clan leader, although being signed off by RAIL management. It was confirmed that this block has been planted with oil palm already. Such error should not be overlooked especially with the importance of this document being legal and binding. All CLUA records must be accurate and complete.

There were no land dispute cases from the growers interviewed. Land disputes are settled through the traditional system. This system works well for the smallholder growers.

The smallholders associated with RAIL have proven that if given the correct training and information, and fertilisers, they can produce as well as the estates and are already around 25 tonnes per hectare.

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

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

Annual replanting programme is in place but no replanting will take place for at least another 18 years as the earliest plantings were done in 2003.

There is a five year business plan for RAIL. (3.1.1) It is available from the General Manager. There are business plans in place that take into account (3.1.2) crop projection, mill extraction rates, costs of production, annual replanting programmes, forecasts and financial indicators. The auditor sighted crop projections for all estates and associated SG's. All mill extraction rates are documented.

There were also plans in place for extension of the estates via new lease – lease back arrangements which will only be further reviewed ones NPP process is finalised. There is also potential options for developing small holder blocks.

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

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

The Five Year plan is reviewed on, at least, a yearly basis with the CEO of the Group. The latest review and update was completed in May 2014 and has recently been released. This 5 year plan is available and had been approved by the General Manage. The plan for oil palm continuity is very detailed.

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

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

The Sustainability Team is in process of preparing local site specific SOP's (Standard Operating Procedures) which will in the short term replace the somewhat outdated Management Guidelines used for Field Operations.

SOP's are available for the Mill and associated activities such as Lae Bulk Terminal (LBT). There are also SOP's in Transport, Buildings departments, Clinics and all operational areas.

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

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

The Reverse Osmosis Plant has been constructed had is working effectively having replaced the demin plant some 18 months previously. A SOP has been prepared for this operation. This reverse osmosis plant has less reliance on chemicals and as less bi-products and any residues are effectively dealt with. It is therefore more environmentally friendly and has less impact than the Demin plant.

For the mill there is in place a mechanism for monitoring (4.1.2) effectiveness of procedures. The shift supervisors check that all log books are completed for all SOP's and operations when required. This is done by completing each required inspection and signing the log book, a copy of which is kept by mill management and also includes planned scheduled inspections. The operators at the mill had completed the required log sheets at each station on the required timetable from the areas

sampled. These log sheets are collected and reviewed on a daily basis. The log sheets are used to identify breakdowns and cases of wear and tear where breakdowns may be imminent. Any potential problems are also reported to prevent further breakdowns. Records of any service or repairs are also documented.

The recently constructed Palm Kernel Mill (2010) has in place SOP's. The production from this mill in Crude Palm Kernel Oil is recorded under CPKO. The SOP's are further supported by routine regular scheduled preventive maintenance. This is planned and carried out under the Mechanical and Electrical Engineering divisions to ensure ongoing production capability is maintained and that operating machinery is safe. Any deviation from standard procedures is reported and followed up to ensure documented practices are being followed.

The system requires that records of monitoring are kept. This includes all drains and pollution control devices (PCD's) as well as use of PPE etc. - any actions taken such as cleaning needs is and any action taken is recorded. This also needs to include action taken for any OHS breaches (4.1.4).

There are also SOP's in place for all mill workshops, Central Vehicle Workshop and Stores – these are all available in the local language and in place near the areas of operations. For example this was sighted in the Building carpentry workshop where work instructions are available in both English and Tok Pisin.

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

The Senior estate managers and visiting Plantation Inspector carry out regular field inspections to ensure SOP's are being followed and supervisors issue instructions at each morning muster and follow up to determine the quality of work and that procedures are being followed.

This is further supported Head of Oil Palm who carries out regular extensive field inspections which are further supported by the issuing and circulating of an inspection report to the relevant sections. Any non-conformances are recorded and followed up in a specified time frame.

These inspections occur monthly and include each division in each estate. The inspections are scored to indicate areas for improvement and record if improvements have been made since the previous inspection. Further inspections are also completed by the Plantation Inspector who is contracted to conduct these inspections at least quarterly. This is a more far reaching inspection to ensure product quality is maintained and correct practices are being followed.

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

are referenced in documentation and include Logging and Landfill.

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

Smallholder growers are advised of best management practices during the organized field days. Records of the field days were sighted. Farmers were given copies of smallholder best practice book produced by PNGOPRA (written in English and Tok Pisin).

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

RAIL has current soil maps in place. Soil sampling was completed by R&D Dept. during 20014 and reports are available which includes outcomes and recommendations. This soil sampling also included maps of areas under planting. Evidence of soil sampling was available and was reviewed during the certification assessment.

There is evidence of regular periodic tissue analysis (4.2.2) – the latest tissue analysis is being completed. This commenced with samples being collected in February 2014 and completed in April 2014. These samples were sent to a certified lab in New Zealand for analysis.

Tissue analysis interpretation was available from the R&D Dept. which works closely with Hills Laboratory, New Zealand. As a basis of the latest leaf analysis recommendations have been made Agronomy with regards to the published fertiliser programme.

Fertiliser use (4.2.1) is being recorded and monitored. Fertiliser inputs are recorded for each estate including monitoring application against recommendations.

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

All palm by-products including fronds, EFB, effluent and expeller are recycled (4.2.3). These are used as nutrients and are put in place to improve organic matter and to substitute or supplement inorganic fertiliser. There was ample evidence throughout RAIL estates of the application of EFB.

Maps are available of where by-products are applied with regards to EFB.

The company supplies MOP and SOA fertilizers to growers and organize for deductions from crop sales. Fertilizers were distributed to all blocks as biannual supply.

All growers have received their fertilizer quota for the year in 2013 and the first half of 2014. Fertilizer distribution is as scheduled.

Smallholder growers were aware of the importance of frond stacking and legume cover crop management as alternatives for soil fertility improvement. A majority of the growers had legume cover crop in their blocks.

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

RAIL is situated in a wide flat valley. Many rivers are deeply etched (canyons) and well below land levels. As such the areas are not prone to major erosion (4.3.1).

There are maps produced from soil surveys done in 2003, 2008 and recently in 2014 indicating different soil types for assisting in developing soil management strategies.

There are no known fragile or problems soils at RAIL.

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

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

There is no peat at RAIL.

Erosion risk assessment for each block has been done (4.3.3). Maps are available which indicates any blocks which could be prone to erosion. Seasonal factors are considered such as wet and dry seasons however due to flat land there are no extreme conditions and techniques to control erosion include the following: provision of adequate legume ground cover, avoidance of over spraying of herbicides, review of road design and provision of adequate maintenance including appropriate drainage and use of culverts.

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

A plan for road maintenance including roads, blocks and time frames as well as budgets has been produced for 2014 for Gusap East, Gusap West, Surinam , Dumpu & Ngaru

, Dumpu and the new area of Ngaru. This includes management of rainfall run off the plan is separated into two areas road maintenance and road surfacing.

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

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

4.3.1 Observation: There were 32 new VOP blocks planted since the 2011 audit and there was some concern about the adequacy of block preparation and training of new growers. The plantings were six months

old and had received most had received no fertiliser to date. The palms were growing well and there is still time for further training “on the blocks” but fire protection remains a serious concern for the auditor.

Action: In response to this, RAIL has made a rule to ensure blocks cannot be planted until blocks are adequately prepared and new small holders have received adequate training and demonstrate this competency. These are inspected by smallholder’s affairs officers.

The training programme for the smallholder growers has inspected and the new farmers are receiving training on best management practices for oil palm husbandry for their age/stage of planting.

Fertilizer distribution for the farmers interviewed has improved as well.

The Gusap Downs Plains is flat and with low rainfall, soil erosion is not a major concern. Smallholder growers interviewed understood soil erosion, even though this does not pose a threat to their production.

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

RAIL has issued a Water Management Plan which was updated in January 2014 (4.4.1).

The updated Water Management Plan has been issued and is current and includes all water management strategies. This includes the management of all water sources, water use and monitoring the quality of the water.

There are also plans to ensure limited water damage to roads by ensuring any drains are well formed and effectively take any rain water during the wet season from the roads.

The General Manager of RAIL has approved this revised water management plan.

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

The plan includes testing regimes and schedules for all water types. The plan identifies how the quality of domestic water is to be monitored in all areas and referenced the Department of Environment and conservation water quality criteria for PNG. Monitoring of water quality is now completed by an independent

NATA accredited organisation that at this stage appear to provide records of samples much more readily.

All bore holes for water extraction are now properly identified and recorded on a map to ensure all can be located and are under the new umbrella plan for all water permits.

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

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

RAIL monitors the water flow in the mill as a number of flow meters have been installed (records started. March 2009). Water usage is recorded and reported daily. In recent times the water used per tonne of FFB processed has risen significantly from around 1.1 to 1.9 tonnes of water. The reason for this rise does not appear to have been determined. It could be because of faulty readings from the water flow meters. However whatever the reason this should be investigated to determine whether the figures are true and further determine the cause.

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

Hazardous Chemical residues prevented from entering water courses. Of particular note are the CWS, Buildings and Central Stores where management practices are in place to prevent chemicals and hydrocarbons from entering water course and drains – New drains have been constructed in a number of areas to improve control of run off and these have proved to be very effective. There are no longer any reported occurrences during heavy rains of the CWS being flooded which was previously the case. All the drains at CWS now connect to a large triple interceptor and control is much improved. There has also been a new larger triple interceptor constructed to manage stormwater and drains run off from the mill.

These ongoing improvements have provided much improved protection for both ground water and surface water from possible contamination.

The riparian buffer zones are maintained in good condition (4.4.2). The buffers in existing plantations were inspected and found to be within the limits as prescribed by the environmental permits and logging code of practice for each estate. All permanent water courses have buffers in place and with signage indicating

the location and extent. These are actually developing quite well and the Kam Sak Sak area now looks to be flourishing. This is also true of the Arifagan Creek running through Gusap West estate. This has very steep banks however they appear to be quite stable. The planning does not encroach the buffer zone which is outside the limits set depending on the size of the water way.

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

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

Comment 4.4.2: 2007 smallholder plantings in Nipangdarias beside a waterway of less than 5m wide (Class 1) did not have buffer zones with palms planted right up to the creek. These plantings were before 2009 and therefore can be excluded from RSPO buffer zone assessment. However, more RSPO awareness should be made to ensure the buffer zones are observed in future plantings.

All growers interviewed understand the importance of clean water for consumption and ensure the water they consume is from a clean source. All farmers interviewed collect rainwater for consumption.

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

There is an Integrated Pest Management Programme (IPM) (4.5.2) for specific pests which include at the time white grubs and broomstick. The Programme includes the following techniques – pest monitoring, selective use of chemical treatment, and encourage establishment of bio-control agents. This was recently reviewed and updated in March 2014. This included the status of all possible pests and included information on whether pests were present and in what numbers. None were seen to be in epidemic proportions.

There is talk of the possibility of a disease which attacks coconut palms which can be transferred to other crops. This is being constantly monitored to ensure it can be dealt with effectively if it appears. Strategies are being determined by the company agronomist to manage this pest should it occur.

Records of locations (4.5.3) and application timeframes for all chemicals used are kept as well as the a.i. x LD 50 of all chemicals used (4.5.1). There is a measurement of the amount of each pesticide used and type for each specific pest.

RAIL monitors pests and disease as part of the IPM. There continue to be few significant pest and diseases identified at RAIL.

There is a twice yearly survey of oil palm pests which extends as far as Lae (well outside the estate boundaries). This was most recently completed in January 2014 and was available for review.

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

There are available records of training in IPM for all workers. The success of each method used to control various pests is being monitored and any results are maintained to show status.

There is also an ongoing Ganaderma survey which was recently completed which showed there was no ganaderma in the immediate area.

The IPM includes the need of 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 plan has seen the reduction in the use pesticides with Gramoxone not being used at all since May 2012. There is also more emphasis on biological control of pests.

There were no major pest and disease issues for RAIL smallholders. A few observations of oryctes (rhinoceros beetle) damage were observed but these were few and scattered. The threat of Bogia Coconut Syndrome (BCS) is acknowledged by RAIL who is involved in an ACIAR-funded project on BCS.

The herbicide, glyphosate is used for the control of weeds. Legume cover crops are also used to suppress weeds. The smallholder growers demonstrated knowledge of the use the herbicide and the cover crop as weed control options.

The invasive Siam weed, *Chromolaena odorata* was seen in some smallholder oil palm blocks with natural populations of the growth-suppressing gallfly, *Cecidochares connexa* (Diptera: Tephritidae). The fly lays eggs in axillary buds and when hatched, the larvae bores into the stem (mostly near the nodes) and develops creating a gall. This results in reduced flowering and stunted growth.

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

There is a formal justification (4.6.1) 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 justification includes what each pesticide is used for such as path and circle spraying or selective weed control.

The SOP (Management Guideline) has documented what chemicals are used and where and in what situation. It stipulates the maximum dose possible for each application. There are plans in place to gradually reduce the use of Agrochemicals. There are records of pesticide use and they include active ingredients used, area treated, amount applied per hectare and number of applications (4.6.2).

Paraquat is not used at all at RAIL (4.6.5).

All chemicals have to have management approval prior to use and only chemicals listed for use by DEC, and as per PNG Oil Palm Industry practice (4.6.11). RAIL has determined chemicals which have been approved by PNG Government. This list has been distributed to chemical users to ensure that they have no un-approved chemicals which are being used. This list was updated recently and was available and showed which chemicals can be used – nevertheless all chemicals have to be approved by management prior to use.

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

Usage of pesticides is compared with records of previous year and this information is used to monitor and plan reduction in use. Depending on circumstances the use of certain chemicals may increase in the short term. In the case of RAIL with the addition of two new planting areas in excess of 2,000 ha the use of chemicals such as glyphosate has increased in these immature areas.

There is in place an ongoing SOP which is controlled via the MG with regards to the use of WHO Type 1A or 1B (4.6.3) chemicals. RAIL is able to demonstrate that Type 1A & 1B chemicals are not used by application records and purchasing records/stock control.

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

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

- Pesticide Mixers
- Pesticide Sprayers
- Any chemical handlers

All mixers and sprayers interviewed for this assessment indicated that training was adequate (4.6.8). All were

very aware of requirements for the use of pesticide and handling.

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

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

PPE for sprayers is supplied and its use demonstrated in the training programs. The company supplies two sets of overalls to all pesticide operators so that one can always be considered clean. Overalls are washed at the pesticide mixing areas in specially constructed wash areas so that sprayers and mixers do not need to take them home and therefore the risk of cross contamination with family members is reduced and eliminated. All pesticide mixers interviewed demonstrated that they were well aware of the requirements for handling of pesticides including disposal of old containers – adequate records are being maintained.

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

Where required MSDS are translated into the local language.

All areas where chemicals are stored (4.6.10) 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). Records of containers disposed are kept including numbers sent to landfill. These records are up to date. All planned pesticide facilities have now been constructed and are now in use.

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

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

There has been no request for evidence of CPO residue testing (4.6.12).

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 RAIL employees who handle chemicals receive six-monthly health checks by the doctors at the Gusap clinic. Although organophosphates are no longer used in oil

palm operations, cholinesterase tests are conducted annually to ensure no residual impacts.

RAIL does not use organophosphates or methamidophos (4.6.13). Currently there are no sexava problems at RAIL thus no methamidaphos is used on the plantation.

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

Small holders do not use chemicals categorised as World Health Organisation Type 1A or 1B, or listed by the Stockholm or Rotterdam Conventions. Small Holders do not use paraquat and it is not supplied (4.6.7).

Chemicals are only applied by trained persons in accordance with the product label (4.6.6). There are certificates indicating that training has been carried out (as evidenced in the VOP Office, during the audit) and the longer term growers are proficient in the use of chemicals.

All the growers interviewed expressed understanding of the environmental and physical threats from the use of agrochemicals. They were trained in fertilizer and herbicide handling. RAIL organized pesticide training for them where upon the completion of the training, the growers received a certificate of participation. With the certificate, glyphosate is introduced to the smallholder.

Observation 4.6 - The storage of agrochemicals and PPE in the main living house of smallholders is a major concern. Better storage facility for oil palm chemicals and PPE is required.

Small Holders using herbicides in the field were observed to be using full PPE

4.6.8 Observation: The training material on the use and handling of pesticides requires updating and remove the mention of gramoxone as this pesticide is no longer used.

Action: The training material was inspected by the auditor. There has been amendment and there is no mention of gramoxone as being used in that material and all other material as well.

The training programme and schedule was inspected and that is in line with the developmental stages of the smallholder growers.

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

There is an OHS Plan in place which covers all operational areas:

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

RAIL has in place a health and safety policy (4.7.1) 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 approved documentation.

The plan was recently updated and issues in February 2014 and all areas visited have implemented and monitored this plan and this appears to be consistent in each place visited.

Hazards and Risks have been identified for all operations and in all areas (4.7.2). 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. This has recently been reviewed and a very comprehensive risk assessment has been published including all areas of operations with site specific hazards being identified whenever relevant.

4.7.2 Minor NC: In a number of operational areas including buildings, workshops and others the management of identified hazards and risks was not effective. There were no workplace inspections carried out between October 2013 and April 2014. Further some work permits for high risk work in the mill are not at times being completed correctly and not signed off when the work is complete.

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

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

RAIL has provided the required PPE appropriate to the task after the hazard has been identified and the risk assessed (4.7.3). The level of proper use of PPE remains at high levels for both workers and contractors in all areas including mill, workshops, estates etc. with very little evidence of non-use by anyone on site noted during this inspection. All harvesters have been provided with high cut, steel-capped work boots. These have shown to reduce palm nail injuries since their introduction in 2013.

Workers involved in areas of high risk are being trained in work practices – this includes pesticide operations, firefighting, construction safety, working in confined spaces, hot works and plant repair and service. Records of training are being maintained.

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

There are emergency procedures in each area and these are tested to a degree. All areas had in place records of testing the emergency procedures including fire drills and other possible emergency situations (4.7.5).

An overall company OHS Manager (4.7.4) has been appointed for RAIL/NBPOL who coordinates the implementation and management of the OHS policy. An OHS representative has been appointed in all the following operations areas:

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

All areas visited have regular meetings (at least every 3-months and sometimes more often) to discuss OHS matters. Each area now has a standardised agenda and meetings are conducted after workplace inspections.

Areas are holding Tool Box talks to disperse current or topical information or to reinforce safety issues such as use of PPE. All these department meetings observations and issues feed into a combined meeting which covers all operations for RAIL which is chaired by the General Manager.

There are company clinics (4.7.6) on all plantation divisions and a centralised clinic at the Head Office compound. All are staffed by trained health workers and/or Registered Nurses who are on call 24 hours a day. The clinics are regularly checked to ensure they are hygienic and that sharps and medical waste is handled correctly. It should be noted that in the past year houses have been provided for health workers at Dumpu and Surinam, which means health workers are able to reside on site and provide emergency assistance, if required, 24-hours a day.

The company also has Red Cross trained first aiders and uniform first aid kits in all field and mill work areas. The kits are checked and restocked regularly. First aiders are named wherever possible on notice boards and also in each operational areas Emergency Response plan.

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

A total of 59 staff were trained in first aid in 2013. Three one-day courses were completed by the OIC of RAIL's health services, who tailor the training specifically to the work-related risks facing each group of workers.

RAIL has now trained many more First Aiders in all areas with at least 3 and sometimes more first aiders in a number of areas. This is a big improvement in this area.

RAIL monitors a number of Safety performance indicators such as lost time injuries and regularly reviews all incidents. All accident records are kept and reviewed.

The information is reviewed by Management during high level safety meetings to ensure objectives are being achieved and all incidents fully investigated. This was verified during the audit. The company is monitoring injuries in an attempt to reduce recurrent injuries such as Palm Nail Injuries which occur regularly.

4.7.7. Observation; Although there is substantial investigation of all lost time injuries the same emphasis is not given to near misses which could have had fatal consequences such as falls from heights or trench walls collapsing trapping an employee. These need to be discussed with all relevant workers to ensure they are aware of these issues and steps are taking to prevent similar occurrences which could have a bad outcome.

Action: Any serious accident or near misses are now discussed with relevant workers during OHS Meetings and Toll Box talks to ensure that all relevant workers become aware of certain hazards and risks they may encounter.

There are records in place for all incidents (4.7.7), injuries and also near misses. There is consistency in the completion of the injury forms and this has been standardised throughout the company. A report containing a review of OHS data for 2013 indicated a rise in accidents, and in particular, serious accidents, in comparison to previous years. The incidence of injuries, and their severity, both exceed NBPOL's targets. RAIL is attempting to ensure minor injuries are treated by workers who have received first aid training, rather than workers seeking medical attention at the clinics. This will reduce the incidence of injuries. However, RAIL also acknowledges the need to ensure that medical officers do not recommend time off work unless necessary.

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

Labour in the block is predominantly the block owners and their immediate family members. Some smallholder growers hire workers to do periodic tasks like fruit harvesting and block upkeep. The smallholders ensure that all workers are well aware of safety issues and safe practice if followed. From the interviewed population, there were no records of injuries or incidences from working in the block.

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

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

Technical training needs (4.8.1) are identified by Department Heads. Each department is responsible for providing inductions and basic training and for labourers

(Grades 1 and 2). This induction covers working conditions and entitlements, safety, rules and regulations and specific job requirements. Training focuses on basic skills. The relevant department maintains induction and training records.

The Training Officer prepares an annual training program that targets employees Grade 3 and above, and includes some specialised training and more generic training (e.g. health and safety, company policies). The annual training program is prepared on advice from Department Heads and the results of annual staff appraisals.

The majority of training is in the form of short courses, most often conducted by RAIL staff and to a lesser extent by external specialists. The external training focuses on trade training and 'train the trainers' courses. Training records are maintained by each department and the Training Officer, within Human Resources (HR). An Annual Training Report is prepared and forwarded to the National Training Council within the Department of Labour.

RAIL's medical officers participate in training provided by the Department of Health, and RAIL's doctors at the Gusap Clinic provide in-service training to other medical officers. The Welfare Officer has provided training on domestic violence and approaches to dealing with domestic violence to Company employees, the Police and the District and Village Magistrates. Much of this training, along with some other training conducted by RAIL (e.g. training provided by John Deere, and sports-related training, has not been documented in the training plan or included in the Annual Training Report. RAIL also has 46 apprentices and 6 graduate development officers (4 who commenced in 2013 and 2 who commenced in 2014). In addition, RAIL provides industrial training for more than 50 students from a range of local training and education institutions. The industrial placements vary from 6 weeks to more than 6 months.

HR is responsible for induction training for employees Grade 3 and above. A check-list is used, and records are maintained.

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

Training records are therefore kept for all employees.

Records of competency and on the job training are kept on site in each estate office and at the mill.

Each local office also has records of formal training.

Training for smallholder growers is through field days. All smallholder growers interviewed growers have attended RAIL-organized field days. The training records were sighted.

The Senior Manager and SHA Divisional manager must be commended for their efforts into preparation, organizing and conducting field days.

RAIL has adopted a continuous training programme for Small holders, in the absence of Government extension service.

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

An Environmental Aspects and impacts register has been developed and is reviewed and updated annually the last update being in February 2014.

The register is comprehensive and clearly identifies significant as well as all identified environmental aspects and also nominates any legal requirements or restriction classed with regards to the aspects. This register covers all operations impacted upon by RAIL. This register also includes occasional operations such as construction of roads, construction, management of mill and replants as well as intermittent operations such as drainage and irrigation and disposal of specific waste.

All environmental impact assessments have been undertaken when and where appropriate. Records of all impact assessments carried out are readily available. All environmental impact assessments cover both on site and off site activities. Whenever there are changes made to operations and changed impacts are updated to reflect these changes. All departments visited did have current Environmental Impacts and assessments available dated February 2014

There are many improvement plans in place for the CWS Central Store and other areas. Such plans have funds allocated to them and clear, time frames for completion now all areas of the Environmental Improvement Plan (5.1.2) have been updated to show progress by the nominated date. All plans are now formalised and the improvements made are noted in the CIP (See 8.1).

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

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

The growers showed awareness of pollution to the environment from oil palm activities, even from plantation and mill operations. This information was rolled out during the RSPO awareness.

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.

There was an assessment of the presence of HCVs within and adjacent to the RAIL plantations prior to the initial assessment in 2010. The PNG National Interpretation of the HCV Toolkit was used. All of the land within the plantations has previously been used for other agricultural purposes and had previously been extensively logged.

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

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

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

Progress continues to be made with regards to the planting native trees in the HCV areas and buffer zones. These areas have continued to attract wildlife which have brought in seeds of native trees which have continued to germinate and non-native species such as *Khaya ivorensis* which were previously ring barked now dying off as newly planted natives are establishing.

Both main HCV areas, at Sipsip and Kam Sak Sak are showing considerable improvement. The wetlands around Kam Sak Sak continue to thrive and are actually increasing in size due to the positive action of the staff at RAIL. This area attracts a number of bird species such as varieties of Kingfishers as well as colonies of Flying Foxes. This prolific area has completed to improve and is well managed by RAIL staff.

Signage is in place for most areas however some now require replacement or some amendment – see observation below. Signs do however discourage hunting, fishing burning and other activities.

5.2.3 Observation: A number of signs used to identify HCV and Reserve areas are damaged and require replacement also a number of signs do not identify RAIL as the authority which is prohibiting hunting, fishing and other activities in these areas.

RAIL are however attempting to avoid damaged to habitats by putting in place buffer zones and declaring habitats such as reserves and wet lands to be free from any activities which may deteriorate the habitat (5.2.4). Inspection during this assessment indicated there was no inappropriate hunting, fishing or collecting activities in the RAIL areas noted.

Company employees are prohibited from the hunting and taking of fauna from the plantation and adjacent land. Sign boards (5.2.5) have been posted adjacent to

buffer zones and other conservation set aside advising of the protected area. Any legal requirements within any areas are applied and enforced by RAIL management.

RAIL requires employees and the employees of contractors have signed an agreement that they will not hunt fish or utilise other subsistence resources. This was noted on all the contractor agreements sighted during this present audit.

Wildings showing signs of continuing germination and growth of samplings, such as cotyledons that are ideal for transplanting into buffer zones either under current weed species are being gradually removed.

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

RAIL have provided gardening areas for use by workers adjacent to their housing to discourage worker encroachment into buffer zones and protected areas.

RAIL is now engaging these communities as part of its implementation plans.

Also land owner groups are encouraged to implement their own systems to discourage encroachment.

A number of block holders had cleared most of their blocks well before the adoption of RSPO and prior to 2005. The small holders demonstrated an awareness of the impact of development of oil palm on surrounding natural areas.

The growers were made aware of the Planting Approval Form (PAF), which includes identifying High Conservation Value (HCV) areas. More RSPO awareness will assist growers to be better aware of HCVs.

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

The waste management plan is presented in a separate management guideline (5.3.2) (and includes pesticide contaminated waste. The waste management plan is up to date and in place at all operations.

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

The company's aspects register formally identifies all sources of pollution and waste and states their impacts and required mitigation measures. This register is updated annually or when new waste sources become apparent. The most recent update was in February 2014 when the Waste Management Plan was updated following review.

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

All together in the latest update of the Waste Management Plan 28 waste streams have been identified (5.3.1) and are controlled through the Environmental Management system in operation at RAIL. These include but are not limited to the following:

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

Landfill sites are in place for all areas. All landfill sites are now better managed however it must be ensured that planning ensures that the most efficient use of landfills is always the most important issue. A caretaker is responsible for all land fill areas. There is very little wind-blown rubbish and very little odour – all are a substantial distance away from any residential areas.

Although there are caretakers in place for each landfill this does not prevent vandals from setting fire to the landfills. Lighting of fires appears to be a proclivity in this area of the Markham valley with many grasslands, sugar cane field or oil palms either being on fire or showing evidence of being recently burnt. Each estate maintains records of all fires and evidence of arson which without doubt are now the most common incident in this area.

5.3.2 Observation: The land fill at Gusap was set alight by a supposed arsonist on Saturday 14th June and was allowed to burn until June 17th by Gusap management until it was extinguished.

The efforts at segregation are continuing and in land fill areas there is little evidence of mixed waste.

In the company compounds houses are provided with two bins one for land fill waste and other for recyclable material. The land fill at Surinam Estate is effective

however as stated previously efforts need to be made to ensure there is appropriate space for each type of waste – for example there is much more domestic waste and therefore more land fill space is for this activity that say pesticide waste..

The green waste is recycled and utilised for agriculture. The remaining household garbage is place is land fill site and covered and compact as they progress which are adequately fenced and managed. Septic systems at Ramu are pumped into tankers and disposed of in a marsh area, well away from residential areas, and the area has had earthworks to prevent runoff occurring.

Medical waste from RAIL's five field clinics are separated (general waste, medical waste and sharps), stored in appropriate containers and brought to the main clinic at Gusap for disposal. An incinerator is located in the main clinic. Appropriate documentation for the transport and disposal of medical waste is maintained.

Of note is the improvement and restoration made to the areas of the vehicle workshops and at central stores made since the initial audit which is ongoing. These areas were once heavily polluted and contaminated and this contamination has been removed as have the sources of contamination. The improvement in control and management of these areas has improved working conditions for all. The restoration of these areas is a credit to RAIL considering the state prior to the initial certification assessment.

A new hydrocarbon interceptor trap and accompanying improved drainage at the workshop and vehicle wash bay at the CWS has been constructed and is proving to be very effective.

Only a few of the smallholder growers live on or within the vicinity of their oil palm blocks. Most smallholders are in the village far from the oil palm blocks.

5.3.1 Opportunity for Improvement: The majority of smallholder growers, including the ones that live on their oil palm block, do not have good waste management systems. There was a lack of rubbish pits and pit latrines. This should be encouraged in the RSPO awareness.

5.3.2 MINOR NC: There was no good waste management and disposal plan for the used agrochemical containers, particularly the used glyphosate containers. Almost all the smallholders interviewed admitted to reusing the containers. Although the containers are mainly used for storage of liquid fuel (kerosene and petrol), there is the probability that this can be used for storing water. These containers are to be disposed off in a specified way.

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

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

RAIL provides records of both monitoring of kilowatt hours per tonne of palm product and Kilogram of steam per tonne FFB (5.4.1). However these figures are now presented in percentages rather than providing the raw data in Kilo watt hours which was previously supplied. This information should once again be presented.

RAIL monitors the use of non-renewable energy (diesel) and this is monitored in the form of data which records use of diesel per tonne of FFB (5.4.2). See comments above with regards renewable energy use.

At present steam is still around 80% of energy provided in the processing of the oil palm however this is now not certain as all operations are now not including included in regards to fuel use.

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

5.4.2 Observation: The fuel used for all operations including field, mills and contractors operations is now not being measured and monitored with regards to non-renewable energy use.

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

There is no burning in new developments or at replanting. Burning is not allowed by RAIL and there is no evidence of burning (5.5.1)

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

Burning of domestic waste is against company policy and has been mostly eradicated. There was no evidence of domestic burning sighted at any time during this inspection (5.5.3).

The incineration of all medical wastes such as sharps, used bandages and gloves is permitted (5.5.4). Records are maintained of the amounts destroyed. This is carried out using a specially designed and constructed incinerator which is available at the local hospital.

Traditionally people use fire for clearing new gardens and hunting. However, the growers explained, this is controlled burning. During the audit, the auditor explained the importance of minimal use of fire under RSPO principles and criteria.

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

Assessments have been carried out on all recognised polluting activities and include gas and smoke emissions, particulate and soot emissions, effluent control, treatment and discharge (5.6.1). Any Significant pollutants and emissions have been identified (5.6.2). There is a plan in place to reduce pollution – this is included in the aspects/impacts register and the waste management plan. This includes ensuring smoke emissions are below thresholds. Also POME used for land application meets stated criteria. This has been the case for Gusap Oil Mill.

RAIL is now not keeping adequate records of mill emissions and effluent including critical data such as Smoke emissions, BOD levels, Total Suspended Solids and Oil & grease as required by the relevant environmental permits.

5.6.2 Observation: They appear to be below allowable limits and RAIL has aims which they have set themselves which are below the limits set by the relevant government entity however the methodology for measuring smoke emissions is being applied inconsistently and the data cannot now be relied upon. The results are varied for example the highest measure was 40% yet the average was 46%. On some occasions the readings were around 67% which is not feasible seeing the efficiency of the mill.

Stack emissions are now being measured by visual as the opacity metre is not operational at the moment –

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

The treatment methodology of POME (5.6.3) is recorded in effluent pond management plans and in MG 11 however RAIL is not discharging POME at this stage and on the few occasions they do this is for land application for which they have a permit.

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.

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

RAIL has a social impacts register (indicator 6.1.1) that includes a timetable with responsibilities for mitigation

and monitoring (indicator 6.1.3). The register is also used to demonstrate continuous improvement (indicator 8.1.1).

The register is updated on a regular basis.

The register is currently very detailed. The Community Relations Manager intends to reduce the number of impacts in the register by focusing on priority social issues. This idea is supported, as the document will become more manageable and therefore easier to effectively involve a range of stakeholders in the identification of social impacts and the preparation of mitigation strategies. It should also allow more detailed information to be provided (including baseline data, targets and achievements) for the priority social impacts. RAIL has initiated a program to collect data at village level in more than 40 local villages, and NBPOL has engaged Voluntary Services Overseas (VSO) to conduct a needs analysis of communities in which NBPOL operates. This continues to happen and progress is reviewed in the social impact register,

Both initiatives continue to provide background data to develop strategies to guide the Company in the assistance provided to local communities. These initiatives contribute to the requirements outlined above, and are not being relied on as the only mechanisms to identify social impacts, develop mitigation strategies, or demonstrate continuous social improvement

However, RAIL has identified the significant issues and it has a program to implement, manage and monitor these measures and the recommendations in the SIA report and these are covered under the CIP (Appendix C).

RAIL has a Social Impact Register (indicator 6.1.1) that includes a timetable with responsibilities for mitigation and monitoring (indicator 6.1.3). The register is also used to demonstrate continuous improvement (indicator 8.1.1). The register is updated every six months. The current Social Impact Register, dated April 2014, provides a good overview of the main social issues facing workers, dependents and the local community, and provides an excellent framework for focusing mitigation strategies on the most important social issues.

6.1.3: Observation: A timetable with responsibilities for mitigation and monitoring, reviewed and updated as necessary, in those cases where the assessment has concluded that changes should be made to current practices.

Financial management training for the Aridagan ILG executive, and possibly financial literacy training for other ILG members, should be included in the Social Impact Register and implemented as soon as possible.

The Aridagan ILG will receive a rapid increase in royalty payments as production increases over the next couple of years. In addition to royalty payments the ILG receives lease payments and has received a significant number of shares in NBPOL. The ILG executive has requested financial management training, and the Lands Officer has attempted to source training materials from NBPOL in West New Britain. This training is essential to help

ensure the effective management of ILG revenue, and the safeguarding of the shares in NBPOL.

The ILG is currently distributing royalties equally among ILG members while the lease payments remain in the ILG's bank account and are used for unforeseen events such as emergencies and burials. Although there is anecdotal evidence that some revenue is being used to improve housing, there is a need to raise financial literacy levels to help ensure the revenues are effectively used, savings encouraged at a household level, and potentially, some funds allocated specifically to community projects (such as improving water supply).

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

RAIL has a Community Engagement Framework and has a centralised process for recording and managing internal and external communication. This ensures that RAIL responds to all queries, requests for assistance and grievances.

The Community Relations Manager is engaging broadly with external stakeholders and is building stronger relationships between RAIL, local communities and various government agencies including local schools, health centres and the Police. Some of the achievements are discussed further under Criterion 6.5 and 6.11, and is a reflection of effective communication and a coordinated approach.

There is also extensive communication between:

- RAIL's Security and the Police;
- RAIL's medical officers and public health staff;
- Smallholder Affairs and Village Oil Palm (VOP) growers;
- The Lands Officer and the Aridagan ILG and other communities interested in growing oil palm; and
- RAIL's Training Officer and local education facilities.

6.2.2 Observation: Evidence of the policy being implemented – maintenance of a lots of stakeholders, records of all communication and records of actions taken in response to input from stakeholders and under the control of a nominated management official.

Additional awareness/training should be undertaken on RSPO, including the background to RSPO and the purpose and benefits of particular aspects of RSPO.

There appears to have been less awareness on RSPO and the benefits of RSPO over the past year. This includes, for example, awareness to smallholders on safe disposal of chemical containers, and safe storage of chemicals.

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.

RAIL has a grievance mechanism that is open to workers, smallholders and any other stakeholders. Details of the grievance and the response taken are recorded on a form. The form is sent electronically to the Sustainability Department, which monitors the grievances to ensure all grievances are responded to. There is scope to provide additional details on the grievance form to indicate whether the person raising the grievance was satisfied with the outcome, and the time taken to respond to the grievance.

To help ensure the grievance mechanism is effective, it is important that regular awareness is provided on the grievance mechanism within the workforce and among external parties, including smallholders, ILG members and other people/organisations in the community. 6

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

Observation 6.3.1: More awareness of the RSPO system and grievance mechanism for the smallholder is needed. Majority of the smallholders interviewed were not aware of the grievance system although they know they can bring their concerns to RAIL.

The auditor understands that there is a communication form that RAIL executive staff could fill and pass on grievances of concern to a designated email account that has controlled access.

There needs to be good linkage of the initial grievance record with the communication form system that is in place.

The Head of Oil Palm, Ruari Macwilliam has established quarterly meetings with the growers association.

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.

RAIL has entered a lease-lease back agreement at Ngaru, with the Aridagin ILG, and is having discussions with other groups (6.4.1). The procedures and processes for identifying customary owners and discussing the entire process are documented in Management Guideline #21 (6.4.3). The Guideline was updated in 2012. Information is also provided on the likely levels of production and financial benefits. In addition to a series of meetings, the Lands Officer has frequent discussions with senior clan members, and subsequently ILG executives, and can be contacted by phone if there are any queries or grievances and is the key person within the Company for raising awareness on the benefits and costs associated with oil palm development on customary land (6.4.2).

Members of the Aridagan ILG that were interviewed during the audit expressed satisfaction with the process undertaken and outcome to date. They also indicated that they understood that the price used to calculate royalties will fluctuate due to changes in world prices. It is also worth noting that the Aridagan ILG had elections for executive members in the past year, which resulted in some change, and is an indication that the ILG is functioning in accordance with the requirements of the Act.

ILG members did express a desire to be involved in business opportunities, and have had discussions with the Community Engagement Officer in this regard. Similarly, members of Yaru Clan expressed satisfaction with the process to date and also expressed a desire to be involved in business opportunities relating to the development and operation of oil palm on their land. Members of the Aridagan ILG also expressed an interest in financial management training, which has been included as an observation under Criterion 6.1.

There is strong community support for the development of oil palm at Ngaru, and in other nearby communities.

There is a documented process for identifying legal or customary rights as defined under the PNG Lands Act (6.4.4). The process includes conducting a genealogy study to identify customary rights and notification of all parties who must be present during the land survey. RAIL has documented the process for access to customary land as, which includes identifying legal and customary rights to land ownership and land use rights (Refer to Criterion 2.2).

Land in the Gusap Downs Plains is communally owned by clans. The clan leaders decide on who uses how much of the land and for what. The PAF contains proof of discussion between the block owner and the clan leaders. Any issues regarding loss of legal or customary rights are dealt with through the local village system

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.

Wages

Employees receive free housing, electricity, water and medical benefits and are paid in excess of the minimum rural wage. Employees not provided with housing receive a 'housing gap' payment equivalent to K2.20/day. As noted under Criterion 6.6, RAIL and the Ramu Agri-Industries National Employees Union are currently negotiating a Collective Bargaining Agreement for the next two years.

All permanent RAIL employees receive superannuation benefits following their three-month induction period.

RAIL completed research on the cost of living of employees and their families and prepared a report titled RAIL Bilum Index Report 2014. The results

indicated that minimum wage levels were currently sufficient to meet the cost of food and other basic necessities for an average family of five. The results also indicated:

- Reasonable food prices in the main stores at Ramu, when compared to store prices in Lae or Kainantu;
- Very low financial literacy levels; and
- High dependency on short-term cash loans, which attracted very high interest charges.

The dependency on short-term loans was regarded as a result of poor financial management skills. The survey report included several recommendations that RAIL could consider to improve the quality of life of the employees, including financial literacy training, alternative financial management arrangements, additional garden space, projects to increase protein availability, and further research. Since the research was undertaken, the Bank of South Pacific (BSP) has provided some financial literacy training. However, substantially more training (or alternative mechanisms to transfer information) will be required to increase financial literacy levels within the workforce and dependents.

Some smallholders hire workers (youth and church groups) to do harvesting and upkeep. All hired workers are paid on piece rate of K50 to K200. Work is usually for a day or two at the most making the amount paid more than the minimum wage rate per day.

Housing

RAIL completed a detailed analysis of its housing requirements in August 2011. The shortfall was included in the Capex Budget for 2012. Many houses have since been constructed. However, additional houses (over and above those projected in the 2011 report) will be required as some of the assumptions in the report have not been accurate (e.g. the estimated number of RAIL employees per family). A revised report has been prepared, based on updated information on the area of oil palm and key assumptions, which outlines additional housing requirements and Capex requirements in future years. The revised report also includes a new product to accommodate Grade 1 and 2 employees. The new DLQ design is a building that accommodates four families and includes a range of new materials that result in a house that offers more living space, excellent ventilation, better insulation and lower maintenance requirements. The revised housing program also includes an improved design for external cooking facilities.

Other benefits/services

The billum index survey included questions on the quality of life as a RAIL employee. Results indicated that 57% of survey respondents thought that their life as a RAIL employee was better than living in the village; 12% said it was similar, and 31% said it was not as good as in the village. RAIL does provide a range of services to employees and dependents, including:

- A relatively high standard of health care;
- Assistance to access elementary and primary schools and funding assistance for secondary education expenses;
- Land to make food gardens (including a change in regulation to allow food gardens near houses);
- Sports programs;
- Other entertainment and resources, which are available at the Senior Management Club, Junior Staff Club and Ramu Community Resource Centre; and
- Security.

RAIL works closely with the Police to provide a secure and safe environment. RAIL assisted the Police resolve several incidents over the previous year, unrelated to RAIL, but impacting on workers and dependents. More than 30 RAIL employees have been trained as Police Reserves.

RAIL also conducts awareness activities in the housing compounds, for example, to raise awareness on domestic violence, or to promote higher standards of health and hygiene.

The RAIL smallholder affairs office at Gusap has commenced establishing a filing system, with back up, associated with the points outlined in 1.1 and 6.3 above, and this is proving successful and effective.

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.

NBPOL has a policy recognising freedom of association and Union officials are involved in employee inductions.

The Ramu Agri-Industries National Employees Union has increased its membership to more than 1,500 members, which represents around 40% of the workforce. The Union held elections in October 2013. This resulted in the re-election of 2 executives and election of 2 new executives. The Union has around 15 shop stewards, who are located in all areas of the Company's operations. Union members meet periodically, and while the Union has not met with RAIL management on a regular basis since February 2014, they have met as and when required. Minutes are circulated and held by both parties.

At present, RAIL and the Union are re-negotiating a two-year Collective Bargaining Agreement following the submission of a Log of Claims in May. The CBA covers pay rates, entitlements and other employment conditions.

The smallholder growers are aware that they are free to join any association they desire. There is currently no

grower's association for RAIL smallholders. The auditor was advised that a grower's association was at conception phase. The representatives have been appointed and the organization is awaiting registration with IPA.

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

There is a policy on child labour which prohibits employment of children under the age of 16 (6.7.1) and this is socialised and constantly monitored. There is no child labour allowed on RAIL estates. Children are not allowed in the field with the parents and are not allowed under regulations to participate in any work activities including loose fruit collection.

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

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

All the growers interviewed were aware of not using children for oil palm work when it might interfere with their educational programmes. The growers did admit to children being used for light work, such as loose fruit picking and upkeep under adult supervision during weekends and school holidays.

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.

NBPOL has a Human Rights Policy (dated June 2011) and displays this on noticeboards. The Human Rights Policy covers aspects of discrimination as required. The Company's Legal Officer advised there are no known constitutional infringements. Interview of male and female workers did not identify any cases or forms of discrimination (6.8.2). The Policy is available to the public and includes PNG constitutional requirements.

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

RAIL has a 'Commitment to Address Domestic Violence' dated 17 April 2013. The Welfare Officer has raised awareness on domestic and other forms of family violence, and implemented an approach to deal with domestic violence that gives increased responsibility to managers to deal with domestic violence and ensure that victims/survivors are provided first with medical treatment and/or protection, if required, and subsequently with the awareness and opportunities to

take the course of action they desire, which may include counselling, disciplinary or legal action. In addition to awareness, training has been provided to managers, other staff, the Police and District and Village Magistrates.

6.9.1 Opportunity for Improvement: (i) The Sustainability Committee, which comprises all Department Heads, should be provided with family violence statistics that are compiled by the Welfare Officer. The statistics provide the number of incidents reported by type of incident, by department, and by level of employee.

(ii) The Welfare Officer should be provided with additional support and preferably a full-time assistant who can assist with counselling and other duties. RAIL has a policy against sexual harassment and domestic violence, and a specific grievance mechanism (6.9.1 & 3).

RAIL also provides 12 weeks maternity leave, of which 2 weeks is paid leave, and 2 x 45 minute breaks each day for breastfeeding for a period of up to 6 months (6.9.2).

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

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

The Community Relations Manager is raising awareness among Heads of Departments that local business groups should be given consideration when letting contracts. This aims to boost local employment levels, local income levels, and improve the relationship between the Company and local communities. This complements the as ples recruitment drive, which gives preference to local people when RAIL recruits permanent or casual workers. The development of oil palm on land registered to the Aridagan ILG has been undertaken primarily by workers from local villages. This has substantially boosted local income levels over the past three years, and largely avoided social issues that can result from an influx of outside workers.

RAIL has the price formulation clearly displayed at the SHA office. Smallholder growers know they can enquire to get this information from the RAIL SHA office.

There were no complaints (6.10.4) recorded during the assessment by contractors, and it appears that contractors are dealt with fairly and are aware of the contractual agreements they enter into.

RAIL has continued a process whereby contracts are reviewed by the Community Relations Manager to ensure any opportunity to utilise local people is required as part of the contract. This change should provide employment opportunities for local people, particularly during construction activities, including activities under the Tax Credit Scheme. This complements the as ples recruitment RAIL has therefore demonstrated its support for local businesses, for example, the support

provided to a local company engaged to construct houses, offices and other facilities. RAIL is to be commended for this.

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

EFB is available to small holders if required (6.10.5).

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

RAIL provides substantial support to local communities and local service providers. An overview is provided below:

- Agreement has been reached for RAIL to help manage the Gusap Health Centre. The provision of health services will be coordinated with RAIL's main clinic, and will result in a higher and more reliable level of health services to the public.
- Assistance is provided to local police officers, including vehicles, vehicle maintenance, operational expenses and training.
- RAIL is constructing additional elementary schools and is providing assistance to existing schools. RAIL is working in cooperation with the Madang and Morobe Education Divisions. RAIL is also supporting the establishment of the Ramu High School.
- As noted under Criterion 4.8, RAIL provides substantial training for third parties (i.e. outside the workforce), which includes:
 - o 11 tertiary scholarships for students from local villages ('as ples' scholarship scheme);
 - o Over 50 training placements in RAIL for students from local vocational centres and technical colleges;
 - o Training relating to family abuse for the Police and District and Village Magistrates; and
 - o Sports-related training.
- Encouraging the growth of town facilities and maintaining and providing security for the area; and
- Grants to various sporting bodies and other local organisations.

RAIL is also supporting local development through use of the Tax Credit Scheme. RAIL has received formal approval from both the Provincial and National Governments for three projects, and has requested approval for their funding from NBPOL (which is responsible for allocating TCS funds between the operations in West New Britain, New Ireland, Oro, Milne Bay and Ramu). The projects include:

- A double classroom and teacher's house at Watarais Primary;
- A double classroom and teacher's house at Dumpu Primary; and
- Police barracks at Gusap.

Following the preparation of a needs analysis in West New Britain, New Ireland and Ramu, the UK's Voluntary Service Overseas (VSO) intends to implement a 'One Hour Principal' pilot project at Ramu. Funded by the NBPOL Foundation, the project intends to focus on health, education and water supply.

6.11.1 Opportunity for Improvement: It may be more effective if support provided by the NBPOL Foundation focused on water supply in the Markham and Ramu Valleys, as:

Water is usually identified as the greatest priority by local communities (and was clearly identified in the VSO needs analysis as the most valued component of people's homes and environments).

RAIL has demonstrated, over the past two years that substantial improvements can be realised in both health and education, through Public-Private Partnerships, which entail a coordinated approach between RAIL, local institutions, local communities, the Madang and Morobe Provincial Governments, and the local Members of Parliament.

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.

All new growers have established plantings on their own clan land, using a version of the Planting Approval Form (PAF) to ensure compliance with RSPO P&C.

There was new planting undertaken in late November 2013 following a New Planting Assessment. However this planting was on a government lease area.

As this is a conversion from sugar cane to oil palm RAIL already has in place an existing lease. J Estate is therefore part of the state agricultural lease held by RAIL. The lease is recognised and uncontested by all stakeholders including the original landowners of J Estate.

Only a few concerns were raised by the closest village – Marasasa with regards to the conversion and these including the villagers have expressed a desire to have first preference for employment and small business contracts during the preparation, planting and management of J Section.

In awareness sessions the villages also agreed their people may not be willing to accept jobs offered and may lack the capacity to fulfil contract requirements.

The villages have also stated that they have land in other areas to plant subsistence gardens, harvest sago and collect traditional building materials.

RAIL plans to update its Social Impact Assessment in the coming year. The SIA will provide an opportunity to gather additional information on the social impacts occurring as a result of oil palm development, including oil palm grown on State lease, oil palm grown on customary land under a lease-lease back agreement, and oil palm grown by smallholders. The SIA will also provide an opportunity to review the effectiveness of previous/current social impact management strategies, and identify new opportunities to either enhance positive impacts or mitigate adverse impacts.

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.

As this is a conversion from sugar cane to oil palm RAIL already has in place an existing lease. J Estate is therefore part of the state agricultural lease held by RAIL. The lease is recognised and uncontested by all stakeholders including the original landowners of J Estate.

Soil Surveys are undertaken routinely as part of the management of RAIL.

Prior to planting oil palm in a block, a field inspection is carried out by RAIL SHA staff prior to planting of the seedlings. This is part of the PAF.

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

Further HCV are not required under PNG Criterion 7.3 for crop conversion and the SEIA did not identify any potential HCVs.

A full HCV assessment was completed for all the activities of RAIL in May 2009 by Envirollogic Consulting. This HCV assessment and current assessment identified no HCV areas although 5 areas of interest were highlighted in the report. With regards to the above criteria a full HCV assessment was not required on the occasion of this crop conversion from sugar cane to oil palm.

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

There are no known fragile or problems soils at RAIL in the new planting area – J Section.

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.

As this is a conversion from sugar cane to oil palm RAIL already has in place an existing lease. J Estate is therefore part of the state agricultural lease held by RAIL. The lease is recognised and uncontested by all stakeholders including the original landowners of J Estate.

The procedures and processes for identifying customary owners, calculating compensation and discussing the entire process are documented in Management Guideline #21. The Lands Officer provides awareness to local communities who are interested in having oil palm grown on their land. Discussions are occurring in accordance with the Guideline and the Lands Officer has a good relationship with local communities.

All new plantings made have a signed PAF agreement for which the traditional landowners give permission for planting oil palm.

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.

As this is a conversion from sugar cane to oil palm RAIL already has in place an existing lease. J Estate is therefore part of the state agricultural lease held by RAIL. The lease is recognised and uncontested by all stakeholders including the original landowners of J Estate.

No compensation is therefore applicable to this new planting.

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.

Fire has not been used by RAIL in the preparation of J Section for planting. This is against company policy.

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

Continuous improvement is a key requirement and a particular strength of the RSPO Principles and Criteria. RAIL has prepared a Continuous Improvement Plan. The Plan indicates substantial improvement in the majority of issues identified.

It may be appropriate to include a sub-heading titled 'Social Improvement Plan' and group the social issues together. Furthermore, it is recommended that a Social Improvement Plan (summarising the main social impacts, the proposed mitigation strategies, the

implementation strategy, timeframe, responsibility and targets), in accordance with that required under Criterion 6.1.3, be the primary document for demonstrating continuous improvement in regard to social impacts.

The Social Impact Register includes mitigation strategies and identifies progress in implementing these strategies. A summary from the Social Impact Register has been included in the Continuous Improvement Plan.

Indicator 8.1.2: Timely response to RSPO audit findings

RAIL has responded adequately to the RSPO findings from the April 2013 assessment.

A Continuous Improvement Plan is attached. Appendix C.

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

PREVIOUS MINOR NONCONFORMITIES

There were No previous minor non conformities raised as a result of the previous assessments.

MINOR NONCONFORMITIES

Two Minor Nonconformities were assigned against Minor Compliance Indicators during this assessment.

NC Reference: 105507N1

4.7.2 Minor NC: In a number of operational areas including buildings, workshops and others the management of identified hazards and risks was not effective. There were no workplace inspections carried out between October 2013 and April 2014. Further some work permits for high risk work in the mill are not at times being completed correctly and not signed of when the work is complete.

NC Reference: 105507N2

5.3.2 MINOR NC: There was no good waste management and disposal plan for the used agrochemical containers, particularly the used glyphosate containers. Almost all the smallholders interviewed admitted to reusing the containers. Although the containers are mainly used for storage of liquid fuel (kerosene and petrol), there is the probability that this can be used for storing water. These containers are to be disposed off in a specified way.

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

OBSERVATIONS / OPPORTUNITIES FOR IMPROVEMENT

The assessment identified Nine (9) Observations and three (3) Opportunities for Improvement. The progress with the Observations/Opportunities for Improvement will be checked during the next Surveillance Assessment visit scheduled for twelve months after certification date.

2.3.6 Observation: A CLUA form for Ismael Kisa dated 15 May 2013, was not signed off by block owner himself and the clan leader, although being signed off by RAIL management. It was confirmed that this block has been planted with oil palm already. Such error should not be overlooked especially with the importance of this document being legal and binding. All CLUA records must be accurate and complete.

4.6.10 Observation - The storage of agrochemicals and PPE in the main living house of smallholders is a major concern. Better storage facility for oil palm chemicals and PPE is required

5.2.3 Observation: A number of signs used to identify HCV and Reserve areas are damaged and require replacement also a number of signs do not identify RAIL as the authority which is prohibiting hunting, fishing and other activities in these areas.

5.3.2 Observation: The land fill at Gusap was set alight by a supposed arsonist on Saturday 14th June and was allowed to burn until June 17th by Gusap management until it was extinguished.

5.4.2 Observation: The fuel used for all operations including field, mills and contractors operations is now not being measured and monitored with regards to non-renewable energy use

5.6.2 Observation: They appear to be below allowable limits and RAIL has aims which they have set themselves which are below the limits set by the relevant government entity however the methodology for measuring smoke emissions is being applied inconsistently and the data cannot now be relied upon. The results are varied for example the highest measure was 40% yet the average was 46%. On some occasions the readings were around 67% which is not feasible seeing the efficiency of the mill.

6.1.3: Observation: A timetable with responsibilities for mitigation and monitoring, reviewed and updated as necessary, in those cases where the assessment has concluded that changes should be made to current practices.

6.2.2 Observation: Evidence of the policy being implemented – maintenance of a lots of stakeholders, records of all communication and records of actions taken in response to input from stakeholders and under the control of a nominated management official.

6.3.1 Observation: More awareness of the RSPO system and grievance mechanism for the smallholder is

needed. Majority of the smallholders interviewed were not aware of the grievance system although they know they can bring their concerns to RAIL.

1.1.1 Opportunity for Improvement: During the smallholder interviews, there seem to be a general understanding of sustainable practices. However, there seem to be a lack of understanding of RSPO principles and criteria, which in future could affect the implementation of RSPO. Apart from the good awareness made on sustainability generally, more awareness of RSPO is needed.

1.2.1. Opportunity for Improvement RAIL could raise awareness that certain documents are publically available, and raise awareness of which documents are publically available, both among the workforce and externally. This will facilitate increased transparency.

5.3.1 Opportunity for Improvement: The majority of smallholder growers, including the ones that live on their oil palm block, do not have good waste management systems. There was a lack of rubbish pits and pit latrines. This should be encouraged in the RSPO awareness.

3.3 Noteworthy Positive Components

Over the past year RAIL has made substantial progress in addressing many of the main social issues facing workers, dependents and other members of the local community.

There are a number of positive changes that have occurred since the surveillance assessment in April 2013, including:

- The opening of a major supermarket and bank;
- The government decision to develop Ramu High School;
- Agreement for RAIL to help manage the government-run Gusap Health Centre;
- The commencement of oil palm production and payment of royalties to the Aridagan ILG;
- The registration of the Yaru ILG (May 2014);
- The completion of a billum index survey to assess the cost of living at Ramu and collect information on a range of related issues;
- The conduct of some financial literacy training by the Bank of South Pacific (BSP) as a result of the findings of the billum index survey;
- Progress in resolving a land dispute with the Dumpu Resource Owners Association; and

- The commencement of discussions relating to a Collective Bargaining Agreement with the Ramu Agri-Industries National Employees Union.

In addition, RAIL continues to provide:

- A high level of health care to workers, dependents and surrounding communities;
- Substantial training;
- Support for recreational activities, including the Junior Staff Club and an active sports program for workers, dependants and the surrounding community.
- Very high productive blocks with one particular block at Ngipangdarias producing at 37 tonnes per ha.
- Majority of the blocks were very well kept
- All smallholder growers interviewed had a copy of their CLUA
- Maps for all the blocks was available

Almost all the RAIL smallholders do not have previous oil palm experience. This provides a unique opportunity for RAIL to teach best management practices for sustainable productivity.

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

No individual issues raised however, RAIL faces a number of challenges, including:

- Progressing the development of the Impu area, due to the government's suspension of lease-lease back agreements as a result of the Commission of Inquiry into Special Agricultural and Business Leases;
- Overcrowding in Company houses;
- Effectively managing domestic violence and family abuse; and
- A potential rise in the incidence of HIV in the first half of 2014.

These challenges are discussed further in the main body of the report.

Client Actions: Plans were shown to indicate housing issues are well known by the client and plans are in place to systematically improve and provide more housing to reduce overcrowding. Several million kina set aside in each budget year.

Auditor Response: Due to financial constraints the client has but in place a plan to improve housing this is acceptable however it will be followed up to ensure process is made as subsequent assessments.

**3.5 Acknowledgement Of Internal Responsibility
And Formal Sign-Off Of Assessment Findings**

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

Signed for on behalf of
RAIL



.....
Mr Jamie Graham
General Manager

Date: 10.7.14

Signed for on behalf of
BSi Management Systems Singapore Pte Ltd



.....
Mr Allan Thomas
Lead Auditor

Date: 10.7.14

Appendix “A”

RSPO Certificate Details

New Britain Palm Oil Limited
Post Office
KIMBE
WEST NEW BRITAIN PROVINCE
PAPUA NEW GUINEA

Certificate Number: SPO 554913
Certificate Issue Date: 5.8.2010
RSPO Member No. 1-0016-04-000-00

www.rai.com.pg

Applicable Standards: RSPO Principles & Criteria: 2007; PNG National Interpretation: 2008; Annex 4: Procedures for Annual Surveillance; Supply Chain Certification Standard: November 2011, Module D – CPO Mills: Segregation.

| | |
|---------------------------|----------------------------------------------------------------------------|
| Name | Gusap Mill & Supply Base |
| Location | Ramu Oil Palm Plantations, Morobe and Madang Provinces, Papua New Guinea |
| Address | Ramu Agri-Industries, Gusap, P.O. Box 2183, Lae 411, Morobe Province, PNG. |
| GPS | South 06° 04' 23.5", East 145° 59' 4.5" |
| CPO Tonnage | 56,294 |
| PK Tonnage | 10,773 |
| PKO Tonnage | 4,105 |
| Plantations FFB Tonnage | 225,177 |
| Small holders FFB Tonnage | 6890 |

Appendix “B”

Fourth Annual Surveillance Audit Programme

RSPO Audit Plan 16-18 June 2014

Sunday 15th June

- Allan, Mike, and Deanne arrive in Port Moresby from
- Proceed to POM-Lae flight
- Pick up from Lae airport (Nadzab) and proceed overland to RAIL

Monday 16th May

| Time | Activity | Allan Will Serah | Mike Ian Cyril | Deanne JK/RD Kelly | RAIL Attendees |
|---------------|-----------------------------------------------------------------------|------------------------|----------------------|--------------------------|-----------------------------|
| 8am | Entry Meeting | X | X | X | PCM |
| 9am | Review of 2013 Audit Report and corrective actions | X | X | X | Will Unsworth Ian Ellery |
| 10am | Gusap East Estate | X | | | Pieter Havenga |
| 10am | Gusap area Community Meeting - Watarais/Marawasa with Michael Philips | | X | X | Ian Ellery |
| 12-1pm | Lunch | X | X | X | Ramu Guesthouse |
| 1.30pm | J-Estate New Development | X | | | John Komni, |
| 1.30pm | Ngaru New Development ILG | | X | | Alex Orme |
| 1.30pm | Gusap Smallholder Interviews | | | X | Robinson Danny |
| 3pm | Gusap West Estate Manager – Grievances, Housing, PPE, training | | X | | Roy Alumedi |

Tuesday 17th June

| Time | Activity | Allan | Mike | Deanne | RAIL Attendees |
|---------------|--------------------------------------------------------------------------------|--------------|-------------|---------------|--------------------------------|
| 8am | GPOM (mill, workshop, and ponds) | X | | | Pushpanathan Muniandy |
| 8am | Dumpu smallholders | | | X | John Komni, Robinson Danny |
| 8am | Social Impact Register | | X | | Ian Ellery |
| 9.30am | Personnel and Training Manager (Contracts, Pay and Conditions, Training, etc.) | | X | | Frank Mitiel, Rubi-Anne Wahune |
| 11am | Gusap Landfill | X | | | Pieter Havenga |
| 11am | Rail Clinic | | X | | Dr. Yongoe Kambue |
| 12-1pm | Lunch | X | X | X | Ramu Guesthouse |
| 1.30pm | Surinam Estate | X | | | Leo Guru, Geeman Pangerie |
| 1.30pm | Dumpu smallholders | | | X | John Komni, Robinson Danny |
| 1pm | Ramu Sugar Union | | X | | Frank Mitiel |
| 2pm | Training Officer | | X | | Rubi Wahune |
| 3pm | Welfare Officer | | X | | Claire August |
| 3.30pm | Kem Saksak HCV | X | | | Will Unsworth |

Wednesday 18th June

| Time | Activity | Allan | Mike | Deanne | RAIL Attendees |
|---------------|----------------------------------------|--------------|-------------|---------------|-----------------------------|
| 8am | Buildings and Construction | X | | | Omba Tiba |
| 8am | Taporapo Community Meeting | | X | | Ian Ellery, Alex Orme |
| 8am | Smallholders Training Plan | | | X | John Komni, Robinson Danny |
| 9am | Central Workshop | X | | | Wally Croker, Keve Mama |
| 10am | Central Stores | X | | | Greg Kirkpatrick |
| 11am | Document review | X | X | | Will Unsworth Ian Ellery |
| 11am | Time available for additional meetings | | | | As required |
| 12-1pm | Lunch | X | X | X | Ramu Guesthouse |
| 1pm | Auditors forum | X | X | X | |
| 3pm | Exit Meeting | X | X | X | PCM |

Thursday 19th June

Depart – PX 103

Appendix “C”

CONTINUOUS IMPROVEMENT PLAN

RAMU AGRI-INDUSTRIES LTD

2014-2015

Action Plan for Continual Improvement in Sustainable Performance 2014-2015

Introduction

This Action Plan for Continual Improvement identifies the planned actions that RAIL will undertake 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](#)
- [Social Impacts](#)
- [OHS](#)
- [Legal and Transparency](#)
- [Forward Planning](#)

RAIL commits to maintaining and reporting on progress of implementing this improvement plan commencing July, 2011 and reviewing it annually. By following this plan, RAIL will continually improve its performance.

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

These sustainability principles are defined in the following locations:

- RSPO Principles and Criteria (PNG NIWG 2008)
- 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 RAIL 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 RAIL 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 July 2011. 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 2036 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.

RAIL CONTINUOUS IMPROVEMENT PLAN 2014-15
(REVISED June 2014)

1. Pesticides

| No. | Improvement Action | Reference | Expected Outcome | Timeframe | Indicators | Responsibility |
|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|
| 1.1 | Establish Chemical store and mixing area at Ngaru 1 | | Reduced crowding at Gusap Div 2, reduced risk of spillage whilst travelling from Gusap to Ngaru 1 | December 2014 | Facility Constructed | Head of OP |
| 1.2 | Establish monitoring of pesticide and herbicide registration requirements in the Papua New Guinea and confirm compliance by suppliers. Work with Government and suppliers to clarify this issue as necessary. | | Ongoing compliance level with Papua New Guinea registration requirements | December 2014 | All chemicals used have evidence of PNG registration, and DEC Pesticide Permits | Stores & Purchasing Manager / Legal Officer/ Sustainability Manager |
| 1.3 | Review Smallholder/VOP chemical use and training to ensure RSPO requirements are complied with. Include sprayer training | | Increased yield from Smallholders, higher compliance levels | Completed Focus now on effective implementation | Smallholders have certificates as evidence of training in chemical handling and application | New Developments Manager / VOP Manager |
| 1.4 | Avoid pesticide contamination of streams and drains with flowing water | | Reduce water contamination and increase compliance with PNG logging Code of practice | December 2013 for Gusap Estates December 2014 for Dumpu and Surinam Estates | Palms within designated sites clearly marked as per SOP for Red Banding Palms | Ho OP/ Estate Managers |
| 1.5 | Document process and approach to IPM. Include process for justification for selection and use of chemicals | | Improve understanding and implementation of IPM Long term goal to reduce pesticide use | IPM complete Ongoing refinements and improvement | Documented IPM system including monitoring, assessment, communication, treatment selection, application | Head of R&D |
| 1.6 | System for regular monitoring and reporting of pest and disease issues | | Demonstrate active monitoring of pest and disease issues to | December 2013 | Pest and disease monitoring scheduled and carried out | Head of R&D, Head of OP, Head of Beef and Head of |

| | | | | | | |
|-----|-----------------------------------------------------------------------------------|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------------------------------------------|------------------------|
| | to be established on site | | <p>raise awareness of common problems and solutions.</p> <p>Incorporate into Workplace Inspections</p> <p>Provide training on pest and disease identification</p> | | | Sugar |
| 1.7 | Expand pesticide toxicity monitoring to Beef, Sugar, Forestry, Estates, R&D, etc. | | Long term goal to reduce pesticide use through awareness of rates applied | August 2014 | Pesticide usage tracked and reported internally | Sustainability Manager |

2. Environment

Environmental impacts of RAIL 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 |
|-----|--------------------------------------------------------------------------------------------------------------------------------------|-----------|------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|
| 2.1 | Improve culvert designs and installation methods to reduce drainage problems | | Reduced erosion of roads and reduced siltation of water courses. | Design and training complete through OP. Ongoing implementation and monitoring | Absence of evidence of erosion. | Estate Managers (damage assessment and monitoring) Transport and Infrastructure (for implementation) |
| 2.2 | Progressive removal of unharvestable palms overhanging watercourses to reduce the quantity of fruit and fronds that cause pollution. | | Fewer harvester accidents, reduced pollution of waterways. | Ongoing | Harvesters working on even ground, fruit and fronds kept out of drains and waterways. | Estate Managers |
| 2.3 | Monitor and report on water use to raise awareness of water use | | Reduced water consumption, reduced mosquito population with resultant malaria reduction. | June 2012 for installation of meters (DELAYED – DECEMBER 2014 for meters) Q1 2015 for onsite monthly monitoring reports to focus reduction | Absence of leaks and water logging in compounds | Individual site managers |

| | | | | | | |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| 2.4 | <p>Reduce mosquito breeding sites</p> <ul style="list-style-type: none"> a) By reporting and promptly addressing potential breeding areas b) Ensure housing and workplace inspections include assessing the presence of mosquito breeding areas c) Ensure internal audits include assessing the presence of mosquito breeding areas <p>Partnership with PNG Industry Malaria Initiative (PIMI) will enhance achievement of these goals</p> | | <p>Reduce mosquito breeding sites</p> <p>Reduce malaria infection rates</p> <p>Increased profile of monitoring and reporting to HoDs</p> | <p>Ongoing</p> <p>Long term goal</p> <p>Ongoing</p> | <p>Records of inspections show reduced incidence</p> <p>Malaria infection rates falling</p> <p>Monthly reporting mechanism in place</p> | <p>Sustainability Manager</p> <p>CMO to monitor and report</p> <p>CMO / Sustainability Manager</p> |
| 2.5 | <p>Reinstate buffer zones along waterways in accordance with the Logging Code of Practice. RAIL will progressively re-establish buffer zones along river banks and areas unsuitable for oil palm if resources permit.</p> <p>Research programs enhanced (2014) into species suitable for reforestation at RAIL</p> | 4.4.2 | <p>Less riverine erosion, creation of wildlife corridors, trapping and filtering of plantation run-off.</p> | <p>Progressive planting to 2020</p> <p>Planting Plan March 2012 COMPLETE</p> | <p>Established buffer zones along all waterways within and alongside plantation areas.</p> | <p>Sustainability manager/ Head of Oil Palm / Head of Beef / Head of Sugar</p> |
| 2.6 | <p>Document and socialise definition of Riparian Buffer and HCV through awareness training to executives</p> | | <p>Improved understanding and compassion for riparian buffers and HCV areas</p> | <p>December 2014</p> | <p>Training provided</p> | <p>Sustainability Manager</p> |

| | | | | | | |
|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|
| 2.7 | <p>Prepare HCV and Biodiversity Management Plans for all areas of RAIL that define HCVs, monitor HCVs, and report on the level of protection provided</p> <p>Commenced a trial of ZSL HCV Monitoring system in April 2014</p> | | <p>Enhanced landscape for biodiversity and aesthetics</p> | <p>March 2014</p> | <p>Plans complete and communicated to sites</p> <p>Monitoring protocols trialled and reported to Group level</p> | <p>Sustainability Manager</p> |
| 2.8 | <p>Planting of trees on unsuitable grasslands.</p> | | <p>Enhanced landscape for biodiversity and fire management</p> | <p>Ongoing as per budget</p> | <p>Planting carried out as per plan and monitored</p> | <p>Sustainability Manager</p> |
| 2.9 | <p>Document soil conservation measures</p> <p>COMPLETE in Oil Palm. To undertake and rollout with Sugar and beef operations</p> | | <p>Enhanced soil management through good agricultural practice</p> | <p>November 2015</p> | <p>Agricultural SOPs reflect good soil management practices</p> | <p>Sustainability Manager/ Head of Oil Palm</p> |
| 2.10 | <p>Review WQ parameters testing in-line with DEC permits</p> <p>Implement monthly internal reporting on borehole water quality, river water quality, and effluent quality</p> | | <p>Ensure responsive management to WQ issues identified</p> <p>Ensure awareness amongst executives on compliance to DEC requirements</p> | <p>COMPLETE</p> | <p>WQ monitoring in progress</p> <p>WQ results reported internally</p> | <p>Sustainability Manager</p> |
| 2.11 | <p>Prepare chemical registers for ALL chemicals at RAIL with central MSDS catalogue available to all sites</p> <p>Prepare summary of MSDS where beneficial</p> | | <p>Improved awareness of chemicals stored</p> <p>Improved access to MSDS and safety information</p> | <p>COMPLETE</p> <p>Annual review of chemicals on order</p> | <p>Chemical register and MSDS checking process in place</p> <p>Summary of MSDS prepared</p> | <p>Sustainability Manager</p> |

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 also to the Waste Management plan for further details.

| No. | Improvement Action | Reference | Expected Outcome | Timeframe | Indicators | Responsibility |
|-----|--------------------------------------------------------|-----------|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|-------------------------------------------------------------------|
| 3.1 | Monitoring of Waste flows to roll out to all locations | | Record volumes and types of waste | July 2013 to commence IN PLACE at Warias Landfill. November 2014 for Surinam, Gusap and Leron landfills | Waste monitoring records are kept | Sustainability Manager |
| 3.2 | Waste Disposal long term planning | | Better long term planning for waste disposal options | September 2013 IN PLACE at Warias Landfill. November 2014 for Surinam, Gusap and Leron landfills | Long term plan for waste disposal is prepared | Sustainability Manager/Facilities Services Estate Managers |

4. Pollution and Emissions

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

| No. | Improvement Action | Reference | Expected Outcome | Timeframe | Indicators | Responsibility |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------|-----------|------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|------------------------------------------|
| 4.1 | Review Central Stores Chemical Shed for space and pollution control | | GIFAP compliant storage of chemicals | August 2014 | Facility assessed and alternatives drawn up | SPL Manager & Sustainability Manager |
| 4.2 | Develop standard designs for drainage and pollution prevention infrastructure | | Improved implementation of pollution control measures in all construction projects | July 2013 COMPLETE for Triple Interceptor. To prepare for bunds, silt traps, etc. | Preparation of standard designs | Sustainability Manager/Buildings Manager |
| 4.3 | Improvement to undersized and non-functioning Triple Interceptors at Gusap Workshop and Surinam Genset | | Improved pollution control at outlying centres | October 2014 ONGOING. Surinam, Dumpu complete, Gusap Workshop partial, others also added to list | Facilities constructed | Buildings Manager and Site Managers |
| 4.4 | Develop Methodology for desilting POME ponds at Gusap Palm Oil Mill | | Improved methodology for desilting ponds | COMPLETE | Methodology documented | Mill Manager / Sustainability Manager |
| 4.5 | Review and streamline data collection and reporting for smoke density data. Implement at GPOM and RSF - Additional training required | | Increase awareness of NBPOL performance targets, and monitor achievement | August 2014 | Procedure established (DONE) and implemented | Sustainability Manager |
| 4.6 | Review Environment Aspect Register and include washbays as source of sediment | | More complete assessment of pollution sources for control | COMPLETE | Register updated | Sustainability Manager |
| 4.7 | Prepare PCD Register including monitoring and maintenance schedule and recording forms | | Better management and effectiveness of PCDs | September 2014 | Register prepared (COMPLETE at Ramu, pending at GPOM, and estates) Monitoring and | Sustainability Manager |

| | | | | | | |
|-----|----------------------------------------------------------------------------------------|--|-------------------------------------------|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| | | | | | maintenance (PROCEDURE IMPLEMENTED) ongoing as scheduled | |
| 4.8 | Fertiliser storage requirements to be reviewed and addressed to better avoid pollution | | Improved controls over fertiliser storage | COMPLETE | Requirements and options for design reviewed Included in 2014-2018 5 year Plans Review decided that storage is not best option; should ensure rapid devanning and use | |

5. Social Impacts

Continued improvement in the social impacts of RAIL's activities include: construction of additional housing, establishment of stakeholder consultative committee, improvements to clinic facilities, improved communication and consultation with external stakeholders. Planning for increased housing is progressive as plantation rehabilitation activities reduce, staff turnover reduces and attendance improves.

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.

The Social Register provides greater detail on the programs underway.

| No. | Improvement Action | Reference | Expected Outcome | Timeframe | Indicators | Responsibility |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------------------------------------------------------------------------------------------------------|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|
| 5.1 | Review design and costing of haus kuks that provide greater space and privacy Expanded to include review of house design, costing, spacing, and haus kuk. Compound designs to be reviewed for allowance for employee gardens | | Improve hygiene and reduced sharing | July 2014 | Improved design and number of cook houses | Head of Oil Palm/Buildings Manager |
| 5.2 | Roll out regular sporting activities to all housing compounds | 6.5.6 | Increase in healthy activities Reduced social problems | Ongoing | | Sports coordinator |
| 5.3 | Improved access to education for children of Company employees | 6.5.6 | Increased attendance and achievement for school aged dependents of employees | Pending CAPEX approval in 2014 | Improvements at St. Lukes School AMENDED to Tax Credit spending at other local schools to reduce travel distance for employee children (Watarais Primary and Dumpu Primary) | Community Engagement Manager |
| 5.4 | NBPOL foundation/VSO Community Baseline Assessment for identification of 'development' needs in areas of Health and Education Rollout of Pilot project | (ref. Forest Policy) | More targeted understanding of infrastructure and assistance requirements in surrounding communities One Hour | COMPLETE | CBA completed and documented One Hour principle met in local communities | NBPOLF / Sustainability Manager / Community engagement Manager / VSO team |

| | | | | | | |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-----------------------------------------------|
| | for One hour Principle for access to Services with VSO | | principle met in local communities | | | |
| 5.5 | Clearer documentation on past and present land disputes for resolution | | Improved understanding of any land disputes and communication within the company | COMPLETE | All present land disputes documented All past land disputes documented | Lands Coordinator |
| 5.6 | Review of Social Register process | | Improved process for receiving and processing input into the Social Register from affected stakeholders Significant improvements in process achieved. Now to work on incorporating RAIL stakeholders to take ownership of social responsibilities, and share information | July 2013 to commence September 2014 | Process documented and commenced Confirmation of Social Engagement Framework | Community Engagement Manager |
| 5.7 | Review process for ILG's; including level of support and guidance for financial planning, community development funds, education scholarships, etc. | | Improved financial responsibility and community benefit from ILGs | Awaiting delayed NBPOL Lands Forum November 2014 | Process under discussion | Lands Coordinator (and NBPOL Lands Forum) |
| 5.8 | Identify sources of HR data for monitoring social impacts a) Employee turnover b) District of Origin | | Improved reporting of employee point of origin (for monitoring 'as-ple's' recruitment efforts | COMPLETE for data recording September 2014 for Internal reporting | Data available and reported internally | Financial Controller / HR Manager |
| 5.9 | Identify means of collecting data to better assess compliance to ILO requirements of overtime and rest days | | Improved reporting of compliance to ILO requirements (NBPOL sustainability | COMPLETE for data recording September 2014 for Internal reporting | Data available and reported internally | Financial Controller / Sustainability Manager |

| | | | | | | |
|------|------------------------------------------------------------------------------------------|--|--------------------------------------------------------------|-------------------------------------------------------|----------------------------------------|------------------------------|
| | | | targets) | | | |
| 5.10 | Develop a simplified Bilum Index for RAIL | | Clarification of a 'liveable wage' for employees at RAIL | COMPLETE in 2013 To continue to implement annually | Data available and reported internally | Community Engagement Manager |
| 5.11 | Housing for community Health workers to be available at Gusap, Surinam and Dumpu | | Improved access to health services in estates | COMPLETE | CHWs housed on site at each estate | CMO |
| 5.12 | Provide additional training to all executives and key supervisors on recruitment process | | Improved documentation and compliance to recruitment process | December 2014 for commencement of training | Training records | HR Manager |

6. Health and Safety

| No. | Improvement Action | Reference | Expected Outcome | Timeframe | Indicators | Responsibility |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|
| 6.1 | Review and strengthen Safe Permit to Work Procedures to include mobile scaffolding, lock-out/tag-out, high voltage area access | | Improved safety controls on potentially hazardous tasks | COMPLETE for heights, confined spaces, excavation, tree felling, September 2014 for LOTO and High Voltage Areas | Procedures in place and in use | Sustainability Manager |
| 6.2 | Work more closely with Government medical staff to improve the level of care to Company employees, their dependants and members of neighbouring communities | | Improved healthcare for surrounding communities | COMPLETE – PPP signed and in place Ongoing work to monitor and manage finances and performance | Improvements in healthcare from government clinic at Gusap | GM/ CMO / Financial Controller |
| 6.3 | Development of a formalised program for emergency drills. | | Increased awareness of drills Avoidance of potential incidents through improved safety procedures | COMPLETE Continue to follow up for implementation | Emergency drill records | Sustainability Manager |
| 6.4 | Develop standard pre-start-up checklists for pumps etc. (including wheel nuts on vehicles) | | Controlled risk of vehicle failure | COMPLETE for sugar harvesters, OP tractors and FFB Trucks Pending for other tractors and heavy machinery | Checklists in use and documented | Head of Workshops / Sustainability Manager |
| 6.5 | Ensure that there are sufficient first aiders on each shift, and that first aid kits are well stocked | | Improved first aid provision within the workplace to reduce requirement for clinic to attend to minor injuries | August 2014 (commenced) August 2014 (commenced) COMPLETE (to be repeated as required) | Monitoring of first aiders Safety reps to conduct monthly check of first aid kits Training for clinics in stock control for essential items | Sustainability Manager Sustainability Manager SPL Manager |
| | | | | | | |

7. Legal Compliance and Transparency

| No. | Improvement Action | Reference | Expected Outcome | Timeframe | Indicators | Responsibility |
|-----|-----------------------------------------------------------------------------------------------------------------------------|-----------|-------------------------------------------------------------------------------------------------------|-------------------------------|----------------------------------------------------------------------------------------------------------------------|-------------------|
| 7.1 | Visible Estate Land boundary Markings | | Clearer extent of land holdings Reduced land disputes | COMPLETE 2014 2015 | Ngaru surveyed East boundary of Gusap (River to irrigation site) surveyed Dumpu land Boundary surveyed | Lands Coordinator |
| 7.2 | Review and socialise the Legal Register to HoDs and Executives Key legislation identified and made available to HoDs | | Legal compliance (especially to DEC and DLIR permits) to be more clearly stated and understood by all | October 2014 July 2014 | Legal Register completed HoD training held | Legal Officer |
| | | | | | | |

8. General (Forward Planning and other issues)

| No. | Improvement Action | Reference | Expected Outcome | Timeframe | Indicators | Responsibility |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-------------------------------------|
| 8.1 | Review Fire Fighting Capacity | | Increased fire capacity for domestic, industrial and field fires | Progressing Monthly check of all pumps and hydrants CAPEX proposals for 2015 to include additional capacity | Documentation and justification of levels of fire control | Sustainability Manager |
| 8.2 | Review existing operational control procedures, and formalise and implement RAIL specific SOPs to run parallel with the MGs Annual review of all SOPs to be undertaken by HoDs | | Wider consensus and implementation of agreed safe and environmentally responsible working practices | ONGOING Over 80 SOPs in place. To continue development, training and rollout Q1 2015 | RAIL SOPs in place and implemented | Sustainability Manager and all HoDs |
| 8.3 | Strengthen Workplace Inspections to monitor and enforce adherence to SOPs and Best Practice - Site Workplace Inspections | | Better implementation of agreed work practices | December 2014 Good progress; continue and strengthen | Workplace Inspections implemented and documented. Recommendations followed through and improvements noted | Sustainability Manager and all HoDs |
| 8.4 | Standardise operational filing systems in line with SOP Index for ease of referencing, and ensure that documents are available for internal and external audit at the locations they are used | | Improved implementation of documentation and management systems | September 2014 80% complete; continue training and checking | Filing systems throughout RAIL standardised | Sustainability Manager and all HoDs |
| 8.5 | Training Needs | | Strategic | IN PROGRESS | Training Plan | Training Officer |

| | | | | | | |
|------|--------------------------------------------------------------------------------------------------------------------------------------------------------|--|------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------------------------------------------------------|
| | Analysis to be prepared for RAIL as the basis of the Training Plan | | approach to training and staff development | New staff in place; additional training and development of TNA pending | prepared and in use | |
| 8.6 | Soil sampling for nutrient levels to be undertaken in 2013 | | Assess nutrient status of soils | COMPLETE Sampled and data analysed and reported | Soil sampling undertaken and reported internally | Head of R&D |
| 8.7 | Monthly internal reporting of sustainability Data | | Increased awareness amongst HoDs of Sustainability performance and areas for improvement | September 2014 Data available; reports to be checked for details and distributed | Reports prepared, circulated and discussed | Sustainability Manager |
| 8.8 | Formalised requirement for regular muster / toolbox meetings / briefings / etc. to be documented and indicate review of recent accidents, near misses, | | Improved communication and learning from incident reporting data | COMPLETE for recording December 2014 for development of training aids for various toolbox talk topics | Toolbox meetings formally required and documented | Sustainability Manager and HoDs with Safety Committee |
| 8.9 | Exit procedures prepared for departing executives to ensure clean handover; including complete handover of electronic and paper files | | Improvements in business continuity between personnel changes | December 2014 | Exit procedures documented | Personnel and Training Manager in conjunction with IT Manager for electronic data management |
| 8.10 | Induction process to be overhauled and more rigorously implemented | | Make the induction process more beneficial and relevant to the inductee | COMPLETE Implementation checked with internal audits | New induction procedure documented and implemented | Sustainability Manager |

Appendix “D”

Nonconformities, Corrective Actions and Observations Summary

2014 Assessment

2 Non Minor Conformities--

| DESCRIPTION | NCR Ref. | NC Details | Corrective Actions | Responsibility | Date Due | Status |
|-----------------|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|----------------------------------|--------|
| 4.7.2 Minor NC | 105507N1 | In a number of operational areas including buildings, workshops and others the management of identified hazards and risks was not effective. There were no workplace inspections carried out between October 2013 and April 2014. Further some work permits for high risk work in the mill are not at times being completed correctly and not signed of when the work is complete. | Additional training to be given to RAIL Executives in the use of the Operational Sustainability Management Plan that summarises the basic requirements for sustainability compliance. Internal Audits of documentation and performance to be continuous throughout the year | Sustainability Manager | Ongoing 2014 to all departments | |
| 5.3.2 MINOR NC: | 105507N2 | There was no good waste management and disposal plan for the used agrochemical containers, particularly the used glyphosate containers. Almost all the smallholders interviewed admitted to reusing the containers. Although the containers are mainly used for storage of liquid fuel (kerosene and petrol), there is the probability that this can be used for storing water. These containers are to be disposed off in a specified way. | The VOP Training Plan to be reviewed to include waste disposal as a section of the training The RAIL Waste Management Plan to be reviewed to include recommendations for appropriate waste management for smallholders | Senior Estate Manager – Morobe Sustainability Manager | August 2014 December 2014 | |

9 Observations

| DESCRIPTION | NCR Ref. | Observation Details | Corrective Actions | Responsibility | Date Due | Status |
|-------------------|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|------------------------|----------------|--------|
| 2.3.6 Observation | | A CLUA form for Ismael Kisa dated 15 May 2013, was not signed off by block owner himself and the clan leader, although being signed off by RAIL management. It was confirmed that this block has been planted with oil palm already. Such error should | Ensure that signatures are obtained on this important form Review all files and ensure that no other forms are unsigned | Sustainability Manager | September 2014 | |

| | | | | | | |
|--------------------|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|----------------|--|
| | | not be overlooked especially with the importance of this document being legal and binding. All CLUA records must be accurate and complete. | Implement internal audits of VOP Files and Records | | | |
| 4.6.10 Observation | | The storage of agrochemicals and PPE in the main living house of smallholders is a major concern. Better storage facility for oil palm chemicals and PPE is required. | The VOP Training Plan to be reviewed to include chemical storage as a section of the training Implement Internal audits of in-field VOP compliance to RSPO | Sustainability Manager | September 2014 | |
| 5.2.3 Observation | | A number of signs used to identify HCV and Reserve areas are damaged and require replacement also a number of signs do not identify RAIL as the authority which is prohibiting hunting, fishing and other activities in these areas. | Standard signage to be used, and additional 15 signs placed around RAIL in key HCV and Buffer locations | Sustainability Manager | October 2014 | |
| 5.3.2 Observation | | The land fill at Gusap was set alight by a supposed arsonist on Saturday 14th June and was allowed to burn until June 17th by Gusap management until it was extinguished. | Training to Landfill Managers on response for landfill fires | Sustainability Manager | September 2014 | |
| 5.4.2 Observation | | The fuel used for all operations including field, mills and contractors operations is now not being measured and monitored with regards to non-renewable energy use. | Form ref PWR-002 A (Renewable Energy Use) (GPOM) has fallen out of use. To re-train and re-emphasise use of this form | Sustainability Manager | September 2014 | |
| 6.1.3: Observation | | A timetable with responsibilities for mitigation and monitoring, reviewed and updated as necessary, in those cases where the assessment has concluded that | To ensure that this is included within the Social Improvement Plan | Sustainability Manager | November 2014 | |

| | | | | | | |
|--------------------|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|----------------|--|
| | | changes should be made to current practices. | Implement the training program | | | |
| 6.2.2 Observation | | Evidence of the policy being implemented – maintenance of a lots of stakeholders, records of all communication and records of actions taken in response to input from stakeholders and under the control of a nominated management official. | As RAIL is a mixed production site (also producing Sugar, Ethanol, and Beef), the term RSPO has been de-emphasised in favour of overall sustainability and Good Practice to ensure that all operations are included within company-wide improvements. However; ongoing training will ensure that sufficient awareness of RSPO is given | Sustainability Manager | December 2014 | |
| 5.6.2 Observation | | They appear to be below allowable limits and RAIL has aims which they have set themselves which are below the limits set by the relevant government entity however the methodology for measuring smoke emissions is being applied inconsistently and the data cannot now be relied upon. The results are varied for example the highest measure was 40% yet the average was 46%. On some occasions the readings were around 67% which is not feasible seeing the efficiency of the mill. | Re-train GPOM staff in use of SOP PCD-020 Smoke Density Monitoring | Sustainability Manager | September 2014 | |
| 6.3.1 Observation: | | More awareness of the RSPO system and grievance mechanism for the smallholder is needed. Majority of the smallholders interviewed were not aware of the grievance system although they know they can bring their concerns to RAIL | To ensure that this is covered within the VOP Training Plan To meet with Growers Association Reps and ensure that they are aware of the Issues and Communications procedures | Sustainability Manager | August 2014 | |

4 Opportunities for Improvement

1.1.1 Opportunity for Improvement: During the smallholder interviews, there seem to be a general understanding of sustainable practices. However, there seem to a lack of understanding of RSPO principles and criteria, which in future could affect the implementation of RSPO. Apart from the good awareness made on sustainability generally, more awareness of RSPO is needed.

1.2.1. Opportunity for Improvement RAIL could raise awareness that certain documents are publically available, and raise awareness of which documents are publically available, both among the workforce and externally. This will facilitate increased transparency.

5.3.1 Opportunity for Improvement: The majority of smallholder growers, including the ones that live on their oil palm block, do not have good waste management systems. There was a lack of rubbish pits and pit latrines. This should be encouraged in the RSPO awareness.

Observations 2013

| DESCRIPTION | NCR Ref. | Observation Details | Corrective Actions | Responsibility | Date Due | Status |
|-------------|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|----------------|--------|
| 4.7.7. | | Observation; Although there is substantial investigation of all lost time injuries the same emphasis is not given to near misses which could have had fatal consequences such as falls from heights or trench walls collapsing trapping an employee. These need to be discussed with all relevant workers to ensure they are aware of these issues and steps are taking to prevent similar occurrences which could have a bad outcome. | A documented process for requiring and recording muster meetings, tool box talks, safety briefings (etc.) will be developed and implemented in 2013. The process will highlight review of recent incidents and near misses to ensure that lessons learned and new procedures are communicated to all levels of employee | Sustainability Manager | August 2013 | Closed |
| 6.5.4 | | Observation: Research should be undertaken to assess the costs of living for typical families employed by RAIL, to provide reasonable indication that the wages paid to employees are sufficient to provide a decent living. | A billum index will be prepared for RAIL to identify the adequacy of the wages of a 1.1 grade employee to provide for themselves and family. | Community engagement Manager | September 2013 | Closed |

Appendix E
Supply Chain RAIL

Annex 6: RAIL Supply Chain 16.6.14 Mill Capacity 45 tph

| REQUIREMENTS | SG |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. Documented procedures</p> <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 Gusap Oil Mill</p> <p>Supply Chain Management Guideline Supply Chain # BMT-RSPO-000019 Issue 2 14 April 2014</p> <p>Approved by Jamie Graham General Manager, Responsibility: Will Unsworth - 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> |
| <p>2. Purchasing and goods in</p> <p>2.1 The facility shall verify and document the volumes of certified and non-certified FFB received.</p> | <p>Around 97% of material comes from NBPOL Estates therefore there is no PO. 3 % 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 The volumes of certified and non-certified FFB is documented by the weighbridge – all FFB is certified</p> |

| REQUIREMENTS | SG |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2.2 The facility shall inform the CB immediately if there is projected over production | There is no projected over production for the mill. |
| 3 Record keeping | |
| <p>3.1 The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of these requirements.</p> <p>3.2 Retention times for all records and reports shall be at least five (5) years.</p> <p>3.3 The facility shall record and balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO, PKO and palm kernel meal on a three-monthly basis.</p> <p>3.4 The following trade names should be used and specified in relevant documents, e.g. purchase and sales contracts, e.g. *product name*/SG or Segregated. The supply chain model used should be clearly indicated.</p> | <p>There are records in place which are complete, up to date and accurate for all requirements. These are available from the weighbridge and within the system. All were readily retrievable</p> <p>The system requires that all records and reports are retained for a minimum of 5 years 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>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> |

| REQUIREMENTS | SG |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| e) Reference to related transport documentation. | |
| 5. Processing | |
| 5.1 The facility shall assure and verify through clear procedures and record keeping that the RSPO certified palm oil is kept segregated from non-certified material including during transport and storage and be able to demonstrate that it has taken all reasonable measures to ensure that contamination is avoided. The objective is for 100 % segregated material to be reached. The systems should guarantee the minimum standard of 95 % segregated physical material ⁹ ; up to 5 % contamination is allowed. | There are clear and precise procedures in place that record that RSPO product is segregated – however product is 100% segregated |
| 5.2 The facility shall provide documented proof that the RSPO certified palm oil can be traced back to only certified segregated material | All material is RSPO certified |
| 5.3 In cases where a mill outsources activities to an independent palm kernel crush, the crush still falls under the responsibility of the mill and does not need to be separately certified. The mill has to ensure that: <ul style="list-style-type: none"> • The crush operator conforms to these requirements for segregation • The crush is covered through a signed and enforceable agreement | Not applicable to 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 |

Monthly Certified FFB Received: RAIL January 2013 – December 2013

| Month | Jan-13 | Feb-13 | Mar-13 | Apr-13 | May-13 | Jun-13 | Jul-13 | Aug-13 | Sep-13 | Oct-13 | Nov-13 | Dec-13 |
|---------|-----------|-----------|-----------|-----------|-----------|----------|-----------|----------|----------|-----------|-----------|-----------|
| Tonnage | 10,390.21 | 12,035.10 | 14,781.83 | 13,298.14 | 12,588.82 | 9,056.58 | 10,790.90 | 9,738.66 | 8,033.28 | 10,955.59 | 14,078.81 | 15,829.85 |

Certified Palm Product Sales to each buyer

| Buyer | Buyer Ref. | Product | Program | Volume* |
|--------------------------|----------------------|---------|-------------|----------|
| Lipidos Santiga | LS261047 | CPO | Segregation | 1,000 |
| Lipidos Santiga | LS260170+LS260170/01 | CPO | Segregation | 3,510.13 |
| Lipidos Santiga | LS258652 | CPO | Segregation | 2,000.76 |
| Wilmar Europe Trading BV | 7724007234 | CPO | Segregation | 3,498.69 |
| New Britain Oils Limited | UKNB CPO 0506 PP | CPO | Segregation | 1,001.47 |
| New Britain Oils Limited | UKNB CPO 0498 PP | CPO | Segregation | 505.57 |
| New Britain Oils Limited | UKNB CPO 0497 PP | CPO | Segregation | 4,000 |
| New Britain Oils Limited | UKNB CPO 0489 PP | CPO | Segregation | 998.17 |
| New Britain Oils Limited | UKNB CPO 0485 PP | CPO | Segregation | 3,000 |
| New Britain Oils Limited | UKNB CPO 0447 PP | CPO | Segregation | 902.45 |
| New Britain Oils Limited | UKNB CPO 0445 PP | CPO | Segregation | 852.43 |
| New Britain Oils Limited | UKNB CPO 0459 PP | CPO | Segregation | 1,752.43 |
| Wilmar Europe Trading BV | 7724006487 | CPO | Segregation | 3,001.72 |
| New Britain Oils Limited | UKNB CPO 0432 PP | CPO | Segregation | 1,500 |

| | | | | |
|-----------------------------|------------------|-----|-------------|----------|
| Wilmar Europe Trading BV | 7724006284 | CPO | Segregation | 2,453.31 |
| Lipidos Santiga | LS212629 | CPO | Segregation | 1,006.18 |
| Lipidos Santiga | LS214103 | CPO | Segregation | 505 |
| Lipidos Santiga | LS214786/01 | CPO | Segregation | 1,255 |
| Lipidos Santiga | LS214786 | CPO | Segregation | 1,257 |
| Wilmar Europe Trading BV | 7724005997 | CPO | Segregation | 1,991.25 |
| ADM International SARL | 306464 | CPO | Segregation | 2,002.33 |
| ADM International Sarl (NT) | 3065464 | CPO | Segregation | 1,000.23 |
| ADM International Sarl (NT) | 308517 | CPO | Segregation | 1,000 |
| Wilmar Europe Trading BV | 7724005423 | CPO | Segregation | 2,999.92 |
| New Britain Oils Limited | UKNB CPO 0357 PP | CPO | Segregation | 3,135.7 |
| New Britain Oils Limited | UKNB CPO 0355 PP | CPO | Segregation | 870 |
| New Britain Oils Limited | UKNB CPO 0317 PP | CPO | Segregation | 1,008.37 |
| New Britain Oils Limited | UKNB CPO 0342 PP | CPO | Segregation | 500 |
| New Britain Oils Limited | UKNB CPO 0345 PP | CPO | Segregation | 1,007.23 |