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## PUBLIC SUMMARY REPORT

## RSPO CERTIFICATION ASSESSMENT

### NBPOL – Milne Bay Estates (MBE)

### Milne Bay Province, Papua New Guinea

*Report Author*

**Allan Thomas – January 2012**

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**SUMMARY**

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

Sustainable production of crude palm oil (53,122 tonnes CPO) and 12,401 tonnes of PK).

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

**ABBREVIATIONS USED**

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

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

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

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

**1.2 Certification Scope**

This certification assessment includes the production from ONE (1) Palm Oil Mill and 5 company owned plantations and Smallholders.

**1.3 Location and Maps**

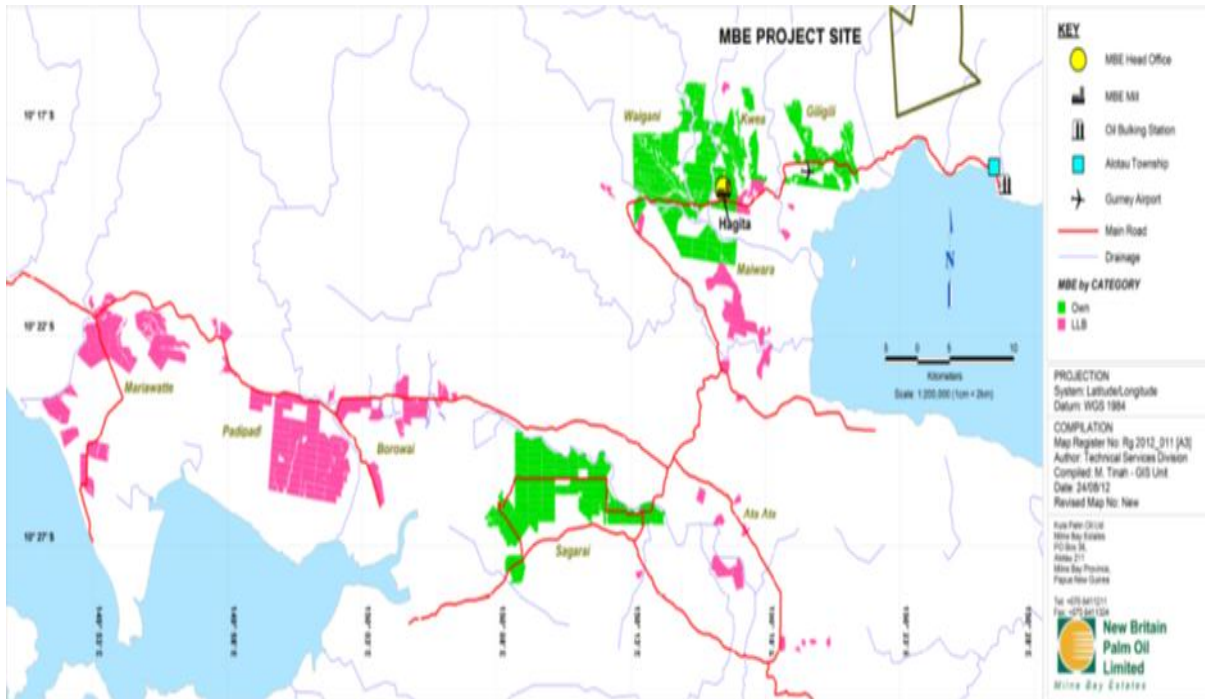
The MBE palm oil mill and estates are located in Milne Bay province.

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

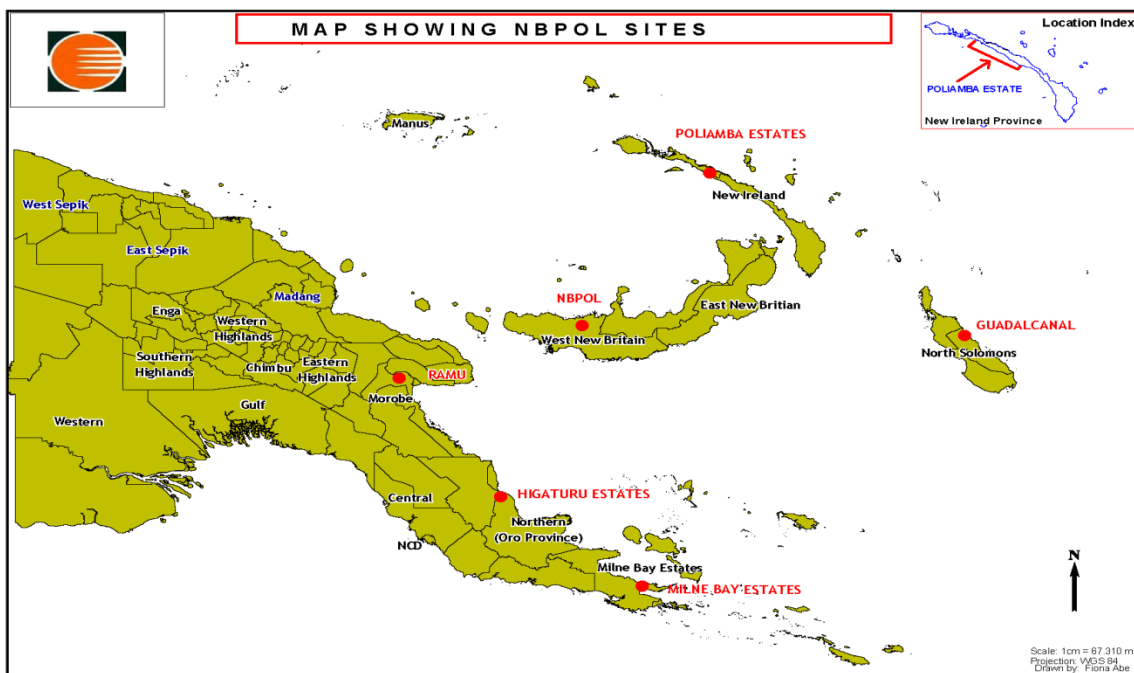
**Table 1: Mill GPS Location**

MILL	EASTINGS	NORTHINGS
<b>Hagita Mill</b>	<b>E 150°17.174'</b>	<b>S 10°18.944'</b>

Map 1 Land Use Milne Bay Estates



Map 2 Geographical Position of MILNE BAY ESTATES



#### 1.4 Description of Supply Base

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

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

Table 2: Plantation FFB Production 2011-12

Plantation	FFB (tonnes) – Jan- Dec 2011	FFB (tonnes) – Jan – Oct + Est. 2012
Giligili	17,981	6,316
Hagita	37,896	35,809
Waigani	18,748	7,369
Sagari	63,435	59,280
Padipadi	62,788	71,287
Mariawatte	36,372	41,731
<b>Total</b>	<b>237,221</b>	<b>221,792</b>

Smallholder Growers (SG's) supply approximately 7 % of oil palm fruit processed by the Mill.

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

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

Table 3: Smallholders and FFB Production 2011-12

Smallholders (Total No), 2012	FFB (tonnes) - 2011	FFB (tonnes) - 2012
790	13,634	18,277

#### 1.5 Date of Plantings and Cycle

The company owned plantations were developed since 1983 under CDC – PACRIM and CTP (previous owners).

The age profile of the palms on Plantations is detailed in Table 4.

Table 4: Age Profile of Company Estate Planted Palms as at 2012

Year	Age	Ha	%
1989	23	59	0.5%
1990	22	1,100	9.8%
1992	20	883	7.9%
1993	18	650	5.8%
1996	16	32	0.3%
1997	15	22	0.2%
1998	14	169	1.5%
1999	13	450	4.0%
2000	12	978	8.7%
2001	11	526	4.7%
2002	10	1,505	13.4%
2003	9	787	7.0%
2004	8	174	1.5%
2005	7	391	3.5%
2006	6	264	2.4%
2007	5	102	0.9%
2008	4	159	1.4%
2009	3	337	3.0%
2010	2	289	2.6%
2011	1	664	5.9%
2012	0	1,690	15.0%
<b>Total</b>		<b>11,231</b>	<b>100.0%</b>

#### 1.6 Other Certifications Held

MBE holds no other certification although were previously certified to ISO 9001 and ISO 14001 under previous management from 2000 to 2009. They intend to regain certification to ISO 14001 by 2014.

#### 1.7 Organisational Information / Contact Person

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

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

EMAIL: [cskeet@nbpol.com.pg](mailto:cskeet@nbpol.com.pg)

#### 1.8 Time Bound Plan for Other Management Units

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

NBPOL estates and mills in West New Britain were certified to PNG National Interpretation of the RSPO in 2008 and recertified in 2009, 2010 and 2011.

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

RAIL was certified to RSPO in July 2010 and re-certified in 2011.

Poliamba Estates was certified in March 2012.

There has been no replacement of primary forests or any areas identified as HCV with regards to uncertified management units including Higaturu.

There are no known land conflicts within any uncertified management units.

NBPOL has advised that there are no labour disputes and there are no known legal compliances at its non-certified oil palm operations.

NBPOL has submitted to BSi a time-bound plan to achieve RSPO Certification for the remaining operations comprising Higaturu Estates in Oro Province by the beginning of November 2012. From the above GPPOL is based in the Solomon's and all others are located in PNG.

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

### 1.9 Area of Plantation

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

**Table 5: Estates Hectare Statement**

Plantation	2012	
	Mature (ha)	Immature (ha)
Giligili	85	671
Hagita	1,550	421
Waigani	610	1,263
Sagari	2,878	0
Padipadi	2,767	0
Mariawatte	1,655	0
Unplanted	678	
Buffer	1084	
<b>Total</b>	<b>11,307</b>	<b>2,355</b>

The areas of Smallholders planted palms listed in Table 6.

**Table 6: Smallholders Planted Area**

	Mature (ha)	Immature (ha)
2011	1,853	49
2012	1,852	50

### 1.10 Approximate Tonnages Certified

**Table 7: Approximate Tonnages Certified 2011-12**

MILL	CPO	PK
Hagita Jan- Dec 2011	54,569	12,954
Hagita Jan – Oct – est to Dec 2012	53,122	12,401

### 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 Smallholders

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

#### Smallholders

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

Smallholders are not under any obligation or contract to supply to the mill but are associated to the company

through geography and logistics. The Government National extension service is present in Milne Bay Province in PNG. MBE has therefore included Smallholders in the company wide awareness programs, compliance surveys and other RSPO related work

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

The entrance (and exit) meeting was very pleasant with the inclusion of the Oil Palm Industry Corporation's Project Manager (OPIC – PM). OPIC is legislated to look after the interests of the Smallholders with up to 20 Hectares of oil palm plantings.

The audit was carried out from 23<sup>rd</sup> to 27<sup>th</sup> of September with 37 block inspections/interviews in total and a meeting with the Milne Bay Farmers Association (MOFA) executive and a confidential meeting with the General Manager of MBE, which concentrated on communications with all stakeholders.

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

Although Smallholders represent a significant area of plantings, in fact a greater area than estate plantings, the production of FFB from smallholder blocks is only 7% of the total FFB production in Milne Bay province. Recent improvements in smallholder fertiliser application have seen a considerable increase in yield which will only improve with continued fertiliser application.

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

BSi examined in detail the smallholder survey database and concluded that the information showed the great majority of Smallholders therefore 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 37 Smallholders that were representative of a range of conditions and subjecting these to field audits. This figure is well in excess of the RSPO sampling guidelines. BSi also interviewed Smallholder representatives who had been involved in the baseline survey and confirmed their knowledge of the relevant RSPO P&C's.

## **2.0 ASSESSMENT PROCESS**

### **2.1 Certification Body**

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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, Jakarta, and Bangkok.

### **2.2 Qualifications of the Lead Assessor and Assessment Team**

#### **Allan Thomas Lead Assessor**

Allan Thomas holds a tertiary qualification in commerce and accounting from Wollongong University in 1973 and has more than 18 years' experience in systems management and auditing of large organisations in construction, forestry, agriculture, manufacturing and in private and Government sectors both in Australia, South East Asia and the South Pacific. During the past 15 years, he has been the Manager of a large certification body based in Australia with responsibilities throughout SE Asia. He has performed over 100 comprehensive audits of management systems throughout the Palm Oil industry including Occupational Health and Safety, Environmental and Quality Management Systems. He has also advised companies on the implementation of OHS in the Oil Palm Industry. He has worked in Indonesia, Malaysia and PNG in the Oil Palm industry. Allan has conducted over 2000 system audits in the last 12 years and controlled over 50 auditors when Certification Manager of SGS-ICS.

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

He has conducted Integrated Management assessments of a large number of palm and kernel oil mills and many oil palm plantations in Indonesia, Malaysia and Papua New Guinea. He has worked closely with RSPO in developing an audit checklist for the Principles and



Criteria and developed an audit methodology. This was carried out at the instigation of Dr. Simon Lord – in 2005 prior to RT3. Dr. Lord is a former member of the Executive Board – this audit checklist was bought by RSPO in early 2006. He also performed the first baseline assessment of the applications of the P&C. He is a strong advocate of environmental, safety and social accountability.

#### **Tom Diwai – Technical Expert- Smallholders & HCV**

Tom Diwai Vigus holds a tertiary qualification in Forestry, graduating from the University of Wales (Bangor) in 1970. He has 39 years' experience in the areas of forestry, environment, conservation and socio-economics in the Pacific Islands, particularly Papua New Guinea and the Solomon Islands as well as the Northern Territory of Australia. In 2003/4 he was Field Team leader/Professional Forest in the most extensive audit of existing large scale logging operations in PNG, the Independent Review of Existing Logging Projects, completing 14 in depth reports and contributing to the final report which contained recommendations for all stakeholders to improve the sustainability of PNG the Forestry Sector.

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

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

**Tom is fluent in Tok Pisin**

#### **Mike Finlayson - Technical Expert Social**

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

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

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

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

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

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

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

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

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

### **2.3 Assessment Methodology, Programme, Site Visits**

The pre audit for MBE was conducted from 15<sup>th</sup> to 19<sup>th</sup> April 2012.

This certification assessment was conducted from the 23<sup>rd</sup> to 27<sup>th</sup> of September 2012.

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

Smallholders were also included in this audit. A total of 37 blocks were audited out of the 850 smallholder blocks. This is in excess of the requirements. They were all Village Oil Palm (VOP).

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



block holder wished to raise about the oil palm company MBE

#### **2.4 Stakeholder Consultation and List of Stakeholders Contacted**

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

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

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

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

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

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

In all the interviews and meetings the purpose of the audit was clarified at the outset followed by an evaluation of the relationship between the stakeholder and the company before discussions proceeded in accordance with relevant RSPO principles, criteria and indicators. Apart from the environmental NGO's, most of the stakeholders had not heard of RSPO prior to 2007 but they agreed with its objectives and expressed their willingness to collaborate in the promotion of sustainable palm oil in the Milne Bay Province. In a number of interviews and meetings, the presence of company representatives did not restrict discussion of both the positive and negative aspects of MBE's operations. Although company representative were present they were on the periphery and did not influence the process.

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

#### **List of Stakeholders Contacted**

##### **Company employees:**

- Company employees:
- OIC Health
- Industrial Relations Officer
- Training Officer
- Sustainability Manager
- Community Affairs Manager
- Acting Construction Manager
- Meetings were also held with several estate managers, female employees, clinic staff and village clerks.
- Government:
- Henry Bailasi, Provincial Administrator, Milne Bay Provincial Administration
- Bill Naidi, CEO, Provincial Health Authority
- Chief Sergeant Samson, A/OIC – Milne Bay Police
- Patricia Liton, Deputy Head Teacher, Hagita Elementary School
- Jasper Frank Abel, Senior Teacher, Hagita Primary School
- Betty Tatauro, Deputy Head Teacher, Hagita Primary School
- Gerald Lage Senapili, Chairman - Board of Management, Hagita Primary School
- Councillors & village elders:
- Mimina Jimmy Gaiwani, Counsellor - Naura Ward
- Kako Dagoela, Counsellor - Ganugabuna Ward
- Selioso Dieni, Village elder – Naura
- Patrick Dickson, Counsellor – Maiwara
- Morris Souda, Counsellor – Waema
- Peter Masolei, Counsellor – Yaneyanene Ward
- NGOs: Brian Brunton
- Milne Bay Counselling Services

#### **2.5 Date of Next Surveillance Visit**

To be determined once certification is obtained but within 12 months of that date.

### 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.

One (1) Nonconformity was assigned against Minor Compliance Indicators.

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

Seven (7) Observations/Opportunities for Improvement were identified. Details of the Nonconformities and Observations are given in Section 3.2 (Page 28).

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

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

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

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

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

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

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

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

**Management have decided which documents are to be made available to the public and a list of these documents is now in place.**

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

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

One grower interviewed was on a Land Settlement Scheme (LSS) Block, one of only six LSS blocks in the Milne Bay area growing oil palm, which she had inherited from her father and was having difficulty in getting the Lands Department to transfer the title.

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

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

Management have decided which documents are to be made available to the public and a 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. This was most recently updated 17<sup>th</sup> September 2012.

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

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

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

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

1. Land titles/Leases
2. Maps of lease areas
3. Annual Reports
4. Sustainability Reports

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

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

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

1.2.2 Group Policies such as OHS, Environmental, HIV-Aids, Equal Employment Opportunities and Sexual Harassment Policies are all available. 1.2.6 MBE has separate policies for the following: Health and Safety, HIV/AIDS, Sexual Harassment, Whistle Blower, Malaria and Domestic violence amongst others. These are also widely available in all operational areas.

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

All Heads of Departments have a copy of the OHS Plan. It is 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.

1.2.8 There is a documented procedure for dealing with complaints and grievances. This is the grievance policy.

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

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

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

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

2.1.1/2.1.2 There is in place a documented system which includes the process for ensuring that legal requirements

are known and documented. This information is passed on to the relevant areas of operations to ensure that all involved are aware of any changes to laws or any new laws introduced. The Sustainability Manager is responsible for managing the process of ensuring all legal requirements are known and met.

All permits and licences viewed were current this includes all water extraction permits. These all expire in 2053.

This included the following Environmental Permits  
WE-L2B-144 Expires 11.8.2018  
WE L2B- 95 Expires 19.8.2017  
WO L2B- 182 Expires 11.8.2010.

There is evidence that all Permits, Licences and Certificates have been obtained and are up to date. There was evidence available that Boiler Operators certificates were now available. There is evidence in place that all fees were paid on time and the issue of current certificates is out of the control of MBE. These expire in June 2013.

A number of legal requirements which required addressing to comply with this indicator at the pre-audit have now been actioned. This includes completion of required Environmental Permit reports, which was completed for 2011 and forwarded to DEC PNG which acknowledged receipt of this documents.

There is also a register of compliance which includes all legal requirements, permit and licenses required including information on expiry date and frequency of renewal or review. This is the evaluation of compliance register which has dates for renewal of all relevant licenses and permits and was reviewed in September 2012.

There is also regular testing of water quality and recent lab results indicated the water was pure and fit for consumption. On any other occasions where the readings show contaminated water any affected residents are advised to boil all water before drinking. This is done by distributing a memo throughout the areas. The areas are thoroughly investigated to identify the cause of this contamination.

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

Examples of methods of ensuring laws are being implemented include external re-conformation with such agencies as the Department of Environment and Conservation (DEC), Dept. of Labour and Industrial Relations who visit annually, and Dept. of Health (DOH). This is further supported by internal physical inspections to ensure that certificates, permits etc. are current. The legal office also subscribes to publications which advise of legal changes in PNG. For example a requirements for

leases was changes with a moratorium in place to determine status of all lease-lease back schemes.

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

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

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

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

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

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

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

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

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

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

However due to the amendment in the act made in March 2012 this will not be required for 5 years until this

is reviewed and all lease-lease back arrangements have been investigated.

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

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

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

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

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

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

2.2.3 There are at present no ongoing disputes. MBE use either legal means or negotiation with any party in dispute including village elders.

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

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

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

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

All Land Titles are in place.

2.3.2 There are copies of the small amount of negotiated agreements available detailing processes of consent –

2.3.5 Copies of negotiated agreements are available in Land Title Officer Office and with company lawyer. This is with regards to a number of lease –lease back arrangements.

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

All but six of the smallholder blocks in Milne Bay are on customary land and therefore the right to grow oil palm is granted by the Clan leaders. Two male interviewees had married into the matrilineal society and all growers had relevant documentation.

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

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

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

All requirements of this indicator have been met.

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

3.1.1 Annual replanting programme is in place for the next 5 years and includes estates due for replanting including hectares and date for each year.

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

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

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

The Five Year plan is reviewed on, at least, a yearly basis with the CEO of the Group. The latest review and update was completed in July 2012.

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

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

guidance. Other publications are used for reference only.

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

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

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

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

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

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

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

Regular inspections by Sustainability Manager and his team determine effectiveness of processes in place. In regards to estates the estate managers will ensure MG's are being followed. This will be further supported by inspections by SM

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

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

The Environmental Officer completes an audit of all operating areas at least once per month. This was witnessed in all areas. The report is very extensive and includes both areas of compliance and non-compliance



with any areas not being compliant being followed up at subsequent audits.

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

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

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

The latest issues of MG's are controlled by the Sustainability Manager who ensures current applicable PNG COP's are in place. This is completed by using an issue date and number, as well as ensuring all documents are adequately controlled.

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

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

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

MBE has soil maps in place - includes difference types of soils –these are available. Soil sampling was completed by an independent testing authority during 2006 and reports are available which includes outcomes and recommendations. This soil sampling also included maps of areas under planting.

4.2.2 There is evidence of an annual tissue analysis– with the most recent being conducted in June 2012. The analysis is completed by RJ Hill Laboratory in New Zealand. This is an accredited lab.

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

There is a soil analysis planned for the future in the next couple of years.

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

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

All growers regularly apply fertiliser and understand its benefits. They all also used other techniques such as planting leguminous cover crops, mulching with the cut fronds, covering the fronds with vegetable peel and a few allowed cattle to browse the weeds and therefore deposit organic fertiliser on their blocks. Therefore smallholder blocks visited showed excellent agronomic management. All block holders were recycling palm fronds by laying them between rows of palms to allow for composting, household vegetable waste was also used to improve fertility.

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

4.3.1 There are slopes over 25° however these are in areas with only small steeper hills not prolonged areas. Planting in these areas is OK as long as there are not planting on extensive areas over 25° and less than 30 metres.

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

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

At MBE the practice is to use old stand as nutrient. In all areas cover crop is planted

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

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

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

4.3.3 On fields with over 9° erosion control practices are in place. These include use of terracing (also re-establish effective terracing during the current replant, effective

cover crop is in place and use of an effective roading strategy which takes any rain water quickly off the roads.

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

Erosion risk assessments for each block have been completed. Maps are available which indicates any blocks which could be prone to erosion. Seasonal factors are considered such as wet and dry seasons and techniques to control erosion include the following: provision of adequate legume ground cover, avoidance of over spraying of herbicides, review of road design and provision of adequate maintenance including appropriate drainage and use of culverts.

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

4.3.5 A plan for road maintenance including roads, blocks and time frames as well as budgets has been produced for 2012 for all estates. This includes management of rainfall run off. The Maintenance plan indicates priority of grading and which roads are to be included on an annual basis.

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

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

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

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

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

4.4.1 MBE has issued a Water Management Plan with the most recent being issued in August 2012.

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

The Water Management plan is comprehensive and includes all areas of water use including drinking, mills

and other water usage – includes testing regimes and schedules- copies of the water quality criteria for PNG is documented

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

With regards to monitoring of water quality by an outside lab, the results indicate water quality has been very good recently and the most recent test results in August 2012 indicate that there is no faecal coliforms and pH within the acceptable range as prescribed by the DEC. At any time when results indicate some contamination action is taken immediately to rectify the issue and trace the source of any contamination and workers and their families are being advised very strongly to boil all water prior to drinking. This is done by the clinics, at morning muster and placing warning letters on the compound/village noticeboards and at each estate office.

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

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

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

MBE monitors the water flow in the mill as a number of flow meters are installed. The mill water use per tonne of FFB is being monitored and trend data is available for the previous 5 years since 2008. Use is around 1:1.

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



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

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

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

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

4.5.2 There is an Integrated Pest Management Programme (IPM) for specific pests including sexava, bagworm and oryctes as well as other pests including weed infestations. The Programme includes the following techniques – pest monitoring, selective use of chemical treatment, and encourage establishment of bio-control agents. Records of locations and application timeframes for all chemicals used are kept. There is a measurement of the amount of each pesticide used and type for each specific pest e.g. for Ganoderma - use established techniques which does not include chemicals and instead use biological control. MBE monitors pests and disease as part of the IPM. There are very few significant pest and diseases identified at MBE at the present time and any pests are well controlled.

The main issues at MBE are ganoderma and rat infestation.

There is a ganoderma team which monitors the extent of any ganoderma and any treatment. Treatment is by manual felling of the infected palm and pesticides are not used.

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

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

The Integrated Pest Management Plan (IPM) has been recently updated and includes the control of all pesticides and the methodology for both reducing use of pesticides and / or changing to less toxic chemicals. All

pests and diseases which are identified are monitored constantly. The use of pesticides is being monitored and use is being reduced and data is kept.

4.5.3 The use of all chemicals is justified and a plan to reduce usage has been presented. Types of uses are weeding, pathways, upkeep and other activities within the estates. This includes chemicals used, dosages, and frequency of use. MBE is recording where pesticides are being used, quantities and against what target pest. The plan includes insecticides, herbicides, fungicides and rodenticides.

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

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

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

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

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

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

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

The alternative to paraquat has been identified by MBE – is Basta although this is more costly and not as effective.

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

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. MBE has determined chemicals which have been approved by PNG Government. This list has been distributed to chemical users to ensure that they have no un-approved chemicals which are being used.

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

4.6.2 Records of pesticides usage are very good and include as a minimum areas treated, amount of pesticide used per hectare and number of applications. Usage is compared with records of previous year and this information is used to monitor and plan reduction in use. There is trend data showing the use of all main chemicals for the last 5 years. There is evidence of reduced use of some major chemicals in this trend data.

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

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

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

- Pesticide Mixers
- Pesticide Sprayers

The training data is also maintained to show the nature and content of the training covered. The training appears to be very effective with all pesticide mixers being well aware of PPE use, chemicals use and mixing ratio, storage and hygiene.

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

PPE for sprayers is supplied and its use demonstrated in the training programs of which there is plenty of evidence of in the estate training records. The company supplies two sets of overalls to all pesticide operators 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 eliminated.

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

Current Material Data Safety Sheets (MSDS) are obtained for all chemicals used and are available at the areas of mixing. No concentrates are taken into the field as all spray solutions are pre-mixed in a designated area. The status, availability and display of MSDS in all areas was to be commended. A big improvement was made in the identifying of all chemicals used as not one chemical container was found to be unidentified during this audit.

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

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

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

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

MBE do use organophosphates or methamidophos as at present there is no Sexava.

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

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

There are however no National regulations for disposal of chemical containers and the Smallholders adopt the best practices introduced by MBE.

Smallholders demonstrated that they use appropriate safety equipment and observe the precautions attached to products. They also demonstrated that they store chemicals away from children and other vulnerable people and dispose of waste material and containers safely. None of the smallholders interviewed had ever

used herbicides. Most responded that they were concerned about possible accidental poisoning, particularly with respect to their children and also water contamination.

Two growers expressed interest in having their blocks sprayed – around the base of the palm and along the wheel barrow rows as cut weeds grew back within a couple of weeks. They also noted that this was the technique used on the estates and felt that they should emulate the agronomic practices of the company. (see discussion below).

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

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

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

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

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

4.7.2 Hazards and Risks have been identified for all operations in all areas. This also includes the degree of risk as well as the controls in place. Procedures and plans are in place to address all operations. These have been distributed to all areas and to the respective managers and supervisors. There are regular documented inspections taking place which ensure that OHS Policy is being implemented. These are carried out at least 3 monthly and more often in higher risk areas.

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

An area of improvement is the availability and distribution of MSDS as previously mentioned elsewhere

in this report. There is a list of all chemicals used which is updated as new products are used or other products are no longer used. All pesticide stores have a standard set of MSDS in place for all chemicals used. This aids consistency and ensures all areas handling pesticides have consistent control.

It is concluded that all precautions with regards to products are being observed with regards to both chemicals and other material such as Rockwool which is now well managed. MSDS are available where chemicals are used and displayed for the information of all operators.

4.7.3 Contractors are now being included in the control of OHS matters on site. They are now expected to provide a safety plan for their activities and also agree in the induction to site to follow all MBE requirements regards OHS issues including provision of PPE. A number of plans prepared with or for contractors on site were viewed.

MBE has provided the required PPE appropriate to the task after the hazard has been identified and the risk assessed. The level of proper use of PPE within all area for both workers and contractors is excellent and compliant with all requirements. In fact all areas of Safety Management have improved greatly since the pre-audit. It must also be reported that the staff at MBE are very proactive with regards to policing the use of appropriate PPE at Morning Musters and workers are reprimanded if they do not use the supplied PPE.

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

Signage 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 improved and is now better controlled since the pre-audit as signs are more readily available and are correctly positioned to reinforce any requirements. The introduction of the “lock out – tag out” system was found to have reduced the risk of injury by having dangerous plant isolated during repairs and servicing.

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

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

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

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

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

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

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

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

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

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

There are records kept by Administration of First Aiders training including copies of certificates awarded and expiry dates. The pictures of all first aiders are displayed on the dedicated OHS boards at estate offices, in the mill and all other operational areas.

4.7.7 MBE monitors a number of Safety Performance Indicators such as lost time injuries and regularly reviews all incidents. All accident records are kept and reviewed. The information is reviewed by Management during high level safety meetings to ensure objectives are being

achieved and all incidents fully investigated. This was verified during the audit. This is an improvement since the pre-audit when it was unsure that all accidents are reported and investigated. The latest companywide meeting was held in August 2012 and was attended by all Senior Managers and HODs. The chair person is the company OHS Representative.

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

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

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

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

4.7.8 All workers are covered by workers compensation accident insurance.

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

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

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

MBE has an annual training program and maintains training records, indicating the name of the trainee, the training provided and duration, and the trainer. An assessment of training needs analysis is being undertaken based on a set of competencies for different jobs.

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

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

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

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

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

Training records are therefore kept for all employees.

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

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

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

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

For Smallholders all training from MBE with regards to block management is passed on to family members. MBE has adopted a continuous training programme for Smallholders, in the absence of Government extension service. It is likely that VOP section will need to be upgraded with additional staff.

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

5.1.1 An Environmental Aspects and impacts register has been developed and is reviewed and updated at least annually the last update being in May 2012. The register is comprehensive and clearly identifies significant environmental aspects and also nominates any legal requirements or restriction classed within the aspects. This register covers all operations impacted upon by MBE. This register also includes occasional operations such as construction of roads, construction, management of mill and replants as well as intermittent

operations such as drainage and irrigation and disposal of specific waste.

All environmental impact assessments have been carried out 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 impacts are updated to reflect these changes

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

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

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

During the audit it was noted that all Smallholders audited have changed practices from widespread use of fire as carried out traditionally, to minimal use of small fires for gardens and no fires used for clearing, prior to planting or replanting.

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

Impact assessment includes:

- Building new roads, processing mills or other infrastructure.
- Putting in drainage or irrigation systems.
- Management of waste
- Control of polluting activities
- Replanting or expansion of planting area.
- Disposal of mill effluents (see criterion 4.4).

This Environmental Improvement Plan was recently review and updated 5.9.12. This review includes details on any improvements made in line with the nominated time frames.



Impact will need to be reviewed as techniques or operations change – the period of review of at least every 3 months has been confirmed to ensure plans are in place.

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

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

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

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

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

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

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

5.2.2 Therefore any HCVF areas that have been identified are mapped. HCVF and Buffer Zones have been clearly marked and native trees are being planted to expand and protect them.

5.2.3 Most recently a sacred site was discovered near the Waigani Estate. As soon as the company became aware of this they restricted use and access to the area and put in place a 200 metre buffer which will not be planted to help preserve this area. The company were very helpful to the local population in protecting this area. Further measures are also to be put in place with the assistance of local authorities to further protect this area.

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

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

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

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

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

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

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

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

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

The auditor's attention was also drawn to a cave system (Diudiu) which the customary owners wanted demarcated as a High Conservation Value habitat, located on the edge of the Milne Bay Estates (MBE) boundary and partly within the estate. See minutes of meeting with Milne Bay Oil Palm Farmers Association (MOFA) and summary of actions taken by the company.

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

5.3.2 The waste management plan is presented in a separate management guideline (MG 8) and includes pesticide contaminated waste. The waste management plan is up to date and in place at all operations. The waste management and disposal plan was recently reviewed and re-issued under the control of the General Manager in September 2012. All waste streams are included as well as control methods.

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

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

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

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

- Mill Effluent – through effluent ponds and land application.
- EFB other by products – Recycled to the field
- Fibre by-product – Fuel for furnace.
- Oils and Hydrocarbons (including containers) to Hydrocarbon pit or recycled
- 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.
- 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. The landfill sites are well managed and sign posted. This has been a large improvement since the pre-audit. The sites are large enough to last a fairly long time. There is little or no odour and little evidence of waste outside of each cell.

The collection of household waste is well controlled. There are formal rubbish collections in all areas at least weekly. This is monitored regularly. The garbage collection system in each staffing compound includes separate bins for green waste and other household

garbage. The green waste is recycled and utilised for agriculture. The remaining household garbage is buried in landfill sites which are adequately fenced and managed. There is no evidence of windblown waste or bad odour in these areas.

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

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

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

Separate Pesticide, Hydrocarbon and General waste areas are provided for all waste at each landfill.

Pesticides are a source of pollution and ground and surface water contamination. The control of their disposal has been stated previously in this summary. The control of hydrocarbons has also been addressed elsewhere in this report. All estates have effective records of the proper disposal of use pesticide containers including method of destruction, placement and records of quantities destroyed.

MBE have in place a documented treatment system for POME in the form of effluent ponds. The effluent ponds are effectively maintained and managed.

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

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

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



There were no users of hazardous chemicals.

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

No Smallholders used hazardous chemicals on their blocks.

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

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

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

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

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

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

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

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

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

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

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

The Smallholders are disposing of their waste in a responsible manner by mixing the organic waste with

the pruned fronds and using a pit disposal method for other household waste. MBE has a strong “No Fire” Policy throughout its operations and those of Smallholders.

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

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

5.6.1 Assessments have been carried out on all recognised polluting activities and include gas and smoke emissions, particulate and soot emissions, effluent control, treatment and discharge. 5.6.2 Any Significant pollutants and emissions have been identified. These is a plan in place to reduce pollution – this is included in the aspects/impacts register and the waste management plan

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

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

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

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

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

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

Records are now in place for over a number of years for these readings.

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

***Criterion 6.1: Aspects of plantation and mill management, including replanting, that have social impacts are identified in a participatory way and plans to mitigate the negative impacts and promote the***

***positive ones are made, implemented and monitored, to demonstrate continuous improvement.***

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

The SIA has been used to prepare a detailed register of social impacts (indicator 6.1.1) and a Social Improvement Plan that includes, for key social impacts, a number of planned actions with timetable and responsibilities (indicator 6.1.3).

MBE has also prepared a communication program to discuss and enable input to the Social Improvement Plan for a range of internal and external stakeholders (indicator 6.1.2). It is important to view the Social Improvement Plan as a 'living document', that is, a document that is updated periodically to (i) reflect progress in implementing planned actions and (ii) include new or emerging social issues as they are identified.

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

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

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

MBE has a communication policy (indicator 6.2.1) and a list of stakeholders with key contacts and key issues for these stakeholders (indicator 6.2.2). MBE has also identified the managers who are responsible for communicating with various stakeholders, including that person responsible for communication in regard to environmental issues (indicator 6.2.3).

During the audit the Milne Bay Provincial Administration noted that MBE is far more open and approachable than the previous management. There has been regular communication between MBE and the Milne Bay Provincial Administration over the past two years, and there is an excellent cooperative relationship between MBE and the Provincial Health Authority. However, MBE realises a need to improve its communication with

external stakeholders and has included in its Social Improvement Program activities to:

Establish a Tax Credit Scheme Committee;

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

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

Establish an MOU between MBE and the Provincial Health Authority.

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

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

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

6.3.1 MBE has a formal grievance policy and formal grievance process. Since the pre-audit there have been notable improvements, including:

- The establishment of a separate register for sexual harassment and domestic violence (refer Criterion 6.9);
- The establishment of a separate register to record requests for assistance;
- The inclusion of additional details on the grievance and actions taken to address the grievance; and
- Promotion of the grievance mechanism among smallholders and local communities.

There is a need to ensure sufficient information has been recorded in the grievance register to not only determine what actions were taken to resolve the grievance, but to document whether the grievance was resolved to the satisfaction of the person raising the grievance.

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

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

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

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

6.4.1 There is a documented process for identifying legal or customary rights as defined under the PNG Lands Act. The process includes conducting a genealogy study to identify customary rights and notification of all parties who must be present during the land survey. MBE has documented the process for access to customary land, which includes identifying legal and customary rights to land ownership and land use rights (Refer to Criterion 2.2). There have however been no major cases where compensation has been paid due to land issues in the previous 10 years.

6.4.2 MBE has lease-lease back agreements with a large number of ILGs. The procedures and processes for identifying customary owners, calculating compensation and discussing the entire process are documented in Management Guideline #21. References to organisations or committees in West New Britain should be removed from the Guideline and replaced with equivalent organisations or committees in MBE.

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

**Criterion 6.5: Pay and conditions for employees and for employees of contractors always meet at least legal or**

**industry minimum standards and are sufficient to provide decent living wages.**

#### 6.5.1 Wages

MBE has significantly increased wage levels over the past two years. The minimum rural wage has also increased in this period and is now at K2.29 per hour. NBPOL has a ruling from the National Government that allows them to deduct from the minimum wage an allowance for housing, electricity, water, medical and education costs. MBE typically pays a 'Living Out Allowance' for any employee who is not provided with housing. During the audit it was apparent that some general workers who were not provided with housing may not be receiving the Living Out Allowance. This was rectified by the General Manager during the audit by circulating a memorandum to all Heads of Departments to ensure the Living Out Allowance is paid to all general workers who are not provided with housing.

6.5.2 There was evidence that contractors are meeting minimum terms and conditions. A large number of contractor payments and agreements were viewed.

#### Employment conditions

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

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

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

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

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

#### Living conditions

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

MBE has responded by:

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

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

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

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

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

- A fan will help cool the rooms and enable more sleep; and
- A kettle will help prepare food and beverages much faster, which is likely to result in more workers eating before going to work.

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

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

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

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

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

No smallholders have formal employees.

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

6.6.1 MBE has a freedom of association policy. The Milne Bay Estate Worker’s Union was inactive for several years but has since held elections and currently has around 600 members. 6.6.3 Meetings are held with MBE management and the Union on a periodic basis. However, the capacity for collective bargaining may be constrained if working conditions and entitlements are not finalised in the near future. Last meeting held August 2012.

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

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

6.7.1 MBE has a clear policy against the employment of children under the age of 16 and supervisors and employees are made aware that children must not help them during working hours. For new workers that fail to provide a birth certificate or clinic book, their age is estimated by health staff during the initial medical check.

All respondents stated that they only allow children to assist in light duties on their blocks outside school hours, e.g. on school holidays and weekends.

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

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

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

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

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

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

6.9.1 MBE has a policy against sexual harassment and domestic violence, and has established a separate and confidential grievance mechanism for sexual harassment/domestic violence. While there appears to be a reasonable understanding of when a domestic violence case needs to be referred to the Police, or to health staff, there is also a focus on the provision of counselling services. MBE has engaged the services of Tingim Laip to provide counselling services, and anecdotal evidence indicates that counselling is proving to be effective. However, there are a number of employees that could be required to initiate actions in a domestic violence case, including the Village Clerks, security officers, health staff and various supervisors and managers.

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

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

- 6.9.3 A guideline describing MBE's approach and process for dealing with domestic violence is in place, ensuring adequate guidance on when cases need to be referred to the Police, health staff and/or counsellors; the steps to collect sufficient information from both parties involved, including witnesses; documentation requirements; and the referral process.

6.9.2 The Company has a breastfeeding policy in accordance with government requirements. In practise, providing breaks for women working in the field is often difficult, and thought needs to be given to how breastfeeding employees can be reassigned to duties in relatively close proximity to their living quarters. MBE is also considering the trialling of a child-care facility.

The Company also provides six weeks paid maternity leave for all permanent employees, which is to be commended.

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

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

- A guideline describing MBE's approach and process for dealing with domestic violence is required, ensuring adequate guidance on when cases need to be referred to the Police, health staff and/or counsellors; the steps to collect sufficient information from both parties involved, including witnesses; documentation requirements; and the referral process.

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

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

6.10.1 The industry has established a formula for calculating the price that Smallholders in PNG receive for



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

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

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

**6.10.5 EFB is freely available to outgrowers and properly controlled.**

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

6.11.1 MBE is one of the main economic drivers in the Province, particularly as a high proportion of the workforce is from Milne Bay. The Company is also contributing to health and education services, undertaking road maintenance, and providing donations to a range of local organisations.

Ongoing stakeholder consultation should help ensure that support provided by MBE aligns with local priorities. Some of this support will be reflected in the Social Improvement Plan. 6.11.2 For example, MBE has indicated that it will establish a Tax Credit Scheme Committee. This should help ensure TCS projects align with the province's transport, health and education priorities.

***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.***

There have been no new VOP plantings at Milne Bay for some time. However a Planting Approval Form (PAF) is being developed as there are plans (and a high demand) for smallholder expansion once milling capacity (including a new mill) has been increased.

The draft PAF includes all relevant RSPO Principles and Criteria.

Many of the Smallholders have small blocks of 1 hectare in extent and are planning to expand into the surrounding degraded areas. They are well aware of procedures for new plantings.

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

See above 7.1.

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

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

There is very little natural terrestrial habitat within the vicinity of the coastal villages in Milne Bay and the people are astutely aware of the ecological benefits of any natural areas that remain.

These two exclusions are covered in the new PAF and explained in awareness programmes. (see also summary).

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

Oil palm will not be planted on marginal or fragile soils or on steep terrain. Some areas contain gullies and these will be considered for planting of trees to improve biodiversity.

All blocks examined were either on flat or gently sloping land.

No blocks audited were on slopes exceeding 5 degrees.

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

***other stakeholders to express their own representative institutions.***

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

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

Milne Bay Estates has a no fire policy and smallholders follow the RSPO principle of no or minimum use of fire on their blocks, including for new and replanting.

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

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

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

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

No non-conformance issues were raised during the audit that related to social aspects. However, a number of observations were made during the Exit Meeting. These are described below and summarised in Attachment 2. A number of comments / suggestions made by external

stakeholders may require a response or action by MBE. These are summarised in Attachment 3.

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

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

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

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

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

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

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

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

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

A Continuous Improvement Plan is attached. Appendix C.



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

#### **MAJOR NONCONFORMITIES**

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

#### **MINOR NONCONFORMITIES**

One (1) Nonconformity was assigned against Minor Compliance Indicators. Details of these Nonconformities are provided below:

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

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

#### **OBSERVATIONS / OPPORTUNITIES FOR IMPROVEMENT**

There were seven (7) observation made as a result of this assessment.

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

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

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

**6.3.1 Observation:** The guideline describing the grievance mechanism needs to be revised to ensure adequate description of what should be included in the grievance mechanism, the documentation required, and when a grievance should be referred to the General Manager. This should facilitate more effective

training on the grievance mechanism, and lead to more details on the actions taken and whether the grievance was satisfactorily resolved.

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

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

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

### **3.3 Noteworthy Positive Components**

Establishment of Libraries for Estate and Community schools, Correctional Institute and general community. See <http://mbe-mobile-library.tumblr.com/> for updated blog.

Fortnightly radio broadcast with Radio Milne Bay to provide information about MBE and our activities and to engage with our wider stakeholder groups

The General Manager has attended many Smallholder and general village meetings, sometimes venturing to areas that no other General Manager has been before. Again this is to engage with stakeholders and help make the company more transparent.

All health clinics in MBE's estates are freely available to non-employees.

During a meeting Brian Brunton of Alotau Environmental was very positive with regards to the company's activities. He did however express worries about other enterprises that

came in with Oil Palm plans and would not include RSPO P & C and were more profit than people

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

#### **1. ICCC intervention on FFB formula Review.**

Response: The ICCC has advertised that there would be a meeting on 5th October in Kimbe to discuss their determination on an application from HOPGA on the organisation's request for direct negotiations by growers associations and the mills rather than have the FFB pricing formula reviewed by an independent consultant.

The results of this meeting and subsequent developments could have serious effects on the relationship between the smallholders and milling companies.

Auditors Comment: It was a positive move to help facilitate such a meeting. We await the outcome,

#### **2. The damage to the Diuidu Cave system was discussed and the caves were visited.**

Response: The area was planted in the early 80's and the landowners stopped replanting recently and have requested that the area surrounding the caves have a buffer with native trees from the adjacent forest planted to restore the ecosystem. However, the replanting was stopped at the behest of the traditional leader and the company has set up a nursery of seedlings collected from the adjacent forest and have agreed not to replant with Oil Palm. Fortunately, the photos of the fauna taken inside the cave by the son of the Clan Leader (and Treasurer of MOFA) show a healthy ecosystem except for a deposit of silt in a large underground pool, which it was claimed was once a healthy fish habitat. The company needs to identify area of the HCV, the cause of the run off, and take remedial measures to prevent further silt deposit into the cave. The company has reacted very satisfactorily to this situation but should have further communications with the traditional owners to identify the remedial works required to prevent soil being deposited into the cave and the extent of the buffer that needs to be revegetated with native seedlings collected from the area.

Auditors comment: The company acted quickly in establishing a substantial buffer zone around the area and helping further in management of the area.

3. MOFA has been giving small loans on an emergency needs basis to growers based on K100 per hectare planted and at 20% interest. Low crop yields have resulted in slow repayments and cash flow problems.

Response: MBE has been assisting with loan recovery and loans will resume when the crops produce more and existing loans are paid off.

Auditors comment: This is a great help to the small holders get through this period.

4. The poor state of the roads was discussed with a request that one particular road that links up VOP blocks to LLB Blocks be considered for upgrading under the Tax Credit scheme. The road was fixed by the company but washed out very quickly.

Response: Most smallholders have established blocks adjacent to the company estates so have adequate road access. The Sagarai area has intense rain events with flood markers showing depths of over 1.5 metres. The GM explained that there are plans for the company to upgrade this particular road which does not serve any company estates.

Auditors comment: The company was seen upgrading many roads and bridges during this assessment which were not MBE roads.

5. Suggestions made that extension officers lack agronomic knowledge and so are ineffective in dealing with smallholders' enquiries. There was a question of whether extension officers had duty statements.

Response: Discussions with PMs resulted in a printout of an example duty statement which was passed on to the Chairman of MOFA.

The PMs agreed to carry out a training needs analysis for smallholders and extension officers. The GM has already offered the company's training facilities for use by OPIC/SHA and MOFA.

Auditors comment: This is a positive move by MBE to train these personnel'

6. Complaint raised about the state of the Hagita School, run down with leaking taps etc. MOFA claimed that the school board is unaware of RSPO and considers that there needs to be more community awareness about the rationale and benefits of RSPO.

Response: This complaint was passed on to the Social Auditor.

The PMs agreed to increase their awareness programmes.

Signed for on behalf of  
MBE

Auditors comment: The client is raising awareness of school maintenance as far as possible however this school is in the Catholic Diocese ant part of their responsibility



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

.....  
**Mr Callum Skeet**  
**General Manager**  
**Date: 27.9.12**

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  
BSi Management Systems Singapore Pte Ltd



.....  
**Mr Allan Thomas**  
**Lead Auditor**  
**Date: 27.9.12**

## ***Appendix “A”***

### ***RSPO Certificate Details***

Website:

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

Kula Palm Oil Limited, Hagita Palm Oil Mill and Supply Base	
Location Address	Hagita Palm Oil Mill, Hagita, Milne Bay Province, Papua New Guinea.
GPS Location	South 10° 18.944dd, East 150° 17.174dd
CPO Tonnage Total	53,122
PK Tonnage Total	12,401
PKO Tonnage Total	Nil
FFB Tonnage Processed Total	240,069
Smallholders FFB Tonnage	18,277

Estate	Production (ha)	Unplanted (ha)	Total Lease (ha)	Annual FFB Production (mt)
Giligili	756	266	1,022	6,316
Hagita	1,971	203	2,174	35,809
Waigani	1,873	210	2,083	7,369
Sagari	2,878	33	2,911	59,280
Padipadi	2,768	1,043	3,812	71,287
Mariawatte	1,655	6	1,661	41,731
<b>TOTAL</b>	<b>11,900</b>	<b>1,762</b>	<b>13,662</b>	<b>221,792</b>

\*REPLANT PROGRAM – cause of reduced Productive Hectares in 2012



## ***Appendix “B”***

### ***Certification Audit Programme***

## RSPO MAIN AUDIT SCHEDULE

### **RSPO Certification Audit Program**

**Audit Dates: Sunday 23 September to Thursday 27 September 2012**

Auditors: Mr Allan Thomas (Lead Auditor)  
 Mr Mike Finlayson (Social Specialist)  
 Mr Tom Vigas (Smallholder Specialist)

The audit team will arrive at Alotau (Gurney) on Sunday 23 September at 10:30 on PX954.  
 Pick-up at airport and travel to Guesthouse, settle in and Lunch

#### **Sunday 23 September**

**1:00pm – 4:30pm Document Review at Hagita Office**

#### **Monday 24 September**

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

##### Allan Thomas

Time	Activity	MBE Representatives
8:30am – 11:00am	Inspect Mill incl. Laboratory & Ponds, Store	
11:00am – 12:00noon	VWS and Construction Office	
12:00 noon – 1:00pm	Lunch (Hagita Guest house)	
1:00pm – 3:00pm	Bulking Station	
3:00pm – 4:30pm	Gili Gili Estate incl. Landfill	

##### Mike Finlayson

Time	Activity	MBE Representatives
8:00am – 12:00noon	Alotau – meet local health officials, Provincial Gov't reps, Police & NGOs	
12:00 noon – 1:00pm	Lunch (Alotau)	
1:00pm – 2:30pm	Alotau – continue meetings	
2:30pm – 5:00pm	Hagita – meet female staff representatives	

##### Tom Vigas

Time	Activity	MBE Representatives
8:00am – 8:30am	Select Smallholders to be audited	
8:30am – 12:00noon	Meet with Smallholders (6) Gurney East	
12:00 noon – 1:00pm	Lunch (Hagita Guest house)	
1:00pm – 5:00pm	Meet with Smallholders (3) Gurney East and start Gurney West (3)	

#### **Tuesday 25 September**

##### Allan Thomas

Time	Activity	MBE Representatives
8:00am – 12:00noon	Inspect Sagarai 1, 2 & 3 Plantation Operations	
12:00noon – 1:00pm	Lunch (Padipadi Guesthouse)	
1:00pm – 5:00pm	Inspect Mariawatte & Padipadi Plantation Operations	

Mike Finlayson

Time	Activity	MBE Representatives
8:00am – 12:00noon	Inspect Sagarai 1, 2 & 3 Housing, clinics and meet employees	
12:00noon – 1:00pm	Lunch (Padipadi Guesthouse)	
1:00pm – 5:00pm	Mariawatte, Padipadi Housing, clinics and meet employees	

Tom Vigas

Time	Activity	MBE Representatives
8:00am – 12:00 noon	Meet with Smallholders (7) Sagarai West	
12:00noon – 1:00pm	Lunch (Padipadi Guesthouse)	
1:00pm – 5:00pm	Meet with Smallholders (5) Sagarai East	

**Wednesday 26 September**

## Allan Thomas

Time	Activity	MBE Representatives
8:00am – 12:00 noon	Hagita Estate, Waigani Estate & Nursery	
12:00noon – 1:00pm	Lunch (Hagita Guesthouse)	
1:00pm – 2:00pm	Review of Documentation continued	
2:00pm – 3:30pm	Audit team meeting	

## Mike Finlayson

Time	Activity	MBE Representatives
8:00am – 12:00 noon	Meet with local community leaders	
12:00noon – 1:00pm	Lunch (Hagita Guesthouse)	
1:00pm – 2:00pm	Hagita clinic	
2:00pm – 3:30pm	Audit team meeting	

## Tom Vigas

Time	Activity	MBE Representatives
9:00am – 12:00noon	Meet with Smallholders (6) Gurney West	
12:00 noon – 1:00pm	Lunch (Hagita Guest house)	
1:00pm – 2:00pm	Meet with Smallholder coordinator	
2:00pm – 3:30pm	Audit team meeting	

**3:30pm – 4:30pm      Audit Exit meeting (Senior Managers)****Thursday 27 September**

Depart Guesthouse 6:30am for Gurney airport and departure on PX955 for Port Moresby at 07:45am.

**Note:**

*There is a total of 836 Smallholders (Gurney E – 274, Gurney W – 197, Sagarai E – 160, Sagarai W – 205).  
The number to be assessed is calculated by the formula  $0.8 \times \sqrt{836}$ . This is simplified to  $0.8 \times 28.91$  or 23.13.  
Round this up to 25 to be inspected.*

*Appendix "C"*

***CONTINUOUS IMPROVEMENT PLAN***

**MILNE BAY ESTATES**

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## Introduction

This Action Plan for Continual Improvement identifies the planned actions that New Britain Palm Oil Limited Milne Bay (MBE) will take in order to further improve its performance in the key areas of:

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

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

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

These sustainability principles are defined in the following locations:

- RSPO Principles and Criteria (Papua New Guinea National Interpretation)
- ISO 14001 Environmental Management Systems – Requirements with Guidance for Use
- The Company Sustainability Handbook
- OHSAS 18001 Occupational Health and Safety Management Systems - Requirements

## Aim

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

## Objectives

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

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



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

## Scope

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

## Overview

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

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

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

Each activity will be monitored on an ongoing basis by the person responsible for its implementation and reported, where significant events have occurred, at regular management meetings.

Periodically the Company will prepare and publish as Sustainability Report that will report on progress in the implementation of this plan for improvement.

## Implementation

The start date of this plan is January 2012. It endeavours to cover a time span of 25 years as that is approximately the re-plant cycle of Oil Palm Plantations and some environmental improvements will only be implemented at the time of re-planting.

Having said that though, it must be recognised that this plan will not identify all sustainability initiatives to be actioned over the 25 year period to 2037 and it is expected that many additional sustainability improvements will be identified and actioned within that period. For that reason, the plan is reviewed annually.

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

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

## 1. Pesticides

No.	Improvement Action	Reference	Expected Outcome	Timeframe	Indicators	Responsibility	Status at Review Date
1.1	Improve sprayer training to reduce spraying of non-target areas	4.7.3	Reduced herbicide use, reduced ground cover damage, greater efficiency	2012-2014	Training record, reduced evidence of improper spraying.	Field Manager, TSD	20%
1.2	Upgrade Chemical store and mixing area at Giligili	4.7.5	Chemical store and mixing area upgraded to required standard	August, 2012	Compliant storage of chemicals and mixing operations	Field Manager	Complete
1.3	Eliminate Usage of Paraquat	4.6.3, 4.6.5	Ordering has stopped, all stock to be exhausted by end April 2012	End April 2012	Zero paraquat usage	Field Manager TSD	Complete
1.4	Review pesticide and herbicide registration requirements in Papua New Guinea and confirm compliance. If necessary, work with Government and suppliers to clarify this issue.	4.6.10	Develop new pesticide and herbicide import registration requirements. To include chemicals categorised under WHO type 1A and 1B or listed by Stockholm or Rotterdam conventions	2015	Update import and labelling regulations that are compatible with the Company's pesticide use.	Sustainability Manager, Field Manager	0%
1.5	Extend training on the information contained in MSDS to increase understanding and awareness of their importance	4.6.11	Trained personnel who know the importance of MSDS and how to apply them.	June 2013	Improved MSDS awareness by personnel handling chemicals	Sustainability Manager	10%
1.6	Review Smallholder chemical use and training to ensure RSPO requirements are complied with	4.6.6	Work with OPIC to improve Smallholder awareness	December 2013	Smallholders have access to training	Sustainability Manager	0%

## 2. Environment

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

No.	Improvement Action	Reference	Expected Outcome	Timeframe	Indicators	Responsibility	Status at Review Date
2.1	Progressive reinstatement of buffer zones in replant areas.	4.4.2	All watercourses through the plantation areas have compliant buffer zones by the end of the current replant cycle.	2020	Evidence of established buffer zones	Operations Manager	10%
2.2	Progressive removal of unharvestable palms overhanging watercourses to reduce the quantity of fruit and fronds that cause pollution.	4.4.2	Watercourses free of fronds and FFB	2015	Clear watercourses	Field Manager	15%
2.3	Completion of the construction and commissioning of a Methane Capture Plant for POME to reduce the load on the treatment ponds.	4.4.1	Reduced odour and methane emission from the effluent ponds	2016	Methane Plant operation	General Manager	0%
2.4	Education of staff and smallholders on the need to reduce burning and to ensure rubbish is segregated and correctly placed in landfill sites.	5.5.3	Zero Burning at landfills	June 2012	No burned landfills	Sustainability Mgr	100%
2.5	Improve collection and treatment of septic waste and grey water at Hagita compound to reduce water pollution in the river.	6.5.4	Improved water quality for downstream communities resulting in improved health.	June 2015	Water quality meets PNG legal requirements	Sustainability Mgr	0%
2.6	Reduction in the quantity of water used in compounds through prompt repair of leaks and reduction of wastage.	4.4.1	Reduced water waste, reduced electricity consumption for pumping and treatment	June 2015	No evidence of leakage	Sustainability Mgr	10%
2.7	Develop and implement an ISO14001 compliant Environmental Management System and obtain certification	NBPOL Policy	Improved environmental performance	December 2014	ISO 14001 Certification	Sustainability Mgr	5%

### 3. Waste Reduction

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

Refer to the Waste Management plan for further details.

No.	Improvement Action	Reference	Expected Outcome	Timeframe	Indicators	Responsibility	Status at Review Date
3.1	Refer to waste management plan						
3.2							
3.3							
3.4							
3.5							
3.6							

#### 4. Pollution and Emissions

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

Control of rubbish and litter is seen as the biggest single issue in pollution control. It will be controlled through a mixture of education, increased collection, greater emphasis on recycling and greater supervisory intervention. (December 2012)

No.	Improvement Action	Reference	Expected Outcome	Timeframe	Indicators	Responsibility	Status at Review Date
4.1	Construct new, more efficient boiler at Hagita mill to reduce emissions and increase the amount of power generated from renewable resources	5.4.1	Reduced diesel fuel use and increased use of renewable energy.	December 2012	New boiler in operation	Mill Manager	60%
4.2	Install new more efficient diesel generators	5.4.2	Reduce diesel fuel use by greater efficiency.	August 2012	New Genset in operation	Mill Manager	100%
4.3	Education program on litter control	5.3.2	Less litter	December 2012	Litter reduced	Sustainability Mgr	20%
4.4							
4.5							
4.6							



## 5. Social Impacts

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

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

A dedicated Social improvement plan has been developed and will be further refined with input from Stakeholders. It should be referred to for details of the planned social improvements.

No.	Improvement Action	Reference	Expected Outcome	Timeframe	Indicators	Responsibility	Status at Review Date
5.1	Refer to Social Improvement Plan						
5.2							
5.3							
5.4							
5.5							
5.6							

## 6. Health and Safety

No.	Improvement Action	Reference	Expected Outcome	Timeframe	Indicators	Responsibility	Status at Review Date
6.1	Review of all accidents to clearly identify trends and highest risk activities and review of safety management plans	4.7.7	Targeted action plan to reduce accidents	June 2013	Reduced accident rate , initially by 5%	Sustainability Manager	10%
6.2	Develop and deliver OHS training for specific issues including Confined spaces, Harvesting near powerlines, Lifting (FFB), Working at heights, Dangers of electricity and Use of PPE	4.7.3	Workers have received specialised training	June 2013	Training records show greater competency	Sustainability Manager	10%
6.3	Work more closely with Government medical staff to improve the level of care to Company employees, their dependants and members of neighbouring communities	Company Policy	Higher level of care provided through Company facilities	December 2013	Records of communication with Health Dept officials	HEO	50%
6.4	Commence regular safety audits to confirm checking of items such as testing of emergency stops and other safety interlocks, use of PPE, identification, availability of fire fighting equipment and isolation of hazards.	4.1.2	Fewer hazards in the workplace	June 2013	Audit records	Sustainability Manager	10%
6.5	Development of a formalised program for emergency drills.	4.7.5	All drills to be reported to Sustainability Dept and followed up if not received.	December 2012	All drills conducted on time	Sustainability Manager	50%
6.6	Development of a mechanism for interchange of safety information with other Group Companies.	Company Policy	Regular meeting of Sustainability Dept Managers from all Company locations	December 2013	Records of meetings	Group Sustainability Director	25%

## 7. Legal Compliance and Transparency

No.	Improvement Action	Reference	Expected Outcome	Timeframe	Indicators	Responsibility	Status at Review Date
7.1	All land agreements updated to comply with revised legislation	2.2.1	Fully compliant documentation	June 2015	Current documentation for all land leases	Sustainability Mgr	5%
7.2							
7.3							
7.4							
7.5							
7.6							

## 8. General (Forward Planning and other issues)

No.	Improvement Action	Reference	Expected Outcome	Timeframe	Indicators	Responsibility	Status at Review Date
8.1	Conduct forward planning for new development areas including SEIA, permits and definition of new mill site.	3.1.1	Timely issue of permits and approvals for development	December 2016	Compliant permits and approvals	General Manager	0%
8.2							
8.3							
8.4							
8.5							
8.6							

## ***Appendix “D”***

### ***Nonconformities, Corrective Actions and Observations Summary***

## 1 Non-conformities against Minor Compliance Indicators

### 7 Observations/Opportunities for Improvement

#### MINOR NON-CONFORMANCE CORRECTIVE ACTIONS

DESCRIPTION	NCR Ref.	Minor Non-Conformance Details	Corrective Actions	Responsibility	Date Due	Status
<p><b>4.7.2 Minor Non Conformity:</b> The identified hazards and risks in some areas are not adequately controlled. This includes the following examples: Work Permit required for high risk work are not at times completed once the task is completed – these are hot work permits, height permits and others. A number of old drums containing CRC are rusted and should be disposed of in the correct manner. There are a number of damaged gauges on welding equipment. Electrical genset at Padipadi has damaged connections. The Mobile scaffold used by contractors at the mill is inadequate and unsafe.</p>	CR01	Some operations with health and safety as a concern have not had an adequate risk assessment as some areas have been omitted for example welding and hot work in the MVW.	<p>Corrective actions being undertaken by the company include:</p> <ul style="list-style-type: none"> <li>• Inclusion of identified areas of concern into monthly site inspections conducted by Sustainability team identifying who is responsible to ensure corrective action.</li> <li>• Creation and utilization of a ‘Sustainability Register’ identifying all OH&amp;S, Environmental and social risks/hazards that need to be brought to the attention of senior management for corrective action (can provide sample if required).</li> <li>• Individual Risk Assessments conducted on tasks that have been identified as a hazard or potential risk.</li> <li>• Specific training conducted with OH &amp; S representatives for each site to be able to identify, check and take corrective measures to eliminate the risk.</li> <li>• SOP’s reviewed for all tasks that have been identified as</li> </ul>	All Departments	On Going	Done

			<p>requiring improved control measures. Reviewed by OH&amp;S committee and updated by Sustainability Department.</p> <ul style="list-style-type: none"><li>• Contractor inductions – improved contractor induction checklist to identify areas of specific concern. This will continue to change as OH&amp;S areas of improvement are identified through monthly inspections.</li><li>• Improved contractor management when onsite with OH&amp;S representatives encouraged to conduct ad hoc inspections.</li><li>• Contractor meetings and communication regarding OH&amp;S and Environmental Responsibility (can provide example if required) conducted by the Sustainability Department.</li></ul>			
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**4.1.1 Observation:** Some field management guidelines do not appear to be current and require updating to include any new practices and changes in techniques.

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

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

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

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

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

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



## ***Appendix E Supply Chain Report***

## NBPOL Milne Bay Oil Mill Supply Chain 27.9.12

Requirements	SG
<b>1. Documented procedures</b>	
<p>1.1 The facility shall have written procedures and/or work instructions to ensure implementation of all the elements specified in these requirements. This will include as a minimum</p> <p>a. up to date procedures covering all elements of supply chain requirements</p> <p>b. The name of the person having overall responsibility for and implementation of these requirements and shall demonstrate awareness of facilities for implementation of the standard</p> <p>1.2 The facility shall have documented procedures for receiving and processing certified and non-certified FFB.</p>	<p>At this stage there are written/documented procedures for the chain of custody for Milne Bay Oil Mill</p> <p>Supply Chain Management Guideline Supply Chain # BMT-RSPO-000019 Issue 2 06 December 2011</p> <p>Approved by Callum Skeet Responsibility: Peter Callister - Sustainability Manager</p> <p>The documented procedures for receiving and processing certified and non-certified FFB are included in the Supply Chain Manager Guideline</p>
<b>2. Purchasing and goods in</b>	
<p>2.1 The facility shall verify and document the volumes of certified and non-certified FFB received.</p>	<p>Around 93% of material comes from NBPOL Estates therefore there is no PO. 7 % comes from Small Holders. With Small Holder NBPOL use a Docket system which indicate weight (quality of product is checked in the field and rejected if rotten) and source of materials. This indicates which small holder block this came from. Purchase orders are not used.</p> <p>Yes this is done by weighbridge docket indicate weight and source of RSPO material. In this case PO is not used because internal supplier. All Small Holder RSPO Material is identified by docket system as to source including small holder block location</p> <p>The volumes of certified and non-certified FFB is documented by the weighbridge – all FFB is certified</p>

<p>2.2 The facility shall inform the CB immediately if there is projected over production</p>	<p>There is no projected over production for each mill.</p>
<p><b>3 Record keeping</b></p>	
<p>3.1 The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of these requirements.</p>	<p>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>3.2 Retention times for all records and reports shall be at least five (5) years.</p>	<p>The previously certified ISO 14001 system requires that all records and reports are retained for a minimum of 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>The mill records and balance of all materials on a 3 monthly basis – all material is RSPO certified FFB</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>The supply chain model is clearly indicated on all sales contracts</p>
<p><b>4. 4 Sales and goods out</b></p>	
<p>4.1 The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information:</p> <ul style="list-style-type: none"> <li>a) The name and address of the buyer;</li> <li>b) The date on which the invoice was issued;</li> <li>c) A description of the product, including the applicable supply chain model (Segregated)</li> <li>d) The quantity of the products delivered;</li> <li>e) Reference to related transport documentation.</li> </ul>	<p>The company is able to issue an invoice which will allow them under the segregation scheme to include amount of RSPO materials.</p> <p>This is included</p> <p>Date of issue of invoice is recorded</p> <p>Description of product is included – including supply chain model</p> <p>This is via an arrival alert that client has received product</p>
<p><b>5. Processing</b></p>	

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

<p><b>6. Training</b></p>	
<p>6.1. The facility shall provide the training for all staff as required to implement the requirements of the Supply Chain Certification Systems.</p>	<p>Staff in the weighbridge is already competent in separating the source of the material and this can be related to company &amp; small holder material – all RSPO. There are records of competency of staff in weighbridge</p>

<p><b>7. Claims</b></p>	
<p>7.1 The facility only makes claims regarding the use of or support of RSPO certified sustainable palm oil that are in compliance with the RSPO approved claims</p>	<p>All RSPO material</p>

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