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## PUBLIC SUMMARY REPORT

# RSPO RE-CERTIFICATION ASSESSMENT VISIT (RAV)

## HARGY OIL PALM LIMITED (HOPL) AND ASSOCIATED SMALLHOLDERS Bialla, West New Britain Province, PAPUA NEW GUINEA

*Report Author:*

**Aryo Gustomo – June 2014**

***revised* September 2014, October 2014**

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## SUMMARY

BSI has conducted the recertification assessment visit of Hargy Oil Palm Limited (HOPL) operations comprising two existing mills, one new mill, five oil palm estates, associated smallholders, support services and infrastructure. BSI concludes that HOPL operations and the associated smallholders comply with the requirements of RSPO Principles & Criteria: November 2007 (Revised March 2011); and Papua New Guinea national interpretation Working Group (PNG NIWG) Indicators and Guidance: March 2008. The two existing palm oil mills and a new palm oil mill were also assessed against the RSPO Supply Chain Certification Standard for the compliance to the requirement for the CPO mills (RSPO SCCS: November 2011). It is noted that the mills implemented Segregation (Module D – Segregated) of RSPO SCCS requirement to ensure traceability of the incoming and out-going product.

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

## ABBREVIATIONS USED

|       |   |
|-------|---|
| AD    | Company Administration Department                                       |
| BOD   | Biological Oxygen Demand  |
| BOPGA | Bialla Oil Palm Growers Association                                     |
| BP    | Barema Plantation   |
| CC    | Cover Crop  |
| CIP   | Continuous Improvement Plan   |
| CLUA  | Clan Land Usage Agreement   |
| COP   | Code of Practice  |
| CPO   | Crude Palm Oil  |
| CSR   | Corporate Social Responsibility   |
| EFB   | Empty Fruit Bunch   |
| EMS   | Environmental Management System   |
| ESM   | Company Environment & Sustainability Manager                            |
| FC    | Company Financial Controller  |
| FFB   | Fresh Fruit Bunch   |
| FPIC  | Free Prior and Informed Consent   |
| GM    | Company General Manager   |
| GPS   | Global Positioning System   |
| HCV   | High Conservation Value   |
| HM    | Hargy Mill  |
| HOE   | Company Head of Estate  |
| HOPL  | Hargy Oil Palm Limited  |
| IE    | Independent Estate (Associated Smallholders)                            |
| IPM   | Integrated Pest Management  |
| LLG   | Local Level Government  |
| LPC   | Local Planning Committee  |
| LSS   | Land Settlement Scheme (Type of land lease for Associated smallholders) |
| LTI   | Lost Time Injury  |
| MG    | Management Guidelines   |
| MSDS  | Material Safety Data Sheet  |
| NGO   | Non Government Organisation   |
| NLDD  | Native Land Dealing Document  |
| NM    | Navo Mill   |
| OD    | Company Out Growers (Associated Smallholders) Department                |
| OER   | Oil Extraction rate   |
| OPIC  | Oil Palm Industry Corporation   |

|          |  |
|----------|--|
| OPRA     | Oil Palm Research Association                                      |
| OSH      | Occupational Safety and Health                                     |
| PK       | Palm Kernel  |
| PMP      | Project Management Plan  |
| PNG NIWG | Papua New Guinea National Interpretation Working Group             |
| POME     | Palm Oil Mill Effluent   |
| PPE      | Personal Protective Equipment                                      |
| SEIA     | Social & Environmental Impact Assessment                           |
| SG       | Smallholders Growers   |
| SIA      | Social Impact Assessment   |
| SOP      | Standard Operation Procedure                                       |
| TSS      | Total Suspended Solids   |
| VOP      | Village Oil Palms (Type of land lease for Associated Smallholders) |
| VWS      | Vehicle Workshop   |
| WNBP     | West New Britain Province  |

## 1.0 SCOPE OF CERTIFICATION ASSESSMENT

### 1.1 National Interpretation Used

The operations of the mills and their supply bases were assessed against the RSPO PNG-NIWG: March 2008 of the RSPO Principles and Criteria: 2007 and RSPO SCCS for CPO Mills November 2011 - Segregation Module.

### 1.2 Certification Scope

The scope of Certification covers existing two (2) Palm Oil Mills and one (1) new Palm Oil Mill and the supply base comprising five (5) companies owned Estates and Associated Smallholders.

### 1.3 Location and Maps

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

**Table 1: Mills GPS Locations**

| MILL                              | Longitude                | Latitude                 |
|-----------------------------------|--------------------------|--------------------------|
| Hargy Mill<br>(Capacity: 45 t/hr) | 151-0109719 <sup>o</sup> | -5-31111488 <sup>o</sup> |
| Navo Mill<br>(Capacity: 45 t/hr)  | 151-224494 <sup>o</sup>  | -5-094109 <sup>o</sup>   |
| Barema Mill<br>(Capacity: 45t/hr) | 151.134 <sup>o</sup>     | 5.219 <sup>o</sup>       |

### 1.4 Description of Supply Base

Oil palm FFB is sourced from company owned and managed estates and 3,700 Associated SG's. SG's supplied approximately 47% of the total tonnage of oil palm fruit processed by the mills.

The SG's comprise small holdings oil palm that were developed under a Land Settlement Scheme (LSS) on State Lease land, Village Oil Palm (VOP) that was developed on customary land and Independent Estates (IE) that have been developed on both Customary and State leased land by customary landowners. The HOPL projection of FFB productions (certified) for the year 2014 are listed in Table 5 shown below.

Figure 1. Location Map in Papua New Guinea

PNG Map Showing HOPL Estates

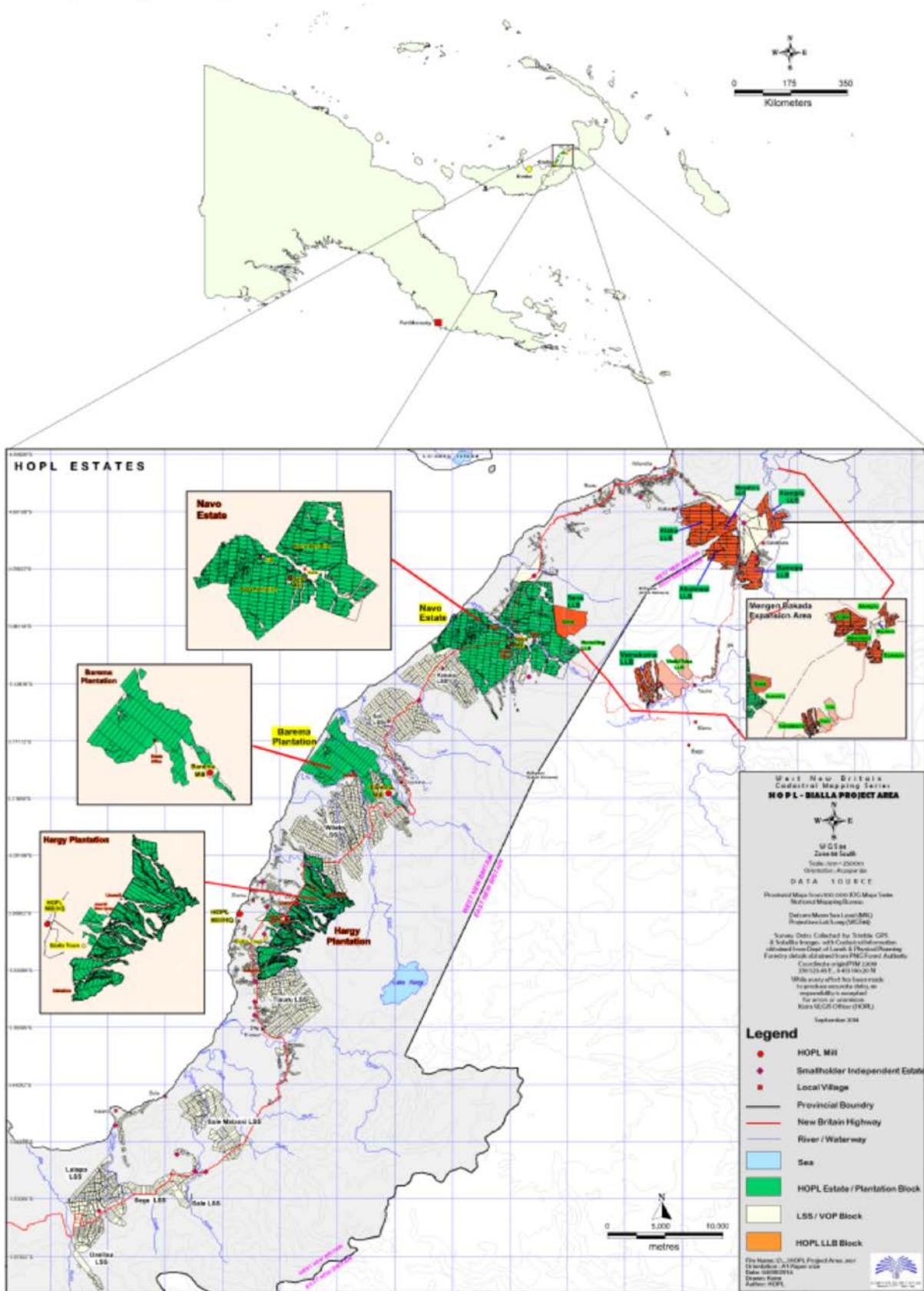
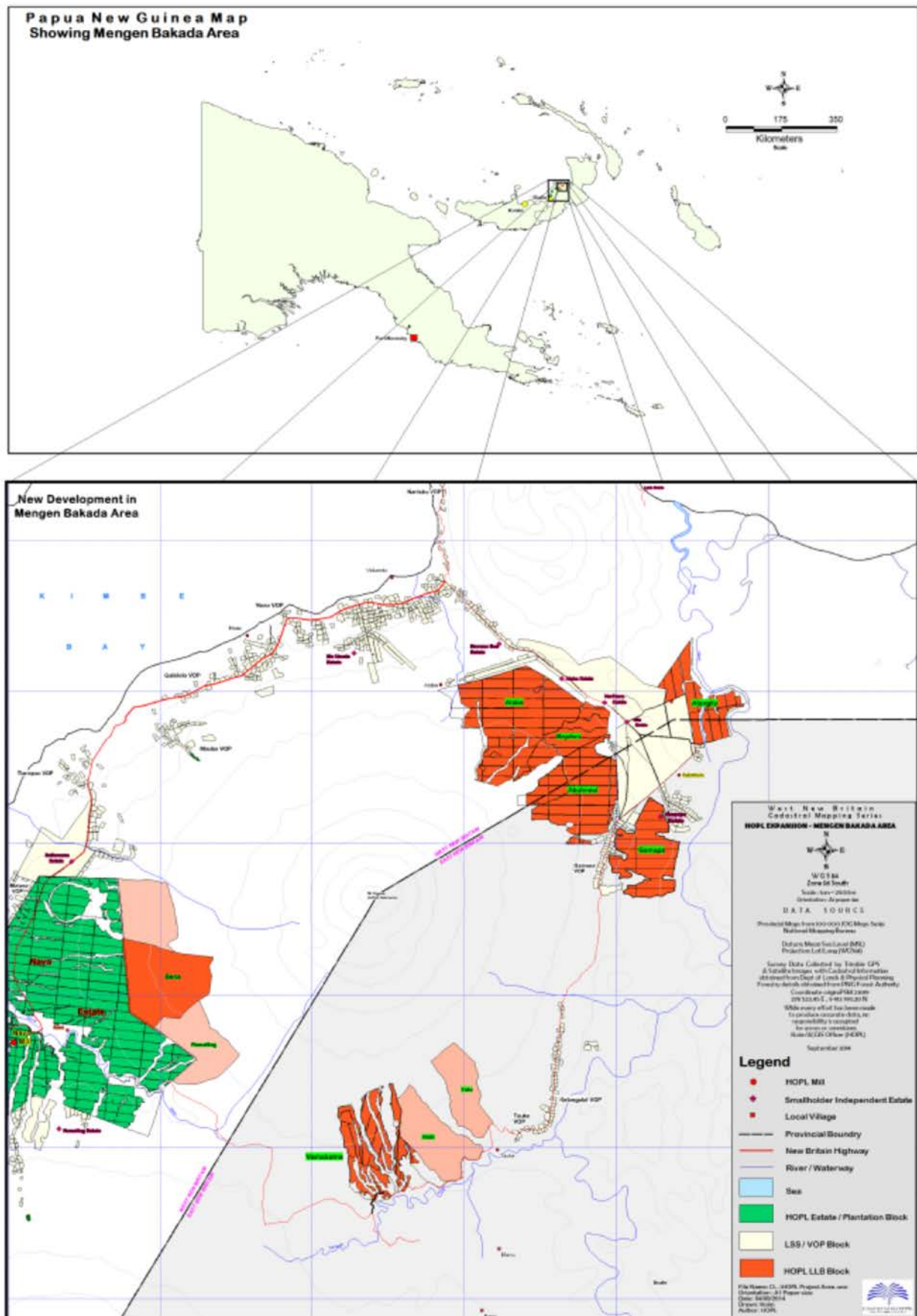


Figure 2. New Development in Mengen Bakada Area





**Table 2: Company and Associated Smallholder FFB Production tonnage**

| Year                  | 2009    | 2010    | 2011    | 2012    | 2013    |
|-----------------------|---------|---------|---------|---------|---------|
| Total Company FFB     | 213,207 | 205,871 | 228,597 | 244,564 | 237,119 |
| Total Smallholder FFB | 200,123 | 192,292 | 205,798 | 213,669 | 197,854 |
| % Company             | 52%     | 52%     | 53%     | 53%     | 54%     |
| % Smallholder         | 48%     | 48%     | 47%     | 47%     | 46%     |

**1.5 Date of Plantings and age profile**

HOPL own estates were planted between 1984 and 2003. The associated smallholder was planted between 1987 and 1995. About 80 % of the palms are at prime mature stage and still in the first planting cycle. A replanting programme has been developed for the replanting of palm aged more than 25 years. The age profiles of the palms are shown below.

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

| Year of Planting | Hargy    | Navo     | Barema   | Bakada Mengen | % of Planted Area |
|------------------|----------|----------|----------|---------------|-------------------|
| 1984             |          | 308.11   |          |               | 2.49              |
| 1985             |          | 98.90    |          |               | 0.80              |
| 1986             |          | 320.41   |          |               | 2.59              |
| 1994             | 139.30   |          |          |               | 1.12              |
| 1995             | 332.90   |          |          |               | 2.69              |
| 1996             | 326.43   |          |          |               | 2.64              |
| 1997             | 360.53   |          |          |               | 2.91              |
| 1998             | 367.15   | 257.41   |          |               | 5.04              |
| 1999             | 240.98   | 425.50   |          |               | 5.38              |
| 2000             | 132.89   | 259.23   |          |               | 3.17              |
| 2001             | 156.44   | 746.65   |          |               | 7.29              |
| 2002             | 236.13   | 95.34    |          |               | 2.86              |
| 2003             |          | 148.37   |          |               | 1.20              |
| 2004             |          | 159.76   |          |               | 1.29              |
| 2005             |          | 172.84   |          |               | 1.40              |
| 2006             |          | 610.76   | 268.54   |               | 7.10              |
| 2007             |          | 397.54   | 1,296.40 |               | 13.68             |
| 2008             |          |          | 153.73   |               | 1.24              |
| 2009             | 133.67   |          | 257.08   |               | 3.15              |
| 2010             | 21.16    | 340.21   |          | 265.52        | 5.06              |
| 2011             | 34.69    | 34.30    |          | 605.58        | 5.45              |
| 2012             | 78.67    | 899.13   |          | 665.43        | 13.27             |
| 2013             | 36.50    |          |          | 1002.59       | 8.39              |
| TOTAL            | 2,597.44 | 5,274.46 | 1,975.75 | 2,539.12      | 100.00            |

**1.6 Other Certifications Held**

HOPL has implemented an Environmental Management system and was awarded ISO 14001:2004 Certification since September 2005 expiry date 8 September 2014. The scope of certification includes all of the HOPL operations.

**1.7 Organisational Information / Contact Person**

HOPL is wholly owned by SIPEF NV Group of Belgium.

HOPL contact details as follows:

Hargy Oil Palm Limited  
PO BOX 21,  
Biialla, West New Britain Province  
Papua New Guinea

Contact Person: Graham King  
General Manager

Phone: +675 983 1005

Fax: +675 983 1191

Email: [gking@hargy.com.pg](mailto:gking@hargy.com.pg)

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

HOPL is wholly owned by SIPEF NV Group of Belgium. SIPEF is a member of RSPO and has been involved in the Roundtable process since 2006; RSPO Membership No: 1-0021-05-000-00.

The other majority owned Management Units are as listed below:

- Hargy Oil Palm Limited (HOPL, Papua New Guinea)
- PT Tolan Tiga Indonesia (certified)
- PT Agro Muko (certified)
- PT Umbul Mas Wisesa, PT Toton Usaha Mandiri (under process for certification)
- PT Citra Sawit Mandiri (under development)
- PT Agro Kati Lama (under development)
- PT Agro Rawas Ulu (has been verified against RSPO New Planting Procedure, waiting for certification)
- PT Agro Muara Rupit (under process for RSPO New Planting Procedure).

As per its earlier time-bound plan, SIPEF has achieved certification for all its palm oil mills and mature estates within five years of the certification of HOPL i.e. Hargy Palm Oil Limited, PT Tolan Tiga Indonesia and PT Agro Muko.

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

SIPEF NV has added one palm oil project in Indonesia, PT Agro Muara Rupit. This is a new development, for which SIPEF is following the RSPO New Planting Procedures. BSI has conducted the verification against RSPO New Planting Procedures and SIPEF has publicly notified on RSPO website for public consultation on 31<sup>st</sup> March 2014.

BSI also assessed the requirement for partial certification and concluded that:

1. There are no unresolved significant land disputes.
2. No replacement of primary forest or loss of HCV. New land acquisition follows the RSPO NPP process including public notification of new planting.
3. No labour disputes that are not being resolved through an agreed process.
4. No evidence of noncompliance with law noted.

BSI assessment team consider the time bound plan is challenging and still relevant to their management. BSI audit team found that the company comply with the Time bound Plan.

### 1.9 Area of Plantation

The area of palms at company owned estates is shown in Table 4a, area of associated smallholder growers (SG) in table 4b and HOPL operations area Table 4c.

**Table 4a: Estate and Area of Palms**

| Estate       | Mature (Ha)     | Immature (Ha)   |
|--------------|-----------------|-----------------|
| Hargy        | 2,447.58        | 149.86          |
| Barema       | 1,975.75        | 0               |
| Navo         | 4,341.03        | 933.43          |
| Mengen       | 0               | 657.10          |
| Bakada       | 265.52          | 1,616.5         |
| <b>Total</b> | <b>9,029.88</b> | <b>3,356.89</b> |

**Table 4b: Associated Smallholders members and Area of Palms**

| Smallholder plots | Area (ha)     |
|-------------------|---------------|
| Mature Hectare    | 12,352        |
| Immature Hectare  | 1,138         |
| <b>Total</b>      | <b>13,490</b> |

**Table 4c: Hargy Oil Palm Limited Hectare Statement**

| Designation                                   | Area (Ha)        |
|---|------------------|
| Mature Area                                   | 9,029.88         |
| Immature Area                                 | 3,356.89         |
| Preparation for Oil Palm                      | 1,000.00         |
| <b>Total Area for Oil Palm</b>                | <b>13,386.77</b> |
| Nurseries                                     | 28.01            |
| Emplacements, Roads, Mills, Compounds, etc    | 717.16           |
| Unplanted Reserve, including Underwater Lease | 2,289.45         |
| <b>Total</b>                                  | <b>16,421.39</b> |

### 1.10 Approximate Tonnages Certified

The approximate tonnages certified reported during initial certification was based on the budget for the year 2010. As a result of expansion of the scope in 2012, the approximate tonnage certified includes the production from the smallholder based on the budget for the year 2013. The detail is shown in Table 5.

**Table 5: Hargy Oil Palm Limited – Approximate CPO Tonnages Certified**

| Mill         | CPO            | PK            | CPKO          |
|--------------|----------------|---------------|---------------|
| Hargy        | 41,634         | 9,786         | 3,291         |
| Navo         | 43,395         | 10,200        | 3,381         |
| Barema       | 40,714         | 9,570         | 4,688         |
| <b>Total</b> | <b>125,743</b> | <b>29,556</b> | <b>11,410</b> |

### 1.11 Date of Certificate Issued and next surveillance visits

The initial certificate issued on 9 April 2009. The scope of the certificate includes the production from the company owned estates and associated smallholders which processed at the Hargy, Navo, and Barema Palm Oil Mills. The reissuance date of certificate would be after the approval of the summary report. The next surveillance visit will be not longer than 12 month of certificate anniversary date.

## 2.0 ASSESSMENT PROCESS

### 2.1 Certification Body

BSI Group Singapore Pte Ltd  
1 Robinson Road, #15-01 AIA Tower  
Singapore 04854288934  
Phone: +65 6270 0777  
Fax: +65 6270 2777  
Scheme Manager: Mr Aryo Gustomo  
Email: [Aryo.Gustomo@bsigroup.com](mailto:Aryo.Gustomo@bsigroup.com)

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

### 2.2 Qualification of the Lead Assessor and Assessment Team

#### Aryo Gustomo – Lead Assessor

He holds degree in Agriculture science and graduated from Bogor Agriculture University. He is a specialist in oil palm plantation with Agronomy background. He had more than 5 (five) years working experienced related to oil palm industries i.e. as a Plant breeder/agronomist in the one of Malaysian oil palm seed producer, and as a field assistant in oil palm Plantation Company in Indonesia. Several relevant Training he has completed include ISO 9001 and 14001 Lead Auditor, RSPO Lead auditor endorsed courses which also covered RSPO SCCS, Social Report Assurance training, ISPO auditor training, and training on HCV identification and management. Currently he works for BSI Group based in Jakarta office as a RSPO scheme manager and one of the



BSI qualified RSPO lead auditor. He had been involved in several RSPO certification audits including New Planting Procedure assessment as a lead auditor/auditor with geographical audit experiences cover Indonesia, Malaysia, Thailand and Liberia. During this assessment, he mainly focused on the aspect of legal, environment, mill, estate, and smallholder best practices; working safety and emergency preparedness, and supply chain requirement for CPO mills.

#### **Rod Stafford Nixon – Assessor**

He holds Masters Degree in Political Science from University of Melbourne, 1996 and PhD in Political Science from Charles Darwin University, 2008. He had vast experience in social and environmental study in Australia, Timor-Leste, Indonesia, Papua New Guinea and Vanuatu. Social/political scientist with special interests in social impact assessment, non-state justice and conflict resolution systems, customary land tenure systems, sustainable governance, political economy and rural development (including agricultural development) in subsistence and post-conflict contexts. He involved for numerous Asian Development Bank projects as consultant. He speaks proficient Bahasa Indonesia, Pidgin and basic Tetum. He is an approved RSPO HCV Assessor and Team Leader.

#### **Pratama Agung Sedayu - Assessor**

He graduated from University of Jenderal Soedirman - Indonesia on 2008, majoring in Social Economic of Agriculture. He involved in RSPO certification since 2009 as a team member covering assessment with RSPO P&C for various company in Indonesian and Malaysia. He completed the ISO 9001:2008 and OHSAS 18001:2007 Lead Auditor course, HCV identification and management training, ISPO lead auditor training, and RSPO Lead auditor endorsed course. He can communicate in English, both oral and written. During this assessment, he assessed the estate and smallholder best practices, environment, working safety, and emergency preparedness.

#### **Sarah Sylvia Ekali – Facilitator/Translator**

She is a Papua New Guinea citizen. She holds Diploma in Applied Sciences Environmental Health, from University of Divine Word - Madang, PNG; Graduate Diploma and Degree in Applied Sciences Environmental Health from University of Western Sydney-Hawkesbury Sydney Australia. She has been involved in many projects in term of Environment, social science, health & safety for community in Papua New Guinea. She completed EMS 14001 lead auditor course, Risk management facilitators, Dangerous Goods and Hazardous Substances Management, PNG National BAHA Workplace HIV/AIDS training, and PNG Safety Officer (level 1,2,3). She is registered as an Environmental Consultant with PNG Department of Environment and Conservation as well as an Environmental Health Officer registered within PNG Medical Board. She speaks English and Pidgin. During

this assessment she facilitated the audit team in communication and reading document with company and smallholders.

### ***2.3 Assessment Methodology and Programme***

The Recertification Assessment Visit (RAV) of the Mills and Estates was carried out on 24 – 28<sup>th</sup> March 2014. The Assessment Programme is included as **Appendix D**. The Programme included assessments of the Two Existing Mills (Hargy and Navo), One New Mill (Barema), Five company managed Estates, and fifty plots of sampled smallholder growers against all of the RSPO Principles & Criteria and applicable RSPO indicators.

BSI Audit team conducted an assessment of the associated smallholders growers operation comprising fifty smallholder growers by sampling six areas based on the RSPO sampling formula (0.8 √Y whereby Y is number of smallholder growers). This sampling strategy was developed based on the RSPO sample size, the geographical location and number of smallholder growers. The selected sampled associated smallholder growers had not previously been assessed.

The assessor was also carried out follow-up checks on the effectiveness of corrective actions for the nonconformities and Observations/Opportunities for Improvement that were identified during ASA4.

The methodology for collection of objective evidence included physical site inspections, observations of tasks and processes, interviews of staff, workers and their families and external stakeholders, review of documentation and monitoring data. Checklists and questionnaires were used to guide the collection of information.

This report is structured to provide a summary for each Principle and Criterion, together with details for each indicators to demonstrate conformance. The assessment was based on random samples and therefore nonconformities may exist that have not been identified.

This summary report was reviewed within internal BSI by Mr. Haeruddin. He is one of the BSI RSPO Lead auditor and internal reviewer who has involved in report reviewing and certification decision. This report is also forwarded and reviewed to independent peer review in accordance to RSPO requirements.

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

Internal and external stakeholders were consulted to obtain their views on HOPL's environmental and social performance and any issues of concern that they may have. External Stakeholder consultation took place in the form of meetings and interviews without the present of the management members of the company;

Individual stakeholders were contacted through telephone calls to arrange meetings. As part of the audit, meetings were held with stakeholders to seek their views on the performance of the company with respect to the sustainability practices outlined in the RSPO and other aspect where improvements could be made.

Stakeholders included those immediately linked with the operation of the company such as employees; Smallholder Growers (SGs) including Land Settlement Scheme (LSS), Village Oil Palm (VOP) and Independent Estates (IEs), the Oil Palm Industry Corporation (OPIC) and the Oil Palm Research Association (OPRA).

External stakeholders included organizations such as Government, NGOs and Civil Societies, who have an interest in the West New Britain provinces and local communities. Stakeholder consultation took place in the form of meetings and interviews. Meeting with government agencies and NGOs were held in their respective premises within and near Biiala town.

Internal stakeholders were interviewed in groups in the workplace or at their housing. HOPL officers were not present at any of the interviews. A list of stakeholders contacted is included at **Appendix C**.

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.

### **2.5 Date of Next Surveillance Visits**

The next surveillance visit will be approximately within 9-12 months after anniversary of certificate.

## **3. ASSESSMENT FINDINGS**

The assessment findings are reported in one body. Each section is referring to the finding of Recertification Assessment covering the two certified mills and company estates, as well as one new mill. Under each section, assessment team covers the findings of the associated smallholder recertification assessment.

### **3.1 Summary of Findings**

The results from each indicator from each of these operational areas have been aggregated to provide an assessment of overall conformance of HOPL operations with each Criterion. A statement is provided for each of the indicators to support the finding of the assessment team.

During the audit six (6) Nonconformities were assigned against Minor Compliance Indicators. HOPL has prepared a Corrective Action Plan (**Appendix E**) for addressing the identified non conformities that was reviewed and accepted by BSI.

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

BSI Re-certification assessment of HOPL operations covering two existing palm oil mills, one newly built palm oil mill, five estates, infrastructure and support services, concludes that HOPL operations comply with the requirement of RSPO Principles & Criteria: 2007 and PNG-NIWG Indicators and Guidance: 2008.

*BSI recommends that HOPL re-certified, continue to be approved as a producer of RSPO Certified Sustainable Palm Oil.*

### **Principle 1: Commitment to transparency**

**Criteria 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.**

Estates keep a register of information request and assistance request, and record of response attached. Records of information request and responses maintained at all estates visited.

All records of information request are being sorted. Certain type of information requires General Manager approval. Once approved, information requested is given. A record of response is maintained.

Associated Smallholders:

OPIC manages information request and responses under a list. The list recorded the information request and response provided made in timely manner.

Smallholder Growers can demonstrate all relevant information upon request. Some documentation is kept with OPIC extension officer and available upon request.

**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.**

HOPL has a list (dated 21<sup>st</sup> March 2014) of documents approved for different audiences. This document indicates the nature of documents and the level of public dissemination/confidentiality. The document register provided by HOPL is a list of key documents and those indicated as publicly available were sighted by the Auditing team on the outside wall of the Estate Manager's office.

The list of publicly available documents is approved by GM. The publicly available documents listed are available upon request, along with information on who is authorized for making available documentation. Documents related to financial information can only be

shared upon the discretion of the GM with approval from the SIPEF Board.

**Opportunity for Improvement 01 (1.2.1) – The audit team encourages management to make key scientific results available to interested parties, such as BOD effluent test result and water quality test done by NAL accredited laboratory.**

The Equal Opportunity policy covers the non-discrimination policy, as per PNG Legislation and has been approved by GM. The copy of Equal Opportunity Policy is available at all premises.

Land titles will be made available on request if appropriate. HOPL's operations in West New Britain area are all on State Agricultural Leases, while the new developments in East New Britain are on Incorporated Land Groups from customary land. HOPL Lands Department has copies of all leases, while the original leases held at Port Moresby.

The OHS Plan will be made available on request. It is also posted in all work premises on notice boards, this includes in the mill and division offices. HOPL provide training and awareness related to occupational health and safety onto OPIC extension officer. Based on visit and interview with smallholder, including independent estate, out growers receive information on occupational health and safety policy during "OPIC field day".

HOPL has different policies for Health and Safety, HIV/AIDS, Sexual Harassment, Domestic Violence and Malaria among others. The copy of these policies is made available on notice boards.

A set of documents for social impact assessment entitled "Social Impact Assessment for an Expansion of Oil Palm in West New Britain: Hargy Oil Palms Limited Final Report", prepared by Project Design & Management Pty Ltd, dated 21<sup>st</sup> August 2009. "An update of the 2009 Social Impact Assessment & A Social Management Plan", prepared by Roland Allbrook Consulting, Cairns Australia, dated November 2013. The Social Impact Assessment document identifies both positive impacts as well as negative impacts of the oil palm industry. This is intended to feed into a new Social Improvement Program being developed by the HR Department. These documents are available upon request.

Continuous Improvement Plan (dated 28<sup>th</sup> February 2013) cited by Auditor which includes a range of improvements including (a) "4.6.6 No herbicide to be supplied to smallholders without prior training and certification. Smallholder management organisation to actively discourage smallholders from using insecticides on oil palm (Due date: December 2014; Responsibility: Smallholder Manager and OPIC), and (b) "5.6.2 Significant pollutants and emissions are identified, monitored and plans to reduce them implemented" (Due Date: December 2014; Responsibility: Karla Plantation Manager). This document is also covering

waste management. Note: This Continuous Improvement Plan is applicable for the whole plantation.

Associated smallholders:

HOPL works closely with OPIC, encourage the associated smallholder management to adopt and disseminate all policy relevant with RSPO standard. A set of policies, similar to HOPL documented policies is available at OPIC office. Based on visit and interview with smallholder, including independent estate, out growers receive information on non-discrimination policy, HIV/ AIDS, Malaria, Domestic Violence and a Sexual Harassment policy, occupational health and safety policy during "OPIC field day".

Associated smallholder with allocated oil palm from Land Settlement Scheme holds the lease at their premise. OPIC extension officer is monitoring whenever disputes over customary land occurs. Should any dispute arise, the settlement is then processed by Land Department. The associated smallholders do understand the mechanism to resolve complaints and grievances.

Continuous Improvement Plan (dated 28<sup>th</sup> February 2013) cited by Auditor which includes a range of improvements including (a) "4.6.6 No herbicide to be supplied to smallholders without prior training and certification. Smallholder management organisation to actively discourage smallholders from using insecticides on oil palm (Due date: December 2014; Responsibility: Smallholder Manager and OPIC).

**Principle 2: Compliance with applicable laws and regulations**

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

HOPL demonstrate thorough implementation upon all applicable local, national and ratified international laws and regulatory requirements. HOPL has a procedure to update, change and evaluate laws and regulation requirement. A register of all applicable local, national and international laws and regulations are maintained, updated and evaluated on annual basis. The END Manager is responsible to monitor changes and amendment in the legal and regulatory requirement. The compliance evaluation results used as monitoring guideline for law and regulation implementation on operational level. The full legal compliance verified against mills machineries and operators. HOPL is referring to "Papua New Guinea Oil Palm Processing Industries, Environmental Code of Practices 2013". Sample taken: Hargy POM, Certificate of registration of boiler pressure vessel, certificate No.4315 and 4316 issued date 22<sup>nd</sup> January 2014 valid up to 22<sup>nd</sup> January 2015. Boiler operator licence in Hargy POM, under name Nax Kosori license No.079 and Eddie Dawan license No.730 dated 22<sup>nd</sup> January 2014, valid for one year.

Associated Smallholders:

Smallholder management organization demonstrates adequate knowledge upon main legal requirement and all applicable legal requirements related to operational activities. Based on interview with smallholders, adequate knowledge of main legal requirements is demonstrated. Smallholders do understand their right and responsibilities related to land act, implemented in form of application (and maintenance) of land title, payment of land taxes, etc.

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

HOPL provide comprehensive evidence to demonstrate the rightful use of the land. The land department demonstrate all documents relevant to legal ownership, lease of land, land tenure history, list of legal boundaries, land tenure maps. Land department head stated the boundaries are re-marked when required. Audit team conduct field visit to the boundary stones at each estate. Example: The Auditor visited a further site on the east side of Hargy Estate - Field 13 on the edge of the Caldera where a number of oil palm trees are no longer being harvested (verified) due to having been found to be on state land outside the boundaries of the Hargy Plantation.

HOPL shows Land Dispute Grievance register (titled Grievance Register 2013/2014) sighted. Several cases included in this register are summarised and series of evidence provided that progress is being made towards resolving these disputes. Navo estate has roads marking the boundaries on the eastern side. Most claims relating to Navo estate have contested the original determination of state land hence the claim is against the state. There is no land dispute that not being resolved.

***Observation 02 (2.2.2) – Land records found to be generally in good order given historical factors. Room for improvement identified to reduce risk of activities outside of boundaries. This includes increased coordination between land, construction, and estate department.***

Associated Smallholders:

Based on interview and visit to smallholder blocks, no disputes over land lease come to their attention. OPIC extension officer is monitoring whenever disputes over customary land occurs. The settlement is then processed by Land Department. There is no significant conflict noted.

***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.***

HOPL demonstrate respect upon customary land ownership, as well as strict implementation of free, prior and informed consent throughout use of land. HOPL Land officer shows records comprising series of meeting

minutes, negotiation records and agreement with land owners.

HOPL stand on previously State owned land and hold legitimate Leasehold Title. Documents sighted by Auditor titled Section 1: HOPL State Lease Register. Maps are available (current) showing occupied state land, vacant state land and customary land (2.3.1). Maps are available which indicate the extent of all plantations on alienated land. In relation to alienated land (2.3.1), this volume includes (for example) a copy of Agricultural Lease for Portion 9, Milinch/Section Ulawun, Fourmil/Town Talasea, for an area of 2,967 Ha in West New Britain dated 30<sup>th</sup> May 1977. HOPL can demonstrate the extent of their oil palm plantation development on alienated land/state land. Map titled HOPL “HOPL Biialla Project Area – 2013” sited by Auditor 26<sup>th</sup> March 2014.

Under Lease-Lease Back scheme, HOPL will develop palm estate only if the land owners have shown interest to the company to develop their land. HOPL carried out awareness session in villages and to other stakeholders on lease process, dispute settling, environmental issues, etc. Hereby involving the communities’ representatives and clan leaders recognized the customary traditions. Files are available showing the involved discussion process, decision making process including settlement process and the consent process of involved stakeholders.

In relation to Lease-lease back land (2.3.2), the GM and head of HOPL’s Land department reports that the all necessary application processes have been completed and they are now waiting for the Department of Lands to follow up. However, there is one example of an almost completed lease-lease back process relating to the Vamukuma Land Group Inc. lease for 731 Hectares in the Milinch of Ulawan in the Fourmil of Talasea. For this case, the Special Agricultural Lease for the land in question is completed and on file, and HOPL only awaits the finalised sub-lease approved by the Department of Lands. HOPL can demonstrate the extent of their oil palm plantation development on Lease-Lease Back areas. Map titled HOPL “HOPL Biialla Project Area – 2013” sited by Auditor 26<sup>th</sup> March 2014.

Complete examples of Land Settlement Scheme (see 2.3.3) agreements sighted by Auditor on 27<sup>th</sup> March 2014. HOPL can demonstrate the extent of their oil palm plantation development of Land Settlement Scheme on alienated land/state land. Map titled HOPL “HOPL Biialla Project Area – 2013” sited by Auditor 26<sup>th</sup> March 2014.

Auditor is confident that HOPL is endeavouring to conclude legal processes of consent, and to document related negotiation and consent processes, but that outcomes are hampered by low levels of responsiveness by the PNG Department of Lands. The resulting delays mean that final documents take many years to be issued.

Associated Smallholders:

Smallholder Manager – Oil Palm Industry Corporation (OPIC) Extension officer manages to demonstrate map showing extent of customary land utilised as Village Oil Palm. Smallholders on Land Settlement Scheme blocks have been granted an agricultural lease over the block. This land has been acquired by the State from the customary landowners. A 99 years leasehold title was granted to the LSS growers.

Based on site visit to LSS growers, Owners copy and maps were being provided and verified.

Village Oil Palm (VOP) blocks established on Customary Land. Maps of all VOP blocks are available and verified with OPIC (2.3.4) during block visit.

***Principle 3: Commitment to long-term economic and financial viability***

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

The GM provides a five year business plan for HOPL (3.1.1) under Hargy Oil Palm Limited 2014 Budget Book. There are business plans in place that take into account crop projection, mill extraction rates, costs of production, annual replanting programmes (3.1.2), forecasts and financial indicators. All requirements of this indicator have been met.

The auditor sighted crop projections for all estates and associated smallholders. All mill extraction rates are documented, including projection for the newly built Barema Palm Oil Mill.

The cost of production is reviewed and compared against expenditure each year with projects in place for future years. The cost of production covered company's owned estates, associated smallholder group and new development areas.

Forecasts are in place for the next 5 years. The Five Year plan is reviewed on a yearly basis. Assumption based on exchange rate, price of CPO and PK, production data and revenue.

Associated Smallholder:

The five year business plans covers the associated smallholder' production estimation, cost structure and improvement plan.

***Principle 4: Use of appropriate best practices by growers and millers***

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

Hargy Oil Palm Limited has Management Guidelines (MG) for Estate and Mills operations. Standard Operating Procedures (SOP) available for each processing station from FFB weighbridge to CPO dispatch in each mill. HOPL has a set of Plantation Practices guidelines under Management Guidelines. HOPL management guidelines is covering nursery, new development practices, plantation upkeep practices, pesticide practices, harvesting practices, compound management practices and hydrocarbon management practices. (4.1.1)

PNG Code of Practice are referenced in various documents such as Management Guidelines-New Development Planting. Navo Estate is referring to Logging Code of Practice in defining and delineating the river buffer zone. 50 meters on both side of the river are kept as buffer zone. (4.1.3)

A mechanism for monitoring consistent implementation of procedures is in place for mill operation and plantation activities. Log book are being completed for all mill SOP's at the frequency required. Head of Plantation conduct monthly internal monitoring to check the consistent implementation of plantation procedures. (4.1.2)

There are records maintained of inspections and audits result. The record of action taken place is also recorded and available. Corrective Action Required is issued as response to internal audit process and follow up by management. (4.1.4)

Associated Smallholders:

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

OPIC extension officer provide evidence of communication of best practices to all associated smallholders such as training records, handbook distribution and field day attendance. All records are available within OPIC office and each respective smallholder visited.

OPIC demonstrate evidence of associated smallholder compliance against management standard in order to meet RSPO requirement. The compliance evidence available under Block inspection records that show management standards are held by the OPIC.

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

HOPL estates are surrounded by volcanoes. The soil type is volcanic soil, which is naturally fertile. HOPL continues to maintain soil fertility and minimize erosion. Record of

fertilizer inputs is maintained. This record includes type of fertilizer used, block location applied, amount of application and frequency of application. (4.2.1)

Periodic tissue and soil sampling carried out by Agronomy. Tissue sampling is taken on annual basis and soil sampling is conducted on 5-yearly basis. HOPL then developed fertilizer recommendation based on periodic tissue and soil analysis result. HOPL manages to demonstrate the soil sampling for the new development area, as part of Environmental Impact Assessment prior to development.

Oil palm by-products such as fronds, EFB, effluent and solid are recycled. These are used as nutrients and are put in place to improve organic matter and to substitute or supplement an-organic fertilizer. Palm fronds are also used to prevent erosion following pruning and after harvesting of FFB. (4.2.3)

Associated smallholder:

All associated smallholder visited understood the importance of applying fertiliser to their palms. All associated smallholder visited were recycling palm fronds by laying them between rows of palms to allow for composting. The associated smallholders visited understood the principles of fertilizers and there is a support service in place to train and create awareness through the OPIC extension service.

HOPL provided the fertiliser and delivers the fertiliser to the associated smallholder based on the Irrevocable Fertiliser Order signed by the grower. Record of fertilizer input is available with each smallholder.

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

HOPL estates are surrounded by volcanoes. The soil type is volcanic soil, which is naturally fertile. HOPL continues to maintain soil fertility and minimize erosion. The risk of erosion is assessed and records in the form of a field inspection sheet are kept and are further documented in OMP 8. This includes both associated smallholder and HOPL estates. The assessment includes run off from roads and effectiveness of road grading programmes to prevent erosion with regards to drainage. Inspections also check on the amount of cover crop, for new and old plantings especially in steeper areas and replanting of cover crop done where required to ensure that risks of erosion are reduced and eliminated when possible. (4.3.1)

No new planting since 2007 (4.3.2) has been on slopes in excess of 25 degrees. Based on field visit, this policy is still the case and applies to both HOPL and Associated smallholder plots.

At Hargy estate there is terracing (4.3.3) in some areas to reduce soil erosion – Kera Kera division for example. To prevent erosion, cut fronds are placed in a position to reduce erosion in the form of boxing. Rainfall run off is

minimised where necessary by construction of strategically placed drains along road way and construction of silt pit. There was no evidence of over spraying of herbicides during this assessment. Estate harvest paths are slashed by hand by estate workers reducing total sprayed area. (4.3.3)

HOPL provide soil map of Hargy and Barema Plantation, which indicate the soil texture to be clay loam to silty clay loam, sand to loam sand, loam to sandy loam, heavy loam to sand clay loam, organic loam to sand clay loam, silty clay. There is no peat soil identified on Hargy and Barema plantation. (4.3.4)

Hargy Plantation has road maintenance program 2014, including GPS positioning and planning, identify the scope of work done in January 2014, culverts and head walls in April, turnout and drains in May, let contract in June, roadwork planned in June-July. Record of road maintained in 2013 has been prepared to indicate achievement against target and budget. (4.3.5)

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

Based on New Developments Practices, HOPL indicates the policy/consideration to avoid planting on slope in excess of 25°, avoid planting on contiguous area of peat soil more than 3 m depths and more than 150Ha in extent. HOPL is implementing contour path at all estate with hilly area. (4.3.6)

Associated smallholder:

Most associated smallholder blocks visited were on flat land, but palm fronds were placed across the slope and stabilised by palm frond pickets.

On audited blocks, which have some sloping areas, extra effort was made to stop the flow of water by placing palm fronds at right angles to the flow of rainfall. Silt pits being constructed on independent estates, to reduce sedimentation. Collection road on farm level, observed to be in good condition.

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

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

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

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

Records indicate that Navo Mill is monitoring effluent discharge and readings indicate that discharges are in compliance with PNG guidelines for field application. All monitoring results were well within limits prescribed in the environmental permit and national regulations accept very occasional exceptions.

HOPL has also Water infrastructure maintenance program. Monitoring on the use of water from storm water, drains, nursery and domestic waste carried out on regular basis.

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

The riparian buffer zones (4.4.2) are maintained in good condition. The buffers in existing plantations were inspected and found to be within the limits as prescribed by the environmental permits which have been issued for each estate. All permanent water courses have buffers in place and these comply with the permits respectively. In fact due to the planting of vertiver grass all banks in the riparian zones are now much more stable and therefore erosion risks are reduced.

The company also focus on re-establishing of buffer zones by planting native species. In Barema estate the buffers remain in place and have not been encroached and are in fact flourishing and provide a habitat for the wildlife in the banks of the Lobo and Barema rivers. The buffers include wetland areas and there is a substantial buffer strip between plantings and the sea (200 to 400 metres). Navo Estate maintains riparian buffer zone as per PNG logging code of practice.

Associated smallholder:

Associated smallholder visited and interviewed demonstrated their understanding the basic principles and techniques required to maintain quality of surface water by use of cover crops, effective weed management and appropriate positioning of palm fronds. There were very few small holders who used herbicides and where they did they were aware of the need to protect ground and drinking water sources.

Awareness sessions have been carried out among company employees, adjacent smallholders and locals on the importance of the buffer-zones for wildlife, and other special features such as erosion control. All smallholders interviewed indicated good understanding of buffer zone establishment and requirement.

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

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

There is an Integrated Pest Management Programme (IPM)(4.5.2) for specific pests. HOPL Pest Management Plan – January 2014, indicating the type of agrochemical applied, technique, location and frequency as well as safe working practices. IPM strategies for *Sexava spp.* Species is through the biological intervention (i.e. egg parasitoid, predators), physical intervention and cultural intervention. HOPL monitors pests and disease as part of the IPM. The program for Pest and Disease monitoring planned under the budget - P&D Control – *Sexava* in March and July, where pest census planned quarterly.

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

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

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

The amount and type of pesticides used (4.5.3) and the locations they are used in are recorded for each programme and kept in OMP 8 for each block. Pesticides are being used to control the infestation for Div.1 (Makakiwa) based on PNGOPRA Pest Infestation Recommendation (visit 12<sup>th</sup> February 2014) where 273 Ha is recommended with trunk injection. Record of trunk

injection is available under Targeted Trunk Injection Daily Report Form for July 2013, where 49.95 Ha is injected.

Associated smallholder:

OPIC extension officer is conducting field day to inform about the dangers of pesticides usage. HOPL only provide agrochemical in form of *Glyphosate* to associated smallholder. *Glyphosate* is only provided to trained farmers only. Associated smallholders are being and that the company is not providing any chemicals to them unless they have proof of training in pesticide handling.

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

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

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

Documented justification of all agrochemical use is available under Approved Product List for use in industrial and agricultural application, informing the product name, type of pesticide, active ingredients, LD50, approved agricultural use. Example: *Gramoxone* used to control wild grasses (local: Kunai karabbao) control in circle spraying and selective spraying. Guidance related to proper equipment (knapsack, nozzle size, chemical type) has been determined for each pest and disease control in the Integrated Pest Management. Explanation of spraying technique to avoid run-off is available under integrated water management plan. (4.6.1)

Records of pesticide use (including active ingredients used, area treated, amount applied per ha and number of applications) are maintained. Agrochemicals used are monitored each time it is used. Records includes active ingredients used, area treated, quantity applied per hectare, type of equipment used and number of applicators involve. Hargy Plantation maintained Hargy Plantation Spraying Cost Book January-February 2014, indicating the block, man days, hectares, cost of man days, chemical use. (4.6.2)

Record of use of *Gramoxone* (active ingredient: *Paraquat*), *Smazine* (2,4 D Amine), *Methamidophose* (*Organophosphate*) available with Agronomist. HOPL is

monitoring research done by PNGOPRA which doing trial with alternative chemical for control of *Sexava spp.* These chemicals are less toxic than *Methamidophos*. Rat control with *warfarin* based based on OPRA research. (4.6.3)

No aerial spraying of pesticides to control pest infestation. (4.6.4)

Action Plan for Continual Improvement in Sustainable Performance identifies the plan to phase out *paraquat* in 2014. The total *paraquat* use in HOPL 2012 is 5,850.1 litres for 7,784.2Ha. The total *paraquat* use in HOPL 2013 is 5,768.2 liters for 7,097Ha. HOPL planned to phase out *paraquat* use in 2014. The responsibility is under Head of Estate with determined timeline as of December 2014. HOPL is referring to PNGOPRA, in line with their effort to phase out *paraquat*. (4.6.5)

HOPL maintained record of training for worker applying agrochemical. Hargy Plantation maintains a set of record for sprayer training for herbicide mixer herbicide sprayers and smallholders. (4.6.8)

HOPL identified the standard PPE for sprayer: 2 sets of uniforms, 1 pair of short length PVC gloves, 1 pair of rubber gum boots and a cap. Meanwhile, PPE for mixers determined as: colored overalls, an apron, a pesticide face shield, chemical gloves and rubber boots. Based on field visit and interview, all supplied PPE for pesticide worker found to be appropriate. (4.6.9)

Storage and disposal of all chemicals found to be consistent with the Code of Practice. The disposal of pesticide guideline is available under the Plantation Management Practice – Pesticide Practices. The empty containers are triple rinse, punctured and/or cut open before sent for pesticide pit (land fill). Record of empty pesticide container is maintained. (4.6.10)

HOPL is only using registered agrochemical, which approved by Department of Environment and Conservation. All agrochemical stored complemented with clear MSDS. First aid kit stored at estate clinic, located near the chemical shed. There is a dedicated cleaning room in chemical shed compound. Worker washes their working overall and PPE in the washing room. Clean overall and PPE stored in a locker after washing. (4.6.11)

There has been no CPO residue testing requested by customer in supply chain. (4.6.12)

HOPL clinic performed annual health screening for worker related to agrochemical in form of baseline surveillance. In addition, Cholinesterase testing has been performed for *organophosphate* applicator. Record of baseline surveillance for employees using agrochemical is maintained by HOPL head office. The latest baseline surveillance was conducted on January 2014. Latest health screening result shows no sign of intoxication among sprayer. Interview and (rapid check) physical observation with number of sprayer and fertilizer



applicator reveal they have not suffer intoxication symptoms. No skin disorder/rashes or nail problem observed, no mouth and throat pain, no breathing difficulties complained during audit process. (4.6.13)

Based on field visit and interview with worker, there is no female sprayer in HOPL. There is no contract worker performing such activities either. (4.6.14)

Associated Smallholders:

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

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

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

HOPL has a health and safety policy. The health and safety policy is being implemented and monitored. (4.7.1)

HOPL has a Safety Management plan, a procedure for Hazard Identification and Risk Assessment is lined out. All hazards with score above 10 will be recorded on detailed Hazard Register, controlled and monitor. HOPL has identified hazard and risk assessment for plantation activities, proposed control have been identified and implement, as well as plan to monitor the control. HOPL had also identified the residual assessment. However, a minor NC identified. (4.7.2)

**4.7.2 Minor NC: Insufficient attention to identification of significant risks and implementation of control measures. Evidence observed during visits such as:**

- a. Fatigue risk for palm oil mill worker, working 12 hours per days for 13 or more days;
- b. No hearing checks of mill engine room operators concerning risk of hearing loss;
- c. Inappropriate PPE for EFB applicators and possibly other relevant staff as well;
- d. Lack of measures to control company vehicle speeds (as observed by auditing team members and reported by stakeholders), an area of particular importance given that school children also walking on the roads as well.

HOPL has prepared a safe working practices training program for all workers involved in the operations. HOPL practicing work permits for activities with high risk level. HOPL has also provided adequate and appropriate protective equipment for worker perform activities at potentially hazardous operations, such as pesticide application, harvesting and palm oil mill operation. A minor NC issued:

**4.7.3 Minor NC: Provision of appropriate PPE to all workers - incomplete. Workers were interviewed who reported they have not been provided with appropriate PPE. This included 4 EFB applicators in Hargy Estate without gum boots and one welder in Barema Mill without apron were sighted during visit. Additionally, a community health informant noted the need for HOPL to ensure that all workers are equipped with appropriate PPE such as boots and gloves.**

HOPL has appointed OHS superintendent for the whole HOPL operation. There is also a site safety representative on each site. Safety issues are reported to be held on a monthly basis for each site. On a quarterly basis, all reps reportedly meet together with Superintendent and relevant issues discussed. The minutes for the meeting of 29<sup>th</sup> January 2014 for Hargy Estate were sighted by Auditor on 26<sup>th</sup> March 2014. Issues raised, according to the minutes, include: concerns about chemical safety, and the need for workers to wear safety wear. (4.7.4)

HOPL has prepared accident and emergency procedures and tested on regular basis. Instructions and procedures, including sign boards are provided in appropriate language and can be clearly understood by all workers. Emergency procedures identified for volcano eruption, flood, unrest/strike, medical emergency, motor vehicle accident, fire emergency, tsunami response and evacuation.

Record sighted: Emergency drill was carried out in 17<sup>th</sup> March 2014 for emergency work accident; Emergency drill dated 12<sup>th</sup> February 2014 for volcano eruption in Div.2 Hargy Estate; Emergency drill 24<sup>th</sup> April 2013 for burning house; Emergency drill dated 17<sup>th</sup> March 2014 for harvester. However, it was not tested at determined interval; a minor NC identified. (4.7.5)

**4.7.5 Minor NC: Evidence that emergency procedures are not tested at appropriate intervals. A review of records found two emergency plans were not tested in interval basis i.e. emergency procedure for Unrest/Strike (procedure created 17<sup>th</sup> March 2012) and Tsunami response (procedure created 28<sup>th</sup> March 2013). Additionally the emergency shower in Hargy Estate was found to be only semi-functional upon testing.**

A First aid clinic was visited at Hargy Estate and Barema Estate. The clinic staffed by a qualified and trained health worker. Workers trained in First Aid with a first aid kit is present in the Mill. (4.7.6)

HOPL maintains accident record at each unit. Navo Estate shows LTI statistics and Safety Index for period ending May 2013. The most frequent accident is palm thorn injury (4.7.7)

HOPL provides accident injury insurance for all workers. Policy No.41004791 current to 1<sup>st</sup> February 2012 was sighted by Auditor. Process involves incident/accident report by company doctor or company contracted doctor in Kimbe. Documentation assembled by worker's compensation clerk titled Workers Compensation End of Year Report 2013 indicates that 35 claims documented for 2013. Other documentation titled "Workers Compensation Closed Files-2013" indicates that 14 of these have already been processed, amounting to K105,331.04. The procedure for processing workers compensation involves 12 steps, and the company provides support on a case-by-case basis. It would appear "late notification" relating to this process was the reason for the one "denied" claim in 2013. (4.7.9)

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

**RAV findings:** Based on field visits, Hargy's safety officers have improved their safety inspection. The number of safety issues raised during last visits had been appropriately controlled such as installing signage of caution to EFB falling in work area of Hargy Mill, Diesel is now identified in the tank, LOTO is properly implemented such central Workshop area and both Mills, damaged machine guard has been repaired in Workshop, engine Mill's operators are now wearing proper earmuff in work area, water host is now installed in Expeller station to reduce blowing dust into the mill, some electrical switchboard doors were now had been repaired.

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

**RAV findings:** Hargy Mill are now fully control on high risk operation such as hot work, confined space and working at heights. There were records of permit for those works issued and approved by mill supervisor and superintendent. Review of records: Cutting/Welding & Hot Permit, Confined Space Entry Permit. Mills are also considering height restriction to work at height over 1.5 meters and controlled by using safety harness, safety boots and safety helmet. Field visit to Navo Mill suggest

*consistent practice has been implemented throughout all mill operations.*

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

HOPL has a HOPL Training Calendar 2014. This document exists centrally for Grades 4 or 5 (supervisors and heavy equipment operators, senior tradesmen, etc) upwards, updated on a yearly basis. "2013 Annual Training Report" sighted by auditor. No training records sighted for estate workers, as HR reports these are held in estate offices. Example: IT Training planned extensively to prepare on new IT system coming up; IT Training on 31<sup>st</sup> March-3<sup>rd</sup> April 2014; HOPL Productivity Improvement on 26-30<sup>th</sup> May 2014.

HOPL manages to demonstrate training record for each employee. Training focused in 2014 on technical skills, supervisor training, security and other areas. Training records for the categories outlined in 4.8.1 held in files. Engine valve adjustment training record dated 3 April 2013 sighted by Auditor; Security Induction Training dated 14 December 2013 sighted by Auditor. Based on interview and record review, training evaluation was carried out once training completed. (4.8.2)

Associated smallholder:

OPLIC demonstrate a training programme for associated smallholder, based on training need assessment. A set of training record entitled for smallholder sighted in OPOC office. Smallholder can demonstrate a certificate as a proof of out growers course participation related to use and application of agrochemical for out growers. (4.8.3)

**Opportunity for Improvement 03 (4.8.1) – Several low grade estate employee interviewed, expressed interest in accessing (increased) training opportunities. Encourage HOPL to expand training opportunities to lower level workers.**

**Principle 5: Environmental responsibility and conservation of natural resources and biodiversity**

**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.**

HOPL Site Specific Environmental Aspects and Impact Register (dated 30<sup>th</sup> January 2014) sited. This document is reported to be linked closely to the Continuous Improvement Plan (see 1.2.10) and shares the same Aspects code (e.g. EA007 Land Clearing Cultural Heritage/Site Damage).

According to ENC Manager, HOPL Site Specific Environmental Aspects and Impact Register is reviewed and updated on an annual basis. Addressed items are

left in the register and newly identified items are added and also cross-reference to the Continuous Improvement Plan. (5.1.1)

See 1.2.10 on the Continuous Improvement Plan (dated 28/02/2014), which includes environmental aspects and is divided into the following sections: (1) Pesticides, (2) General Environment Improvement Plan, (3) Significant Environmental Aspects and Impacts, (4) Waste Reduction (5) Pollution and Emissions, (6) Social Improvement Plan (7) Called Improvement Plan and mainly focused on OHS, identified social impacts, housing, health & medical education & welfare issues, and “timely response to all RSPO audit findings”. (5.1.2)

Associated Smallholder:

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

**Observations 04 (5.1.1) – Two observations identified in Mill:**

1. Apparent absent of noise level monitoring.
2. Empty chemical container identified which is not included in environmental impact register. Noise level monitoring program and attention to ensuring all chemicals included in environmental impact register required.

**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.**

HCV study conducted in 2009 by Douglas Environmental Services. Within the estate some areas are not planted and these habitats are being left in their natural state. None of these areas have been identified as HCVs. They are normally steep areas near river and in gullies. These areas have been maintained and are prospering as there are no incursions into any of these areas.

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

The Barema estate is bounded by Barema River to the east and Lobo to the west. Barema estate area has been extensively logged in the past by a logging company. Barema estate plantation and housing area is situated in the low lying flat wetland between the above two rivers. Further investigation suggests that the recommendations included in this report have been integrated into planning activities. (5.2.1)

HOPL has established the conservation status, legal protection and habitat requirement of rare, threatened,

or endangered species that could be significantly affected by plantation operation. All legal requirements related to protection of the species or habitat has been taken into consideration in setting aside conservation area. (5.2.2 & 5.2.3)

Based on field visit, the conservation area found to be preserved and intact. There are signs of wildlife activities. *Rhyticeros plicatus* – Hornbill or Kokomo in local Tok Pidgin (LC) and *Cacatua ophthalmica* – blue-eyed cockatoo (Vu), frequently sighted in the monitoring report. (5.2.4)

HOPL demonstrate commitment to discourage illegal hunting, fishing or collecting activities at dedicated conservation area. Signs have been erected and monthly EHS (Environmental health and Safety) inspection being undertaken by site representatives since 2011.

HOPL has developed measure to resolve human-wildlife conflicts. However, HOPL is taking action to ensure the appropriate management of these areas, and this was verified in discussions with workers who indicated understanding of no hunting, burning, gardening in the buffer areas (Interviewed 25<sup>th</sup> March 2014). Inspection during the audit indicated there was no inappropriate hunting, fishing or collecting activities in HOPL plantation. (5.2.5)

Associated Smallholders:

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

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

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

The identification of sources of waste and pollution features under Section 4 of the Action Plan for Continual Improvement in Sustainable Performance (dated 28 August 2013) and is also the subject of a HOPL Waste Management Plan dated 26 February 2013. The latter plan features sections on Legal Regulatory Requirements, Sources and Types of Waste Generating Activities, Site Specific Potential Environmental Effects and Waste Management Strategy, Vehicle Workshop, Palm Oil Mills, Office Wastes, Landfill Site Operating Procedures, and Waste Management Programme. These programmes were to implement by all executive level, cadets and supervisors on some estates. (5.3.1)

There is a waste management plan in place and it has been implemented effectively in most areas and is current. The waste management and disposal plan (5.3.2) was last updated on 26 February 2013. In line with waste source identification, the waste management plan has a methodology in place for the management of all types of wastes. HOPL recorded the quantity of waste recycled or sent to land fill. Another record is kept for waste which is delivered to the landfills by outside bodies including from Bialla town and other areas outside of HOPL. There are caretakers managing all major landfills to ensure control is maintained. Each pit and all landfills are located within the required distance from all housing and rivers and streams. A soil permeability test has been performed to mitigate the effect of waste leaching into ground water source.

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

**RAV findings:** Based on visit to landfill in Hargy Estate and Barema Estate, waste has been placed inside domestic waste pit. Another visit made to Alaba landfill suggest, segregation has been improved, hydrocarbon pit only contain hydrocarbon waste and other hydrocarbon contaminated waste.

**5.3.2 Minor NC: Waste chemical pit management not in conformance with MSDS and Sanitary land field code of practice. Chemical waste pit at Hargy Estate landfill found to be without impermeable liner and found to contain caustic soda which is classified in the MSDS as a poisonous and dangerous corrosive (Class 8) which must be neutralized prior to disposal.**

**Opportunity for Improvement 05 (5.3.2) – HOPL may wish to adjust the waste management plan to be in line with current waste management practice.**

Office wastes are being segregated and recycled wherever possible, while residual being sent to landfill. Household waste is being collected on weekly basis, segregated and recycled where possible, while the rest is being sent for landfill. Agrochemical waste, including container, used spill kit and spraying tools are triple rinsed, punctured and sent for pesticide landfill. Oil and hydrocarbons sent to hydrocarbon pit, while spills are burnt in mill boilers.

Waste sourced from Hargy and Navo POM is re-use as palm nutrient. Mill effluent is being processed through effluent ponds and streamed as land application. Fibre is re-used as fuel for furnace. Empty Fruit Bunch is used as fertilizer.

Medical waste is sent for incineration at Bialla Town Hospital. Records include disposal of sharps and

contaminated medical waste, amount destroyed and where transported from and dates. All clinics send their waste to the main clinic at Hargy Estate who in turn sends the medical waste to Bialla Town Hospital for incineration. The amounts sent to the incinerator at Bialla Hospital are recorded including date and amount burnt. Expired medicine was checked at each clinic visited and records in place were extensive and included dates of returns, disposal and write off of expired drugs and medicines.

Associated smallholders:

OPIC extension officer helps smallholders to identify source of waste and pollution, in preparing a waste management guideline for smallholder. The waste management guideline was communicated by OPIC extension officer through field day, records of meeting are maintained. All associated smallholders demonstrate evidence of domestic waste disposal in rubbish pits. The disposal method into rubbish pits including empty agrochemical containers.

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

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

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

The record of the use of non renewable and renewable energy used is trended over the previous 5 years. This indicates the levels over this time in a rolling graphic projection and also back to the start of recording this information in 2007.

The feasibility of collecting and using biogas, biodiesel and biofuels has been studied and is to be implemented on the new built mill (Barema POM).

**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.**

Documented assessment where fire has been used for preparing land for replanting is NOT available because the use of fire was discontinued with RSPO certification in 2005. The HOPL Management Guidelines (dated 28<sup>th</sup>

February 2014) refer to the need for documented explanation in the rare event fire is used for land preparation (in accordance with RSPO requirements) but in practice the use of fire has reportedly been discontinued and fire would only occur as a result of accident, or malicious damage, in which case an incident report would be prepared.

Evidence suggesting that HOPL is committed to a zero fire policy includes prominent (capitals, bold) reference to the HOPL “ZERO BURNING POLICY” included in a contract between HOPL and the Vamakuma ILG in relation to a signed Felling Operations contract dated 10 April 2014. There is no burning in new developments or at replanting. Burning is not allowed by HOPL and there is no evidence of burning in regards to preparation of land. (5.5.1)

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

Burning of domestic waste (5.5.3) is against company policy and has mostly been eradicated. Page 13 of the HOPL Management Guidelines: Compound Management Practices (dated 28<sup>th</sup> February 2014) outlined a procedure for separating rubbish and “disposal into their designated pits at the land fill sites”. No specific reference to non-burning of domestic wastes sighted by Auditor, but reportedly the burial protocol is enforced. No burning of domestic refuse was sighted during this assessment. Waste and refuse is being segregated between organic and in-organic waste. Organic waste is being composted. In-organic waste is being dump to landfill.

All medical waste is picked up under the supervision of the company doctor and transported usually by the ambulance on a monthly basis to Bialla Health Centre. The procedure outlined on Page 18 the HOPL Waste Management Plan (dated 26<sup>th</sup> February 2013) reads as follows: “Medical facilities are established within all estates and generate wastes. All medical wastes are considered hazardous if disposed indiscriminately thus having an impact on the environment. The waste management strategy is for all medical wastes from the clinic such as sharps, syringes, needles etc would be collected in a bio-hazard bin, taken to the medical waste incinerator at Bialla Health Centre and burnt. The clinic staff must insure that all waste is burnt to ashes, and then incinerator thoroughly cleaned. All burning of medical wastes are one by the medical staff after which the facility is locked with a pad bolt when not being used.

**Opportunity for Improvement 06 (5.5.4) – Bialla Clinic medical waste incinerator reported by Clinic source to be incapable of fully incinerating waste. Incinerator door**

*found unable to be locked in accordance with correct procedure. Attention to incinerator required.*

An interview with Sister Leone at the Hargy Estate Clinic confirmed that robust records are kept at the HOPL Clinic level of all medical/biohazard waste. However, there have been problems experienced with (a) record keeping in relation to the transfer of waste to the Bialla Clinic for incineration as well as with (b) the Bialla medical waste incinerator itself. These issues are documented in the Stakeholder Consultation Table.

Associated Smallholder:

According to ENC Manager, smallholders still use fire for preparing new planting due to customary practise, however the company is reportedly endeavouring to educate smallholders through OPIC not to use fire.

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

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

Environmental aspect impact register recorded under HOPL Specific Environmental Aspect & Impacts register HOP-REG-EMS-004-01. There is in place a waste management plan which includes control and management of all waste. This includes the methodology for controlling any polluting activities. Periodic review and necessary update is evident. For example: Air quality from Boiler & steam monitored through installation of Grit Arrestors, Chemical contamination of soil and water mitigated through floor containment and spill kits, Mill floor cleaning through interceptor traps. Emission from electricity generator controlled through controlling the exhaust noise and heat discharge by installing silencers, routine maintenance and PPE. (5.6.1)

**Observations 07 (5.6.1) – Monitoring of particulate emissions from mills and control is necessary to be identified in the Environmental Aspect Impact register.**

Significant pollutants have been identified through the waste management plan as well as the means to reduce them All requirements for control of polluting activities are set out in the Environmental permits are monitored. Hargy POM has laboratory equipment for measuring BOD in place. POME treatment recorded under POME Management Practices HOP-MNG-EMS-011-08 latest issued on 28<sup>th</sup> February 2014. (5.6.2)

Specifically, this specific objective “Significant pollutants and emissions are identified, monitored and plans to reduce them implemented” is featured in 2.3, 2.4, and 2.5 (all Page 5) of the Action Plan for Continual Improvement in Sustainable Performance (dated 28<sup>th</sup> February 2014). These entries specifically refer to (a) “Implement Monitoring Program of Irrigation ponds and review effectiveness”, (b) “Construct irrigation trenches on an additional 30 hectares at Atata division to cater for pond effluent final discharge”, and (c) “Construct bund around the Navo mill ponds to prevent rainwater feeding the compost area and consequently pond 4. (5.6.2)

Smoke emission monitored through Ringelmann Chart, reading conducted on daily basis. Two appointed officer carried out visual test every hour according to the level of smoke as of Ringelmann chart according to Guideline of Environment Code in PNG.

There is no smoke particle monitoring.

Related to 4.4.1: BOD test for Effluent ponds was done internally and externally.

Internal laboratory were checked the sample taken weekly. The latest result on 17<sup>th</sup> March 2014 is 271 ppm; 3<sup>rd</sup> March 2014 is 435 ppm; 25<sup>th</sup> February 2014 is 85 ppm; 17<sup>th</sup> February 2014 is 503 ppm; 10<sup>th</sup> February 2014 is 414 ppm.

There is external laboratory for monthly BOD testing monitoring in the final discharge ponds (done by National Analysis Laboratory) for example: January 2014: 26 mg/L, December 2013: 433 mg/L.

Hargy mill No plans in place to reduce it according to regulation.

Navo Mill: BOD monitoring test done weekly by internal laboratory/the result show within the allowable limits (<4,000 ppm).

**5.6.2 Minor NC: Insufficient control BOD levels of effluent in Hargy mill. Insufficient evidence of source of BOD levels in Hargy mill effluent to enable successful control of BOD levels within permitted limits. This matter of special importance, given evidence of high BOD levels over the past 6 months.**

The treatment methodology for POME (5.6.3) is recorded in the applicable Management Guidelines. The treatment of POME is recorded in effluent pond plans and in MG 11 and results on the whole indicates Hour-Meter is achieving levels of BOD discharge below allowable legal limits. This is supported by independent test results provided by the Government National Analytical Laboratory. At Navo Mill the POME is used for land application and the readings indicate that BOD is below the allowable limits for land application. Land application is implemented on 33 rows for approximately 20 Ha.

**Principle 6: Responsible consideration of employees and of individuals and communities affected by growers and mills**

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

Social Aspects and Impacts Register sighted by Auditor 23<sup>rd</sup> June 2013. This document includes details of such issues as “Abuse of alcohol and drug use” and “Distance of school from home” (proposed solution: “Provide transport for students”).

Both Stakeholder Consultative Meeting Minutes and Feedback Questionnaire relating to people’s perceptions of HOPL and HOPL communication processes and also social impact assessments dated 17<sup>th</sup> March 2014 sighted by Auditor. The Questionnaire was reportedly distributed to more than 30 individuals and included questions asking respondents to list both “adverse and beneficial impacts”. (6.1.1)

HOPL manages to demonstrate evidence social assessment has been done with the participation from affected parties. Participation records dated 17<sup>th</sup> March 2014 sighted by Auditor. (6.1.2)

According to General Affair Manager, (26<sup>th</sup> March 2014) the team comprising the Environmental and Sustainability Department, the HR Department and the Community Relations Manager are in the process, following the completion of the November 2013 update of the 2009 SIA (Verified by Auditor), of identifying priority objectives and developing a timetable of (a) six months; (b) 12 months and (c) longer term. This particular priority setting timetable was determined based on seriousness and probability of events impacting on the plantation.

Accordingly, the process for developing the timetable in underway, based on a Draft Social Management Plan prepared by consultant Roland Allbrook titled HOPL “Update of the 2009 Social Impact Assessment & A Social Management Plan (dated November 2013). Also, the proposal for advancing this area includes a plan to hire three staff (Research Assistant; Small Business development Officer and Community Relations Officer) to work as a sub-component of Community Relations to operationalize the monitoring and management of social impacts. Draft notes and duty statements dated November 2013 sighted by Auditor. (6.1.3)

Associated smallholders:

A register of all social impacts on affected communities, (associated smallholder, in particular) is maintained incorporated in the social impact assessment. Environmental and Conservation department maintains records of meetings to discuss all social impacts identified and mitigation effort.

Smallholders are made aware of the main social impacts OPIC extension officer are actively engage associated encouraged to participate in any mitigation strategy.

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

HOPL has a communication policy issue 3 dated 1<sup>st</sup> March 2013. The communication policy outlined the provision of information to the public and handling of requests by interested parties for specific information. (6.2.1)

Records of communication and record of action taken in response are kept. The company maintains a regularly updated list of stakeholders and records all public inquiries and the corresponding company responses. Nominated management official to communicate with stakeholder is the community affairs officer.

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

Example of local community inquiry: Request of grass slasher from Apupul Youth Sport Ass, Apupul Village Bialle. As a response, grass slashing carried out and completed on 14<sup>th</sup> March 2014. (6.2.2)

Environmental and sustainability manager is responsible and performs control over the environmental and sustainability related communication. Document sighted by Auditor on 26<sup>th</sup> March 2014 titled "Environmental Procedure-Communication" (dated 20 January 2014). (6.2.3)

Associated Smallholder:

The grievance registers at OPIC and Hargy Smallholder Affairs offices are established and kept up to date. Associated smallholders interviewed understood the communication and consultation method.

**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.**

HOPL has a Grievance Handling Process for resolves disputes under grievance process flow chart. It is available on notice board for internal stakeholders (worker, employee, staff, etc). Inspection of each office confirmed policies available on site. Interview with workers indicated their understanding of the procedures. Each Estate manager is responsible for the

management of complaints. A grievance book/register is kept in all estate and mill offices.

An officer of HOPL has been assigned as the main communication officer with local communities with regards to consultation between growers and millers. The Environment & Sustainability Manager deals with environmental issues with local communities with regards to consultation and communication on all environmental matters. The matters raised and responses provided are recorded in registers kept at each compound office, major work site, Security Office, the CA office, ESD Office and HR office.

There is a documented procedure for handling grievances and developed internally as an internal response system/procedure to the complaints. If any disputes or complaints occur, the internal procedure will be applied. Records of all complaints and progress to resolution are to be maintained in a current state so all parties are aware of the status of the complaint/grievance. It is considered that any disputes which are resolved are agreed and are signed off by the grieving party once the issue is resolved.

Land Dispute Grievance register (titled Grievance Register 2013/2014) sighted (see 2.2.3). It should be noted that a number of existing disputes are being resolved slowly, but the Audit team appreciates that excessive compensation demands by landholders is a key factor in the delays being experienced.

Associated Smallholders:

The grievance registers at OPIC and Hargy Smallholder Affairs offices are established and kept up to date.

**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.**

A procedure manual has been produced for the HOPL and is titled Land Negotiation Procedure: A Guide to Acquiring Land for Oil Palm Development and dated 2012. This is more of a summary version (10 pages) and also needs to be updated to take into account recent legislative changes. Several flow charts have been prepared for awareness session among smallholders concerning the process for establishing new blocks respectively in accordance with the lease-lease back and alienated land approaches.

Document sighted by Auditor titled HOPL "Expansion Programme Awareness on Sublease Agreements"(No Date but probably 5 years old and not including developments related to Amendments to Land Groups Incorporation Act and the Voluntary Customary Lands Registration Act). This document is for awareness-raising amongst potential lease-lease back smallholders and includes reference to a range of legislative aspects

including customary land versus state land, a section on the Land Group and the Incorporated Land Group Act (1974), the survey process, HCV aspects, environment and social impact assessment procedures.

HOPL maintain a complete record of compensation of legal or customary rights. HOPL also maintain the record of negotiation process in chronological order. (6.4.2)

HOPL manages to demonstrate procedure for calculating and distributing fair compensation (monetary or otherwise) is established and implemented. Documentation titled Attendance Record for Lease-Lease Back Awareness for the Remaling Land Group Inc. (contact person Mr Alois Gongi) sighted by Auditor (dated 11<sup>th</sup> February 2014) listing individuals who have sent HOPL an expression of interest in participating in lease-lease back arrangements for the expansion of the Navo Estate. The document included a brief outline of the proposed land acquisition and land use (500-600 hectares to be potentially provided by this group). This document is the third meeting of an Awareness session series for these individuals who represent an existing land group. In the next 4 years this group will have to be re-incorporated under the Amended Landowners Incorporation Act (these will be the only groups that can apply for voluntary land registration). In such cases where the lease –lease back process is completed, such records would form the basis of the documented system for identifying people entitle to compensation.

Document also sighted by Auditor outlining total Land Rentals and FFB Royalty Payments for 2013. (6.4.3)

The processes and outcomes of compensation claims related to fixed-term forfeiture of land rights are as outlined in 7.6.4 below. According to the GM, this information is available to the public upon request. HOPL follows what New Britain Palm Oil has paid in the past, because they started the lease-lease back system 10 years before HOPL. According to HOPL Land Department, the compensation offered based on the New Britain Palm Oil model, K20 hectare for vacant land (ie. buffer zones/areas too steep to plant) and K75 hectare for planted areas. These rates were last reviewed two years ago and will be reviewed in near time with NBPOL. Additionally, there is a K150/hectare payment upon the signing of a sub-lease agreement. Added to this there is a royalty payment on the fruit which is 10% of the smallholder FFB price paid on a monthly basis.

Additionally, individuals are offered further works construction in areas including saw milling (according to GM). (6.4.4)

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

“HOPL Revised Pay Rates and Grades for Hourly Paid Employees” dated 24<sup>th</sup> March 2014 sighted by auditor.

This is in excess (for the minimum wage) of the minimum allowed through special exemption granted by Department of Labour and Industrial Relations date 26<sup>th</sup> May 2010. In addition, HOPL provides worker insurance. (6.5.1)

HOPL manages to demonstrate Evidence that contractors have agreed to meet legal minimum terms and Conditions. Through a formal induction programme, potential contractors are made aware of HOPL’s policies and management guidelines as well as its RSPO obligations before being engaged by the company. The key pre-requisites are for the contractor to pay at least the PNG minimum wage rate and issue PPE. (6.5.2)

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

**RAV Finding:** *Work-force recruitment is in line with employment policy. HOPL continues to build new housing duplex to accommodate new worker and provide better housing for existing worker.*

HOPL “Employee Handbook” dated January 2013 including relevant detail sighted by Auditor. Hargy Plantation shows Employment Details & Conditions indicating the payment, sickness, holiday entitlement, reason for dismissal. Working hour, deduction and overtime is not discussed in the contract, it is available under the Employee handbook. HOPL encouraged to make copies available to all interested persons. (6.5.3)

**Opportunity for Improvement 08 (6.5.3) – Access of lower-level employees to Employee Handbook for easy reference purposes (without necessarily printing on per employee).**

HOPL provides free housing, water, electricity and medical care for employee and their immediate family members. in housing compounds namely Hargy Mill, Makakiwa, Urumaili, Kerakera, Barema, Atata and Ibana. Notwithstanding these policies, significant issues pertaining to septic tank and sewage system leakage were identified/sighted at the Hargy compound (25<sup>th</sup> March 2014). According to Hargy Plantation GM, Barema has a high water table which contributes to the problem, but it is clear there has also been a lack of responsiveness given to prioritising and addressing the issue by HOPL Construction/Repair and Maintenance (see also 2 below). Resident of Hargy compound, reports (25<sup>th</sup> March 2014) that a leaking sewage pipe (sighted by Audit team) was first reported to camp management in the middle of the last dry season (8 months previously) and re-reported on subsequent occasions, in all cases without action. This indicates the need for greater responsiveness to grievances, in particular in relation to issues with public health implications.

Resident of Barema housing compound also informed the Audit team concerns regarding transport arrangements for children to get to school. Management has recently initiated transported arrangement and there is reportedly much concern that these



arrangements become permanent to avoid unsafe travel or long walks by young children to Ramailing. See also Stakeholder Notes. (6.5.4)

**6.5.4 Minor NC: Sewage/septic issues on Hargy estate compound not being addressed in a timely fashion.**

Consideration related to social, economic, environment as well as cultural aspect has been taken in developing facilities for workers. Auditor verifies Clinic in every Division, Ambulance in every estate, housing in every division, and elementary school in most Divisions. (6.5.6)

**Opportunity for Improvement 09 (6.5.6) – The need for arrangements enabling children to access school to be consistently implemented.**

Associated Smallholders:

All of smallholder growers visited and interviewed does not hire formal employees. Oil palm cultivation activities (i.e. harvesting, pruning, weed slashing) were performed by temporary workers or extensive family members. The payment made in piece rate.

**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.**

HOPL manages to demonstrate compliance with the Papua New Guinea's Industrial Organisations Act. Trade union has been established and registered at HOPL. (6.6.1)

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

**RAV Finding:** Based on documentary evidence and interview with HOPL Workers Union committee, the matters is in process to achieve resolution. All relevant parties agreed to move forward. Furthermore, audit team sighted Correspondence sighted from West New Britain Oil Palm Workers Union to the GM of HOPL dated 25<sup>th</sup> June 2013 confirming this situation. This is subject to be reviewed during next RSPO surveillance.

HOPL respect the right of all personnel to form and join trade unions of their choice and to bargain collectively. A statement recognizing freedom of association is available in English and Tok Pisin. The policy is placed on a notice board at every estate and/or POM office. Statement sighted 23<sup>rd</sup> March 2014 by Auditing Team and the observation of this policy by HOPL management confirmed in interview with Union/Workers Association representative (see Stakeholder Notes). (6.6.2)

The relevant union is in hiatus (see Stakeholder Notes) due to uncertainty concerning legitimate representative. Correspondence sighted from West New Britain Oil Palm Workers Union to the GM of HOPL dated 25<sup>th</sup> June 2013 confirming this situation sighted by Auditor. (6.6.3)

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

HOPL adheres to the policy on child labour that disallows employment of children less than 16 years of age. This applies to all HOPL operational sites as well as smallholder growers that supply FFB to the company's mills.

Age verification conducted through medical record from the clinic and employment form at HR Department. During the assessment, there is no worker less than 16 years of age at Estates and/or Palm Oil Mills.

Associated Smallholders:

Associated smallholder does admit that sometimes school aged children carried out light work only during holiday in the farmer blocks. The light work does not involve use of agrochemical or hazardous working condition. The work also directly supervised by block holders/parents. However, during the course of field visit there is no child working at farmer block.

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

Policy for anti-discrimination based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation is available and includes PNG constitutional requirement. The anti-discrimination policy is displayed on notice board on all company offices. HOPL has set up a Gender Committee which meets regularly to discuss various gender related issues, in the spirit to handle discrimination matter. (6.8.1)

No constitutional infringement noted at this point. (6.8.2)

Associated Smallholders:

OPIC extension officers maintain a publicly available equal opportunities policy.

A form to register any complaints & grievances that relate to discrimination is available. Document verification suggests there is no complaint registered up to point of audit conducted.

**Verification upon previous Observation 6.8.1: HOPL management should examine and provide feedback on**

the recommendations furnished lately by the Gender Committee.

**RAV Finding:** HOPL management has provides appropriate response upon feedback from Gender Committee. For example, one of recommendation made by gender committee, Terms of Reference for Gender Committee (recommendation) has been produced. Record sighted: 1. HOPL Gender Committee Terms of Reference which indicated the area should include identifying and removing gender based source of inequality, providing focus and contributing to solution issues such as domestic violence, sexual harassment, sexual assault, housing, alcohol related issue. Contribution made through discussing, providing advice, take gender message back to workplace, providing safe point of contact within the organization with confidentiality and fear of retribution.

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

HOPL has a policy on prevention of sexual harassment and all other forms of violence. The policy is displayed on notice board on all company offices. The company has set up a Gender Committee which meets regularly to discuss various gender related issues, including handles sexual harassment and domestic violence issues as well.

HOPL follows the PNG regulations for breast feeding mothers and as per the Labour Act mothers are able to take two breaks every day of 30 minutes each in addition to the standard 1 hour lunch break. (6.9.2)

Specific grievance mechanism is in place, as part of grievance procedure. "Tokout box" is used to report any matter may relate to gender issues. Report then submitted to Internal Audit, an independent department for further investigation. Community Affairs Manager is monitoring the process, in coordination with HR Manager. Record of gender issue grievances is maintained by Community Affairs Manager. (6.9.3)

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

**RAV Finding:** A proposal has being submitted to running a capacity building for housewives, in order to increase knowledge related to family economy and financial planning, along with other issues such as domestic violence, etc. HOPL continues to engage female spouse as loose fruit collectors.

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

Current and past prices paid for FFB are available. The price and formula are made available via printed notice. This is updated monthly and a copy given to OPIC. Price sheets, showing formula calculation are displayed at OPIC divisional offices where Associated Smallholders can see them and therefore the information is publically available. Past prices are available via HOPL finance department.(6.10.1 & 6.10.2)

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

Associated smallholders are paid the week following pickup of their fruit according to a published schedule. Associated smallholders received payment either by cheque or by direct bank deposit and a payslip is provided giving full details of payment and any deductions for tools, fertilisers etc. (6.10.4)

EFB is freely available to be collected by associated smallholders. However, most of smallholders do not collect these EFB due to transportation. (6.10.5)

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

HOPL demonstrate contribution to local development, based from consultation with local communities. The kind of assistance provided so far ranges from grass cutting machinery for local schools to upgrading of government health centres. Clinic outpatient section and new water system at Bialla Clinic sighted by Auditor 27 March 2014 and verified with clinic representative. Other contribution referred to by the HR Head include the bore well at the Bialla Secondary School.

Under the Tax Credit Scheme, HOPL provide contribution for major infrastructure projects. 2014 Tax Credit Scheme Projects comprise of Replacement of Genset Electrical, Maintenance Police Housing, Ibane Primary School repair, Bialla Health Center Water pump.

**Principle 7: Responsible development of new plantings**

**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.***

HOPL Site Specific Environmental Aspects and Impact Register (dated 30<sup>th</sup> January 2014) sited. This document is reported to be linked closely to the Continuous Improvement Plan and shares the same Aspects code (e.g. EA007 Land Clearing Cultural Heritage/Site Damage). HOPL Site Specific Environmental Aspects and Impact Register is reviewed and updated on an annual basis. Addressed items are left in the register and newly identified items are added and also cross-reference to the Continuous Improvement Plan.

HOPL prepared Social Impact Assessment for the new development in addition to the Environmental Plan. HOPL have completed a full Social and Environmental Impact Assessment for this development to comply with RSPO P&C. The Social Impact Assessment included consultation with local stakeholders. Document seen: "Update of the 2009 Social Impact Assessment & A Social Management Plan (dated November 2013)". Also, the proposal for advancing this area includes a plan to hire three staff (Research Assistant; Small Business development Officer and Community Relations Officer) to work as a sub-component of Community Relations to operationalize the monitoring and management of social impacts. Draft notes and duty statements dated November 2013 sighted by Auditor.

The SIA identified all major impacts of all activities. These included impacts of roads and other infrastructure. The results of the SEIA and HCV assessments have been incorporated into plans for the new plantings through the Management guidelines prepared. The management planning for responsible new planting is available under Management Guidelines (MG). HOPL shows an Internal Memorandum dated 15<sup>th</sup> May 2013 related to development work shall start 6 month prior to field work such as planting, strip lining, holing and planting.

HOPL has a protocol to control the new development planning under New Development Approval Process. The new development must meet company prerequisites to include review upon Buffer/HCV maps, soil maps, slopes class maps, topography maps. Road design and plantation layout; Operational plan including activity scoping, work schedule, planting programme, road maintenance, management plan for fragile soil area, management plan for HCV and buffers; Environmental aspect related to New Development and Mitigation; Social Impacts of New Development and Mitigation. Site inspection planning is sighted. New Development Approval Form was employed to summarise the prerequisites of New Development Process. Review will be done and signed by sustainability department. Without approval from Sustainability Department, no new development should take place.

Record seen: New development for Sena Estate. SEIA report, planting program, road maintenance, management plan for fragile soil, management plan for HCV/buffer, social & environment impact, site inspection

has been done. Internal memorandum dated 20/03/2014 for Sena area. Sena topographic map is indicating total plantable area of 473.96Ha with planting density 128 palms/Ha. (7.1.1 & 7.1.2)

Associated Smallholders:

HOPL presented Documentation titled "Attendance Record for Lease-Lease Back Awareness" for the Remaling Land Group Inc. (dated 11<sup>th</sup> February 2014) listing individuals who have sent HOPL an expression of interest in participating in lease-lease back arrangements for the expansion of the Navo plantation. The document included a brief outline of the proposed land acquisition and land use (500-600 hectares to be potentially provided by this group). This document is the third meeting of an Awareness session series for these individuals who represent an existing land group. The impacts of the scheme and the implications of the way it is managed was documented under Planting Application Form, as well as plan to manage the impacts produced. In such cases where the lease – lease back process is completed, such records would form the basis of the documented system for identifying people entitle to compensation. Another document sighted by Auditor outlining total Land Rentals and FFB Royalty Payments for 2013. (See also 7.5.2) (7.1.3)

***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.***

Soil suitability map is available for new development under Navo Estate. The soil suitability map indicates the soil type. Soil survey initially has done in 2006. Another soil survey for new development area is done in 2009. The first planting commenced in 2010. The latest sequence of soil survey for mature oil palm was done in 2013 to Hill Laboratories New Zealand. Analysis report produced in 2<sup>nd</sup> May 2013. (7.2.1)

Maps of soil types for new planting areas are kept by the Field Services Agronomy Section. Topographic information is also incorporated in these maps. A map of the new development area prepared in 2009 was sighted. It includes a guide for drainage plans, roads, fields and blocks. This map includes all relevant topographic information. (7.2.2)

Associated Smallholders:

Based on document verification and record evaluation, there is no development on associated smallholder take place currently.

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

Ecologists from Douglas Environmental Services completed a bio-diversity study of the development area

prior to work commencing. See 5.2 with regards to HCV assessment completed. (7.3.1)

The dates of land preparation and commencement of planting are recorded on each Estate office. (7.3.2)

HOPL has a protocol to control the new development planning under New Development Approval Process. The new development must meet company prerequisites to include review upon Buffer/HCV maps, management plan for HCV and buffers; Environmental aspect related to New Development and Mitigation; Social Impacts of New Development and Mitigation. Site inspection planning is sighted. New Development Approval Form was employed to summarise the prerequisites of New Development Process. Review will be done and signed by sustainability department. Without approval from Sustainability Department, no new development should take place.

Associated Smallholders:

Based on document verification and record evaluation, there is no smallholder planting established on lands containing one or more HCVs or covered by primary forests.

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

HOPL has a protocol to control the new development planning under New Development Approval Process. The new development must meet company prerequisites to include review upon Buffer/HCV maps, soil maps, slopes class maps, topography maps. Road design and plantation layout; Operational plan including activity scoping, work schedule, planting programme, road maintenance, management plan for fragile soil area, management plan for HCV and buffers; Environmental aspect related to New Development and Mitigation; Social Impacts of New Development and Mitigation. Site inspection planning is sighted. New Development Approval Form was employed to summarise the prerequisites of New Development Process. Review will be done and signed by sustainability department. Without approval from Sustainability Department, no new development should take place.

Record seen: New development for Sena Estate. SEIA report, planting program, road maintenance, management plan for fragile soil, management plan for HCV/buffer, social & environment impact, site inspection has been done. Internal memorandum dated 20 March 2014 for Sena area. Sena topographic map is indicating total plantable area of 473.96Ha. (7.4.1)

HOPL policy limits all plantings to a maximum of 20°. At this time HOPL has no plans to develop any more area's that would require terracing. HOPL preference is to develop only flat or land with gentle slopes. All plantings near gullies are avoided to prevent erosion and these areas are excluded from planting activities. There are no fragile or marginal soils within the proposed new development area. (7.4.2)

Based on soil texture map, there is no peat soil identified in proposed area for HOPL new development. (7.4.3)

Associated smallholders:

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

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

***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.***

HOPL manages to demonstrate there is a specific process (including a three-stage Awareness process) pertaining to new plantings. Evidence of integration with the SEIA sighted by the Auditor includes summary reference to this process included under Section 7.2 (Page 29) of the HOPL "Update of the 2009 Social Impact Assessment & A Social Management Plan" (dated November 2013) produced by Roland Allbrokk Consulting (Cairns, Australia).

HOPL shows document "Expansion Programme Awareness on Sublease Agreements". This document is for awareness raising amongst potential lease-lease back smallholders and includes reference to a range of legislative aspects including customary land versus state land, a section on the Land Group and the Incorporated Land Group Act (1974), the survey process, HCV aspects, environment and social impact assessment procedures. Also, several flow charts have been prepared for awareness raising among smallholders concerning the process for establishing new blocks respectively in accordance with the lease-lease back and alienated land approaches. (7.5.1)

HOPL manages to demonstrate evidence that every effort had been made to ensure that all parties understand the contractual agreements they enter into, and that contracts are fair, legal and transparent. HOPL presented Documentation titled "Attendance Record for Lease-Lease Back Awareness" for the Remaling Land Group Inc. (dated 11<sup>th</sup> February 2014) listing individuals who have sent HOPL an expression of interest in participating in lease-lease back arrangements for the expansion of the Navo plantation. The document included a brief outline of the proposed land acquisition and land use (500-600 hectares to be potentially provided by this group). This document is the third meeting of an Awareness session series for these individuals who represent an existing land group. In the next 4 years this group will have to be re-incorporated

under the Amended Landowners Incorporation Act (these will be the only groups that can apply for voluntary land registration). In such cases where the lease – lease back process is completed, such records would form the basis of the documented system for identifying people entitled to compensation. Another document sighted by Auditor outlining total Land Rentals and FFB Royalty Payments for 2013. (7.5.2)

Documents relating to customary land is publicly available (in line with indicator 1.2.9), providing there is someone in the HOPL Lands office. (7.5.3)

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

There is a process for identifying those people entitled to compensation when customary land is involved, in line with Social and Environmental Impact Assessment. This system for determining compensation is defined in the PNG Lands Act. This particular development came about via the requests of the local people. (7.6.1)

HOPL shows all relevant documented identification and assessment of legal and customary rights. Documentation titled Attendance Record for Lease-Lease Back Awareness for the Remaling Land Group Inc. (dated 11 February 2014) listing individuals who have sent HOPL an expression of interest in participating in lease-lease back arrangements for the expansion of the Navo plantation. The document included a brief outline of the proposed land acquisition and land use (500-600 hectares to be potentially provided by this group). This document is the third meeting of an Awareness session series for these individuals who represent an existing land group. In the next 4 years this group will have to be re-incorporated under the Amended Landowners Incorporation Act (these will be the only groups that can apply for voluntary land registration). In such cases where the lease –lease back process is completed, such records would form the basis of the documented system for identifying people entitled to compensation. (7.6.2)

Documentation titled Attendance Record for Lease-Lease Back Awareness for the Remaling Land Group Inc. (dated 11 February 2014) listing individuals who have sent HOPL an expression of interest in participating in lease-lease back arrangements for the expansion of the Navo plantation. The document included a brief outline of the proposed land acquisition and land use (500-600 hectares to be potentially provided by this group). This document is the third meeting of an Awareness session series for these individuals who represent an existing land group. In the next 4 years this group will have to be re-incorporated under the Amended Landowners Incorporation Act (these will be the only groups that can apply for voluntary land registration). In such cases where the lease –lease back process is completed, such records would form the basis of the documented system for identifying people entitled to compensation. Another

Document sighted by Auditor outlining total Land Rentals and FFB Royalty Payments for 2013. (7.6.3)

The compensation offered, based on the New Britain Palm Oil model, K20 hectare for vacant land (i.e. buffer zones/areas too steep to plant) and K75 hectare for planted areas. Additionally, there is a K150/hectare payment upon the signing of a sub-lease agreement. Added to this there is a royalty payment on the fruit which is 10% of the smallholder FB price paid on a monthly basis. Furthermore, indirect compensation as people benefit from the new development via improved economy, paid employment, improved education facilities, housing, medical facilities and better infrastructure as a result. (7.6.4)

According to Community Affairs Manager, for new development areas most of the work undertaken is contracted back to local vendors. This occurs through contracting ILGs to do work. For example, new work undertaken at Vamukuma (NE/Mengen area) was reported to have been contracted to the Vamukuma ILG. Evidence sighted by the Auditor confirms this claim, notably a signed “Contract Agreement” between HOPL and Vamukuma Land Group Inc dated 10 April 2012 and specifying a program of land clearing work over an area of 50 Hectares.

Other similar agreements were also sighted by the Auditor pertaining to work contracted to the Urumaili ILG (sawn timber production and dated 04 April 2011), Nantabu Community Group (labour and transport pertaining to plantable oil palm seedlings, and dated 26 April 2013), and the Abulmosi ILG in the NE new planting area (underbrushing and felling work and dated 06 September 2012).

The processes and outcomes of compensation claims related to fixed-term forfeiture of land rights are as outlined in 7.6.4 above. According to the GM, this information is available to the public upon request. (7.6.6)

***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.***

HOPL has a no burn policy for new plantings and this is documented elsewhere in this report. There has been no use of fire for land preparation in newly developed area, Alaba Plantation. (7.7.1 & 7.7.2)

***Principle 8: Commitment to continuous improvement in key areas of activity***

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

Action Plan for Continual Improvement in Sustainable Performance to improve key area in minimising the use of certain pesticides, reducing negative and enhancing positive environmental impacts, waste reduction, pollution and emission and social impact.

Continual improvement plan considered robust and meaningful. Continuous Improvement Plan (dated 28<sup>th</sup> February 2013) cited by Auditor which includes a range of improvements including (a) “4.6.6 No herbicide to be supplied to smallholders without prior training and certification. Smallholder management organizations to actively discourage smallholders from using insecticides on oil palm (Due date: December 2014; Responsibility: Smallholder Manager and OPIC), and (b) “5.6.2 Significant pollutants and emissions are identified, monitored and plans to reduce them implemented” (Due Date: December 2014; Responsibility: Karla Plantation Manager). Note: This Continuous Improvement Plan is for the whole HOPL.

The company has implemented best practices for management of pesticides and the improved controls associated with this program has reduced overall chemicals usage over the past 5 years. The IPM has been implemented. New more effective and efficient pesticide stores are being constructed throughout Hargy.

OPRA is also looking at alternatives to *paraquat*.

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

Riparian buffer strips are being established at replant to trap coarse grained sediment from discharge into streams. *Vetiver* and *Guatamala* grass are being used to strengthen river and creek banks to prevent erosion. An independent Scoping Assessment was carried out in 2009 to identify a list of social impacts on employees, SG's, ILG's and local communities. A Register has been prepared and risk assessment carried out for the social aspects and impacts.

### **3.2 Detailed identified Nonconformities, Corrective Actions and Auditor Conclusions**

Corrective actions with respect to the nonconformities raised at the last assessment have been reviewed and found to be effectively implemented.

During Re-certification Assessment Visit, There are two (2) Major Nonconformities against indicator D.3.2 and D.3.3 of RSPO Supply Chain Certification Standard.

There are also six (6) Minor nonconformities raised against indicator 4.7.2, 4.7.3, 4.7.5, 5.3.2, 5.6.2 and 6.5.4 of RSPO P&C.

There are also several Observation/Opportunity for improvement highlighted.

HOPL has prepared Corrective Action for addressing Major nonconformities and submitted to BSI. The evidence for closing out the major nonconformities was verified during NCR Closure assessment. HOPL has also submitted Corrective Action Plan for Minor nonconformities and Observation/Opportunity for Improvement.

BSI auditor has accepted the evidence of closing out Major nonconformities and concluded those have been closed. BSI auditor has also accepted the Corrective Action Plan for minor nonconformities and will be further verified for effective implementation during subsequent surveillance visits (ASA1) of the next certification cycle.

### **MAJOR NONCONFORMITIES**

#### **(RSPO Supply Chain Requirement for CPO Mills Module D: Segregation)**

##### **CAR reference 1037572M17**

**Clause D.3.2** There is no clear system in place indicating retention time for all records and reports in relevant to RSPO Supply Chain requirement shall be at least five (5) years.

**Corrective Action:** HOPL has developed and implement a documented procedure in accordance with the applicable record keeping requirements of RSPO Supply Chain Certification System Standard. Provide training to staff charged with record keeping and monitor compliance. HOPL has provided all relevant documents as evidence for NCR Closure. **The nonconformity is considered closed on 8<sup>th</sup> April 2014**

##### **CAR reference 1037572M18**

**Clause D.3.3** Insufficient evidence Hargy and Navo Mills have system in place to 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.

**Corrective Action:** Reconcile & balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO, Certified PKO and palm kernel meal on 3 monthly basis HOPL has provided all supporting evidence. **The nonconformity is considered closed on 8<sup>th</sup> April 2014.**

### **MINOR NONCONFORMITIES**

#### **(RSPO P&C for Mill and Estate)**

##### **CAR reference 1037572N4**

**4.7.2** Insufficient attention to identification of significant risks and implementation of control measures.

##### **Corrective Action Plan:**

a. HOPL will include fatigue risk in OHS risk assessment. Monitoring of hours worked shift workers will be performed. Overtime control measure in place so that over working can be minimised and justified. Identify possible FATIGUE are of work / Station and organize for 3 shift operation for those work station.

b. HOPL will conduct noise monitoring for relevant operational areas (mills, workshops) in the next 3 months. HOPL will do audiometric tests for current

relevant employees exposed to noise for prolonged periods. HOPL will include audiometric test as part of New Employee Pre-employment Medical checks as well as hearing assessment in annual medical checks for all employees to enable trend monitoring of hearing loss.

c. HOPL will provide gumboots for EFB Applicators.

d. HOPL will conduct regular awareness on driver safety & speed on public roads. Road Safety Awareness at all HOPL sites. Safety alerts for all drivers.

**CAR reference 10375752N5**

**4.7.3** Provision of appropriate PPE to all workers – incomplete.

**Corrective Action Plan:** HOPL will review the OHS Risk Assessment and where justified by risk rating, issue appropriate PPE as required.

**CAR reference 10375752N10**

**4.7.5** Evidence that emergency procedures are not tested at appropriate intervals.

**Corrective Action Plan:** HOPL will conduct a drill to test the Tsunami emergency procedure. HOPL will remove the Unrest/Strike Procedure from ERP manual & distribute as a separate document to relevant management members only. HOPL will repair the semi-functional emergency shower at Hargy estate (Urumaili chemical shed).

**CAR reference 10375752N9**

**5.3.2** Waste chemical pit management not in conformance with MSDS and Sanitary Land Fill - Code of Practice.

**Corrective Action Plan:** HOPL will include disposal of chemicals and/or fertilisers in Pesticide Management Guideline. Commence records disposal of fertiliser/chemicals.

**CAR reference 10375752N13**

**5.6.2** Insufficient control BOD levels of effluent in Hargy Mill.

**Corrective Action Plan:** Immediate Diversion of Storm water to Aerobic Pond instead of Final Pond for improvement in BOD. Vigilant sample collection/sampling method to ensure correct procedure is been practise.

**CAR reference 10375752N15**

**6.5.3** Sewage/septic issues on Hargy Estate compound not being addressed in a timely fashion.

**Corrective Action Plan:** HOPL Engineering will try to pump out current septic overflows at Hargy Division 2 compound. The Company will provide clear advice on how residents of houses with sewage problems must report those issues to enable prompt response. The Company will maintain a record of requests that will included the time and date of receiving a request and the time and date of response.

BSI auditor accepted the Corrective Action Plan and will follow up during subsequent surveillance visits.

**Observation/Opportunities for improvement**

There are 9 (nine) Observations identified for Mill and Estate and None for Supply Chain for CPO Mills. Details are in the section below.

**01** (1.2.1) The audit team encourages management to make key scientific results available to interested parties, such as BOD effluent test result and water quality test done by NAL accredited Laboratory.

**02** (2.2.2) Land records found to be generally in good order given historical factors. Room for improvement identified to reduce risk of activities outside of boundaries. This includes increase coordination between Lands Department, Construction and Estate Department.

**03** (4.8.1) Several low grade estate employee interviewed, expressed interest in accessing (increased) training opportunities. Encourage HOPL to expand training opportunities to Lower workers.

**04** (5.1.1) Two observations identified in the mills: 1) Apparent absent of noise level monitoring. 2) Empty chemical container identified which is not identified in environmental impact register. Noise level monitoring program and attention to ensuring all chemicals included in environmental impact register required.

**05** (5.3.2) Audit team encourages HOPL to adjust waste management plan with current battery disposal practice. The waste management plan for used battery indicating disposal to the land fill. It was reported disposal of used batteries via Kimbe-based Company contracted to HOPL.

**06** (5.5.4) Bialla Clinic medical waste incinerator reported by Clinic source to be incapable of fully incinerating waste. Incinerator door found unable to be locked in accordance with correct procedure. Attention to incinerator required.

**07** (5.6.1) Monitoring of particular emissions from mills and control is necessary to be identified in the Environmental Aspect Impact register.

**08** (6.5.3) Access of lower-level employees to Employee Handbook for easy reference purposes (without necessarily printing on per employee).

**09** (6.5.6) Need for arrangements enabling children to access school to be consistently implemented.

**Review Status of Nonconformities (Major and Minor) Previously Identified**

**MAJOR NONCONFORMITIES**

No open major nonconformities were identified at previous assessment.

**MINOR NONCONFORMITIES**

**Minor nonconformity (01) against 4.7.3 (937217N0)**

*In Hargy Oil Palm Mill not all potentially hazardous operations have been adequately controlled. There is in*

place a system for managing high risk operations however it is poorly implemented. Hot works permits, working at height permits and confined spaces permits are incomplete as far as approval and checking of completed work. A number of these permits also appear to have been back dated and not issued on the actual day of the high risk operations.

**RAV findings:**

Mills are now fully control on high risk operation such as work in hot area, confined spaces and working at heights. There were records of permit for those works issued and approved by mill supervisor and superintendent. Review of records: Cutting/Welding & Hot Permit, Confined space entry permit. Mills are also considering height restriction to work at height over 1.5 m and controlled by using safety harness, safety boot and helmet. **The nonconformity is considers closed on 28<sup>th</sup> March 2014.**

**Minor nonconformity (04) against 5.3.2 (reference number 937217N1):** The land fill at the time of this assessment was being poorly managed as a substantial amount of waste was not placed in the domestic waste pit and was on the side of the pit. Alaba land fill was also poorly managed with items such as tyres in the hydrocarbon pit which are normally re-used as block markers or to help control erosion.

**RAV findings:**

Based on visit to landfills in Hargy Estate and Barema Estate, waste has been placed inside domestic waste pit. Another visit made to Alaba landfill suggest, segregation has been improved, hydrocarbon pit only contain hydrocarbon contaminated waste. **The nonconformity considers closed on 28<sup>th</sup> March 2014.**

**Minor nonconformity (03) against 4.7.2 (reference number 937217N2):**

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

**RAV findings:**

Based on field visits, Hargy's safety officers have improved their safety inspection. The number of safety issues raised during last visits had been appropriately controlled such as installing signage of caution to EFB falling in work area of Hargy Mill, Diesel is now identified in the tank, LOTO is properly implemented such central Workshop area and both Mills, damaged machine guard has been repaired in Workshop, engine Mill's operators are now wearing proper earmuff in work area, water host is now installed in Expeller station to reduce blowing dust into the mill, some electrical switchboard doors were now had been repaired. **NC Minor considers closed on 28<sup>th</sup> March 2014.**

### 3.3 Noteworthy Positive Components

A large number of positive improvement and achievements were noted during this re-certification assessment and are listed below.

HOPL perform maintenance of road and bridges in the project area.

HOPL creates job opportunities in the new development area such as Alaba, Alangili and Vamakuma as a result of expansion of oil palm planting.

The continued coordination between HOPL and Bialla town, for the use of company land fill by Bialla town residents for waste disposal.

HOPL continues maintenance of Bialla Police Station. Bialla Health Centre and Ibana Primary School. Ongoing maintain of Police, LLG vehicles and Bialla and Ulamona Health Centre Ambulances as part of Tax Credit Scheme.

### 3.4 Issues Raised by Stakeholders and Findings with Respect to Each Issue

**Appendix C** contains list of stakeholders contacted, and comments raised during stakeholder consultation. Methodology used was individual meeting and focus group discussion, and conducted by the audit team member with social auditing background. Stakeholders consultation interviewed interested parties, ranged from estate and mill workers, community representatives, associated smallholders, clan leaders, contractor, workers union and government officials from Health facility, agriculture office and environment office.

A number of comments occurred during discussion, some related to Occupational Health and Safety Performance such as training, provision of PPE, vehicle speeding, etc. Environmental Management issues such as complaint against mill effluent and biomedical waste handling. Tenurial issues such as overplanting and breach of boundary.

Issue related to social aspect was also raised during the consultation process.

1. A community representative comments communication channel. As a response, HOPL mentioned the whistleblower system through "Tokout" drop boxes;
2. Suggestion for more attention from OPIC officer for outlying farm. HOPL consider this as valid point and will improve the field practice.
3. Seek for clarification related to payment for contractor and/or supplier;
4. Numerous inquiries, complaints, suggestions related to problem at worker housing compound and LSS blocks such as criminal, health problem, overcrowded, sexually transmitted disease and under-employment;



5. Issues related to domestic violence and HOPL Zero Tolerance policy;
6. Inquiries related to capacity building for associated smallholders;

Another issue related Corporate Social Responsibility programme, company's conservation programme and Associated Smallholder condition has also highlighted. All of these issues were discussed in constructive manner. HOPL has provided information and clarification, accepted by audit team and conveyed to stakeholders.

#### 4.0 CERTIFIED ORGANISATION'S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY

##### 4.1 Date of Closing Nonconformities (Major and Minor)

**Table 6: Status of Nonconformities**

| Reference       | Category | ISSUED     | CLOSED     |
|-----------------|----------|------------|------------|
| AT 17<br>1.2.7  | Major    | 04/07/2008 | 16/09/2008 |
| AT 18<br>4.7.7  | Major    | 04/07/2008 | 16/09/2008 |
| AT 19<br>5.3.1  | Major    | 04/07/2008 | 16/09/2008 |
| AT 20<br>5.6.1  | Major    | 04/07/2008 | 16/09/2008 |
| AT 21<br>6.3.1  | Major    | 04/07/2008 | 16/09/2008 |
| AT 01<br>4.3.6  | Minor    | 04/07/2008 | 10/04/2010 |
| AT 02<br>4.4.1  | Minor    | 04/07/2008 | 10/04/2010 |
| AT 03<br>4.6.6  | Minor    | 04/07/2008 | 10/04/2010 |
| AT 04<br>4.7.2  | Minor    | 04/07/2008 | 10/04/2010 |
| AT 05<br>4.7.2  | Minor    | 04/07/2008 | 10/04/2010 |
| AT 06<br>4.7.3  | Minor    | 04/07/2008 | 10/04/2010 |
| AT 07<br>4.7.5  | Minor    | 04/07/2008 | 10/04/2010 |
| AT 08 4.8.1     | Minor    | 04/07/2008 | 10/04/2010 |
| AT 09<br>5.6.2  | Minor    | 04/07/2008 | 10/04/2010 |
| AT 10<br>6.1.3  | Minor    | 04/07/2008 | 10/04/2010 |
| AT 11<br>6.2.2  | Minor    | 04/07/2008 | 10/04/2010 |
| AT 12<br>6.2.3  | Minor    | 04/07/2008 | 10/04/2010 |
| AT 13<br>6.5.3  | Minor    | 04/07/2008 | 10/04/2010 |
| AT 14<br>6.5.4  | Minor    | 04/07/2008 | 10/04/2010 |
| AT 15<br>6.5.6  | Minor    | 04/07/2008 | 10/04/2010 |
| AT 16<br>6.11.1 | Minor    | 04/07/2008 | 10/04/2010 |
| 1<br>2.1.2      | Minor    | 10/04/2010 | 25/03/2011 |
| 2<br>4.3.5      | Minor    | 10/04/2010 | 25/03/2011 |
| 3<br>4.5.2      | Minor    | 10/04/2010 | 25/03/2011 |
| 4<br>4.7.2      | Minor    | 10/04/2010 | 25/03/2011 |
| 5<br>5.1.2      | Minor    | 10/04/2010 | 25/03/2011 |
| 6<br>5.5.3      | Minor    | 10/04/2010 | 25/03/2011 |

| Reference            | Category | ISSUED     | CLOSED     |
|----------------------|----------|------------|------------|
| 7<br>6.2.2           | Minor    | 10/04/2010 | 25/03/2011 |
| 8<br>6.6.3           | Minor    | 10/04/2010 | 25/03/2011 |
| 1<br>5.3.2           | Minor    | 25/03/2011 | 30/03/2012 |
| 2<br>6.2.2           | Minor    | 25/03/2011 | 30/03/2012 |
| 3<br>6.5.4           | Minor    | 25/03/2011 | 30/03/2012 |
| 1<br>4.7.2           | Minor    | 30/03/2012 | 03/05/2013 |
| 2<br>4.7.3           | Minor    | 30/03/2012 | 03/05/2013 |
| 1<br>4.7.2           | Minor    | 03/05/2013 | 28/03/2014 |
| 2<br>4.7.3           | Minor    | 03/05/2013 | 28/03/2014 |
| 3<br>5.3.2           | Minor    | 03/05/2013 | 28/03/2014 |
| 1037572M17<br>D.3.2  | Major    | 28/03/2014 | 08/04/2014 |
| 1037572M18<br>D.3.3  | Major    | 28/03/2014 | 08/04/2014 |
| 1037572N4<br>4.7.2   | Minor    | 28/03/2014 | "Open"     |
| 10375752N5<br>4.7.3  | Minor    | 28/03/2014 | "Open"     |
| 10375752N10<br>4.7.5 | Minor    | 28/03/2014 | "Open"     |
| 10375752N9<br>5.3.2  | Minor    | 28/03/2014 | "Open"     |
| 10375752N13<br>5.6.2 | Minor    | 28/03/2014 | "Open"     |
| 10375752N15<br>6.5.3 | Minor    | 28/03/2014 | "Open"     |

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

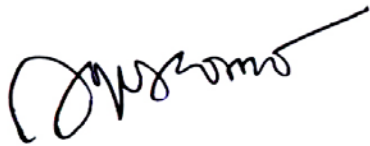
Please sign below to acknowledge receipt of the assessment visit described in this report and confirm the acceptance of the assessment report contents including assessment findings.

Signed for on behalf of  
Hargy Oil Palm Limited



Graham King  
General Manager  
Date: 15/09/2014

Signed for on behalf of  
BSI Group



Aryo Gustomo  
Lead Auditor  
Date: 15/09/2014



## Appendix A: Supply Chain Assessment for the Mills (Module D: Segregation)

Supply Chain Assessment Report – Hargy Oil Palm Limited, New Britain, Papua New Guinea  
Hargy Palm Oil Mill

| Requirements  |  |
|---|--|
| <b>E.1. Documented procedures</b>   |  |
| E.1.1 The facility shall have written procedures and/or work instructions to ensure implementation of all the elements specified in these requirements. These will include as a minimum:<br>a. up to date procedures covering all elements of supply chain requirements<br>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.   | Hargy Palm Oil Mill has a written documented procedure for the chain of custody with SG model covering certified FFB.<br>The procedure titled Hargy Oil Palms Supply Chain & Traceability Standard Operating Procedure, latest revision 13 <sup>th</sup> May 2014.<br><br>All departments involved and hold responsibility for implementing the Supply Chain system has been identified in the said procedure. |
| E.1.2 The facility shall have documented procedures for receiving and processing certified and non-certified FFBs.  | Hargy Palm Oil Mill have documented procedures for the collection of FFB and Loose Fruit, transporting FFB, incoming FFB, processing and outgoing palm products (CPO, PK and PKO). Marking is made on the receiving documents to mark the certified and non-certified FFB received. All Estate and Associated Smallholders are covered in the scope of RSPO Certification and thus RSPO certified.             |
| <b>E.2. Purchasing and goods in</b>   |  |
| E.2.1 The facility shall verify and document the volumes of certified and non-certified FFBs received.  | According to relevant procedure as above (E.1.1 and E.1.2), daily FFB receive docket records are prepared at the entry point at the weighbridge. The weighbridge Product Delivery Sheet records summarized into Daily Production Report (DPR).   |
| E.2.2 The facility shall inform the CB immediately if there is a projected over production.   | The facilities aware of this procedure. There is no projected over production reported for Hargy mill.   |
| <b>E.3. Record keeping</b>  |  |
| E.3.1 The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of these requirements.   | Hargy Mill maintains complete, up-to-date and accurate records throughout all aspects of CPO production. Daily records are prepared at the entry point at the weighbridge. Daily summary and quarterly balance report for all the certified FFB evident.   |
| E.3.2 Retention times for all records and reports shall be at least five (5) years  | The retention time for all documents related to the traceability of FFB and palm products shall be kept for 5 years.   |
| E.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.   | According to part 5.6 Quarterly "Balance" Report, a report is prepared by Internal audit department showing the quantities and origin of FFB and Loose Fruit received, including their certification. The quarterly balance report will also identify the quantities of CPO, PK, CPKO and PKE produced, transferred and/or shipped. All material is RSPO certified.  |
| E.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.   | Hargy Mill use Segregated/SG model and indicated on the relevant documents, such as weighbridge docket, Delivery order, and sales contract.  |
| <b>E.4. Sales and goods out</b>   |  |
| E.4.1 The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information:   |  |
| (a) The name and address of the buyer   | Name and address of buyer written on the invoice.  |
| (b) The date on which the invoice was issued  | Date is written.   |
| (c) A description of the product, including the applicable supply chain model (Segregated)  | Product description and supply chain model is written. Segregated/SG model.  |
| (d) The quantity of the products delivered  | Quantity in tones.   |
| (e) Reference to related transport documentation  | Shipping documents describe SG model.  |
| <b>E.5. Processing</b>  |  |
| E.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 is 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. | HOPL manages to demonstrate RSPO Supply Chain Procedures are implemented consistently. Based on audit against Hargy Mill records, all material is RSPO certified.  |
| E.5.2 The facility shall provide documented proof that the RSPO certified palm oil can be traced back to only certified segregated  | HOPL manages to demonstrate that all CPO produced in Hargy Mill can traced back to company owned estate or associated smallholders' blocks.  |

|  |  |
|--|--|
| material.  |  |
| E.5.3 In cases where a mill outsources activities to an independent palm kernel crush, the crush still falls under the responsibility of the mill and does not need to be separately certified. The mill has to ensure that: <ul style="list-style-type: none"> <li>The crush operator conforms to these requirements for segregation.</li> <li>The crush is covered through a signed and enforceable agreement</li> </ul> | Not applicable for Hargy Mill. All palm kernel is processed into CPKO at Hargy Mill.   |
| <b>E.6. Training</b>   |  |
| E.6.1 The facility shall provide the training for all staff as required to implement the requirements of the Supply Chain Certification Systems.   | Staffs in the weighbridge, inventory, storage and processing, document control have attended training. Latest Supply Chain Training held in 27 March 2014. |
| <b>E.7. Claims</b>   |  |
| E.7.1 The facility shall only make claims regarding the use of or support of RSPO certified oil palm products that are in compliance with the RSPO Rules for Communications and Claims.  | No claims made since the CPO and/or CPKO is delivered/sold to downstream refineries.   |

### Hargy Palm Oil Mill

#### Certified Mill Production 1 January – 31 December 2013 (in tonnes)

| Capacity | CPO       | PK        | CPKO     |
|----------|-----------|-----------|----------|
| 45 TPH   | 53,725 MT | 12,766 MT | 4,217 MT |

#### Certified Mill Production 1 January – 31 December 2014 (budget)

| Capacity | CPO       | PK       | CPKO     |
|----------|-----------|----------|----------|
| 45 TPH   | 37,849 MT | 8,896 MT | 2,992 MT |

#### Budget 2014

| Hargy KCP                      | Hargy Mill      |                 |
|--------------------------------|-----------------|-----------------|
|                                | PK              | PKO             |
| Plantation Own Estate          | 3,984 MT        | 1,444 MT        |
| Associated Smallholders Estate | 4,603 MT        | 1,548 MT        |
| <b>Total</b>                   | <b>8,587 MT</b> | <b>2,992 MT</b> |

#### Sales Certified CPO (UTZ Certificates) as at June 2014

##### 9 April 2013 – 8 April 2014

| Month                       | Buyer (CPO) | Tonnes/Certificates  |
|-----------------------------|-------------|----------------------|
| 9 April 2013 – 8 April 2014 | Buyer 1     | 38,647.12 MT         |
| 9 April 2013 – 8 April 2014 | Buyer 2     | 29,591.87 MT         |
| 9 April 2013 – 8 April 2014 | Buyer 3     | 33,107.98 MT         |
| 9 April 2013 – 8 April 2014 | Buyer 4     | 4,980.84 MT          |
| <b>TOTAL</b>                |             | <b>106,327.81 MT</b> |

#### Sales Certified CPKO (shipment records) as at June 2014

##### 9 April 2013 – 8 April 2014

| Month                       | Buyer (CPKO) | Tonnes/Certificates |
|-----------------------------|--------------|---------------------|
| 9 April 2013 – 8 April 2014 | Buyer 3      | 7,988 MT            |
| <b>TOTAL</b>                |              | <b>7,988 MT</b>     |

#### Sales Certified CPO (GreenPalm Certificates)

##### 9 April 2013 – 8 April 2014

| Month        | Buyer (CPO)        | Tonnes/Certificates |
|--------------|--------------------|---------------------|
| none         | Trade in GreenPalm | - MT                |
| <b>TOTAL</b> |                    | <b>- MT</b>         |

**Sales Certified PK (GreenPalm Certificates)**  
**9 April 2013 – 8 April 2014**

| Month        | Buyer (PK)         | Tonnes/Certificates |
|--------------|--------------------|---------------------|
| none         | Trade in GreenPalm | - MT                |
| <b>TOTAL</b> |                    | - MT                |

**Sales Certified CPKO (GreenPalm Certificates)**  
**9 April 2013 – 8 April 2014**

| Month        | Buyer (PK)         | Tonnes/Certificates |
|--------------|--------------------|---------------------|
| none         | Trade in GreenPalm | - MT                |
| <b>TOTAL</b> |                    | - MT                |

**Certified FFB Received Monthly – 1 January – 31 December 2013**

| Month        | Company Estate | Associated Smallholder | Total FFB/Month |
|--------------|----------------|------------------------|-----------------|
| Jan-13       | 8,561          | 12,533                 | 21,094          |
| Feb-13       | 8,676          | 8,432                  | 17,107          |
| Mar-13       | 8,659          | 7,918                  | 16,578          |
| Apr-13       | 10,213         | 10,731                 | 20,944          |
| May-13       | 10,431         | 12,018                 | 22,449          |
| June-13      | 8,594          | 11,372                 | 19,966          |
| Jul-13       | 7,170          | 9,821                  | 16,991          |
| Aug-13       | 7,336          | 7,215                  | 14,551          |
| Sep-13       | 8,434          | 6,394                  | 14,828          |
| Oct-13       | 13,206         | 9,800                  | 23,006          |
| Nov-13       | 14,134         | 10,755                 | 24,889          |
| Dec-13       | 10,726         | 8,882                  | 19,608          |
| <b>TOTAL</b> | 116,140        | 115,871                | 232,011         |

## Navo Palm Oil Mill

| Requirements  |   |
|---|---|
| <b>E.1. Documented procedures</b>   |   |
| E.1.1 The facility shall have written procedures and/or work instructions to ensure implementation of all the elements specified in these requirements. These will include as a minimum:<br>a. up to date procedures covering all elements of supply chain requirements<br>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.   | Navo Palm Oil Mill has a written documented procedure for the chain of custody with SG model covering certified FFB.<br>The procedure titled Hargy Oil Palms Supply Chain & Traceability Standard Operating Procedure, latest revision 13 <sup>th</sup> May 2014.<br><br>All departments involved and hold responsibility for implementing the Supply Chain system has been identified in the said procedure. |
| E.1.2 The facility shall have documented procedures for receiving and processing certified and non-certified FFBs.  | Navo Palm Oil Mill have documented procedures for the collection of FFB and Loose Fruit, transporting FFB, incoming FFB, processing and outgoing palm products (CPO, PK and PKO). Marking is made on the receiving documents to mark the certified and non-certified FFB received. All Estate and Associated Smallholders are covered in the scope of RSPO Certification and thus RSPO certified.             |
| <b>E.2. Purchasing and goods in</b>   |   |
| E.2.1 The facility shall verify and document the volumes of certified and non-certified FFBs received.  | According to relevant procedure as above (E.1.1 and E.1.2), daily FFB receive docket records are prepared at the entry point at the weighbridge. The weighbridge Product Delivery Sheet records summarized into Daily Production Report (DPR).  |
| E.2.2 The facility shall inform the CB immediately if there is a projected over production.   | The facilities aware of this procedure. There is no projected over production reported for Navo mill.   |
| <b>E.3. Record keeping</b>  |   |
| E.3.1 The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of these requirements.   | Navo Mill maintains complete, up-to-date and accurate records throughout all aspects of CPO production. Daily records are prepared at the entry point at the weighbridge. Daily summary and quarterly balance report for all the certified FFB evident.   |
| E.3.2 Retention times for all records and reports shall be at least five (5) years  | The retention time for all documents related to the traceability of FFB and palm products shall be kept for 5 years.  |
| E.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.   | According to part 5.6 Quarterly "Balance" Report, a report is prepared by Internal audit department showing the quantities and origin of FFB and Loose Fruit received, including their certification. The quarterly balance report will also identify the quantities of CPO, PK, CPKO and PKE produced, transferred and/or shipped. All material is RSPO certified.   |
| E.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.   | Navo Mill use Segregated/SG model and indicated on the relevant documents, such as weighbridge docket, Delivery order, and sales contract.  |
| <b>E.4. Sales and goods out</b>   |   |
| E.4.1 The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information:   |   |
| (a) The name and address of the buyer   | Name and address of buyer written on the invoice.   |
| (b) The date on which the invoice was issued  | Date is written.  |
| (c) A description of the product, including the applicable supply chain model (Segregated)  | Product description and supply chain model is written. Segregated/SG model.   |
| (d) The quantity of the products delivered  | Quantity in tones.  |
| (e) Reference to related transport documentation  | Shipping documents describe SG model.   |
| <b>E.5. Processing</b>  |   |
| E.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 is 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. | Navo Palm Oil Mill manages to demonstrate RSPO Supply Chain Procedures are implemented consistently. Based on audit against Navo Mill records, all material is RSPO certified.  |
| E.5.2 The facility shall provide documented proof that the RSPO certified palm oil can be traced back to only certified segregated material.  | Navo Mill manages to demonstrate that all CPO produced in Navo Mill can traced back to company owned estate or associated smallholders' blocks.   |
| E.5.3 In cases where a mill outsources activities to an independent palm kernel crush, the crush still falls under the  | Not applicable for Navo Mill. All palm kernels is processed into CPKO at Navo Mill.   |



|   |  |
|---|--|
| responsibility of the mill and does not need to be separately certified. The mill has to ensure that:   |  |
| <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> |  |
| <b>E.6. Training</b>  |  |
| E.6.1 The facility shall provide the training for all staff as required to implement the requirements of the Supply Chain Certification Systems.  | Staffs in the weighbridge, inventory, storage and processing, document control have attended training. Latest Supply Chain Training held in 27 <sup>th</sup> March 2014. |
| <b>E.7. Claims</b>  |  |
| E.7.1 The facility shall only make claims regarding the use of or support of RSPO certified oil palm products that are in compliance with the RSPO Rules for Communications and Claims.       | No claims made since the CPO and/or CPKO is delivered/sold to downstream refineries.   |

### Navo Palm Oil Mill

#### Certified Mill Production 1 January – 31 December 2013 (in tonnes)

| Capacity | CPO       | PK        | CPKO     |
|----------|-----------|-----------|----------|
| 45 TPH   | 45,553 MT | 11,166 MT | 3,381 MT |

#### Certified Mill Production 1 January – 31 December 2014 (budget)

| Capacity | CPO       | PK       | CPKO   |
|----------|-----------|----------|--------|
| 45 TPH   | 39,450 MT | 9,273 MT | 376 MT |

#### Budget 2014

| Navo KCP                       | Navo Mill       |               |
|--------------------------------|-----------------|---------------|
|                                | PK              | PKO           |
| Plantation Own Estate          | 4,341 MT        | 224 MT        |
| Associated Smallholders Estate | 4,931 MT        | 151 MT        |
| <b>Total</b>                   | <b>9,272 MT</b> | <b>375 MT</b> |

#### Sales Certified CPO (UTZ Certificates) as at June 2014

##### 9 April 2013 – 8 April 2014

| Month                       | Buyer (CPO) | Tonnes/Certificates |
|-----------------------------|-------------|---------------------|
| 9 April 2013 – 8 April 2014 | none        | - MT                |

#### Sales Certified CPO (GreenPalm Certificates)

##### 9 April 2013 – 8 April 2014

| Month        | Buyer (CPO)        | Tonnes/Certificates |
|--------------|--------------------|---------------------|
| none         | Trade in GreenPalm | - MT                |
| <b>TOTAL</b> |                    | - MT                |

#### Sales Certified PK (GreenPalm Certificates)

##### 9 April 2013 – 8 April 2014

| Month        | Buyer (PK)         | Tonnes/Certificates |
|--------------|--------------------|---------------------|
| none         | Trade in GreenPalm | - MT                |
| <b>TOTAL</b> |                    | - MT                |

#### Sales Certified PKO (GreenPalm Certificates)

##### 9 April 2013 – 8 April 2014

| Month        | Buyer (CPO)        | Tonnes/Certificates |
|--------------|--------------------|---------------------|
| none         | Trade in GreenPalm | - MT                |
| <b>TOTAL</b> |                    | - MT                |

**Certified FFB Received Monthly – 1 January – 31 December 2013**

| <b>Month</b> | <b>Company Estate</b> | <b>Associated<br/>Smallholder</b> | <b>Total<br/>FFB/Month</b> |
|--------------|-----------------------|-----------------------------------|----------------------------|
| Jan-13       | 9,695                 | 8,230                             | 17,925                     |
| Feb-13       | 10,849                | 7,081                             | 17,930                     |
| Mar-13       | 9,420                 | 6,268                             | 15,687                     |
| Apr-13       | 10,894                | 8,293                             | 19,187                     |
| May-13       | 12,506                | 8,814                             | 21,320                     |
| June-13      | 11,432                | 6,540                             | 17,972                     |
| Jul-13       | 10,748                | 5,996                             | 16,744                     |
| Aug-13       | 8,058                 | 5,323                             | 13,381                     |
| Sep-13       | 7,815                 | 5,030                             | 12,845                     |
| Oct-13       | 10,308                | 7,019                             | 17,327                     |
| Nov-13       | 9,399                 | 7,111                             | 16,510                     |
| Dec-13       | 9,853                 | 6,279                             | 16,132                     |
| <b>TOTAL</b> | 120,977               | 81,984                            | 202,961                    |

## Barema Palm Oil Mill

| Requirements  |  |
|---|--|
| <b>E.1. Documented procedures</b>   |  |
| E.1.1 The facility shall have written procedures and/or work instructions to ensure implementation of all the elements specified in these requirements. These will include as a minimum:<br>a. up to date procedures covering all elements of supply chain requirements<br>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.   | Barema palm oil mill is not yet in operation during audit. RSPO Supply Chain system is in place. Barema Palm Oil Mill has a written documented procedure for the chain of custody with SG model covering certified FFB.<br>The procedure titled Oil Palms Supply Chain & Traceability Standard Operating Procedure, latest revision 13 <sup>th</sup> May 2014.<br><br>All departments involved and hold responsibility for implementing the Supply Chain system has been identified in the said procedure. |
| E.1.2 The facility shall have documented procedures for receiving and processing certified and non-certified FFBs.  | Barema Palm Oil Mill has documented procedures for the collection of FFB and Loose Fruit, transporting FFB, incoming FFB, processing and outgoing palm products (CPO, PK and PKO). Marking is made on the receiving documents to mark the certified and non-certified FFB received. All Estate and Associated Smallholders are covered in the scope of RSPO Certification and thus RSPO certified.   |
| <b>E.2. Purchasing and goods in</b>   |  |
| E.2.1 The facility shall verify and document the volumes of certified and non-certified FFBs received.  | Barema palm oil mill is not yet in operation during audit. RSPO Supply Chain system is in place. According to relevant procedure as above (E.1.1 and E.1.2), daily FFB receive docket records are prepared at the entry point at the weighbridge. The weighbridge Product Delivery Sheet records summarized into Daily Production Report (DPR).  |
| E.2.2 The facility shall inform the CB immediately if there is a projected over production.   | The facilities aware of this procedure. There is no projected over production reported for Barema mill.  |
| <b>E.3. Record keeping</b>  |  |
| E.3.1 The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of these requirements.   | Barema Mill has prepared a recording system for all aspects of CPO production. Daily records are prepared at the entry point at the weighbridge.   |
| E.3.2 Retention times for all records and reports shall be at least five (5) years  | The retention time for all documents related to the traceability of FFB and palm products shall be kept for 5 years.   |
| E.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.   | According to part 5.6 Quarterly "Balance" Report, a report is prepared by Internal audit department showing the quantities and origin of FFB and Loose Fruit received, including their certification. The quarterly balance report will also identify the quantities of CPO, PK, CPKO and PKE produced, transferred and/or shipped. All material is RSPO certified.  |
| E.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.   | Barema palm oil mill is not yet in operation during audit. RSPO Supply Chain system is in place. Barema Mill use Segregated/SG model and indicated on the relevant documents, such as weighbridge docket, Delivery order, and sales contract.  |
| <b>E.4. Sales and goods out</b>   |  |
| E.4.1 The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information:   | Barema palm oil mill is not yet in operation during audit. RSPO Supply Chain system is in place.   |
| (a) The name and address of the buyer   | Name and address of buyer will be written on the invoice.  |
| (b) The date on which the invoice was issued  | Date is written.   |
| (c) A description of the product, including the applicable supply chain model (Segregated)  | Product description and supply chain model will be written. Segregated/SG model mark prepared.   |
| (d) The quantity of the products delivered  | Quantity in tones.   |
| (e) Reference to related transport documentation  | Shipping documents will describe SG model.   |
| <b>E.5. Processing</b>  |  |
| E.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 is 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. | Barema palm oil mill is not yet in operation during audit. RSPO Supply Chain system is in place.   |
| E.5.2 The facility shall provide documented proof that the RSPO certified palm oil can be traced back to only certified segregated material.  | HOPL manages to demonstrate that all CPO produced in Barema Mill can traced back to company owned estate or associated smallholders' blocks through systematic document and record keeping.  |
| E.5.3 In cases where a mill outsources activities to an independent palm kernel crush, the crush still falls under the  | Not applicable for Barema Mill.  |

|   |  |
|---|--|
| responsibility of the mill and does not need to be separately certified. The mill has to ensure that:   |  |
| <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> |  |
| <b>E.6. Training</b>  |  |
| E.6.1 The facility shall provide the training for all staff as required to implement the requirements of the Supply Chain Certification Systems.  | Staffs in the weighbridge, inventory, storage and processing, document control have attended training. Latest Supply Chain Training held in 27 <sup>th</sup> March 2014. |
| <b>E.7. Claims</b>  |  |
| E.7.1 The facility shall only make claims regarding the use of or support of RSPO certified oil palm products that are in compliance with the RSPO Rules for Communications and Claims.       | No claims made since the CPO and/or CPKO is delivered/sold to downstream refineries.   |

#### Barema Palm Oil Mill

##### Certified Mill Production 1 January – 31 December 2013 (in tonnes)

| Capacity | CPO  | PK   | CPKO |
|----------|------|------|------|
| 45 TPH   | 0 MT | 0 MT | 0 MT |

##### Certified Mill Production 1 January – 31 December 2014 (budget)

| Capacity | CPO       | PK       | CPKO     |
|----------|-----------|----------|----------|
| 45 TPH   | 37,013 MT | 8,670 MT | 7,004 MT |

##### Budget 2014

| Barema KCP                     | Barema Mill     |                 |
|--------------------------------|-----------------|-----------------|
|                                | PK              | PKO             |
| Plantation Own Estate          | 5,380 MT        | 2,211 MT        |
| Associated Smallholders Estate | 3,319MT         | 1,630 MT        |
| <b>Total</b>                   | <b>8,699 MT</b> | <b>3,841 MT</b> |

##### Sales Certified CPO (UTZ Certificates) as at June 2014

###### 9 April 2013 – 8 April 2014

| Month                       | Buyer (CPO) | Tonnes/Certificates |
|-----------------------------|-------------|---------------------|
| 9 April 2013 – 8 April 2014 | none        | - MT                |

##### Sales Certified CPO (GreenPalm Certificates)

###### 9 April 2013 – 8 April 2014

| Month        | Buyer (CPO)        | Tonnes/Certificates |
|--------------|--------------------|---------------------|
| none         | Trade in GreenPalm | - MT                |
| <b>TOTAL</b> |                    | <b>- MT</b>         |

##### Sales Certified PK (GreenPalm Certificates)

###### 9 April 2013 – 8 April 2014

| Month        | Buyer (PK)         | Tonnes/Certificates |
|--------------|--------------------|---------------------|
| none         | Trade in GreenPalm | - MT                |
| <b>TOTAL</b> |                    | <b>- MT</b>         |

##### Sales Certified PKO (GreenPalm Certificates)

###### 9 April 2013 – 8 April 2014

| Month        | Buyer (CPO)        | Tonnes/Certificates |
|--------------|--------------------|---------------------|
| none         | Trade in GreenPalm | - MT                |
| <b>TOTAL</b> |                    | <b>- MT</b>         |

**Certified FFB Received Monthly – 1 January – 31 December 2013**

| <b>Month</b> | <b>Company Estate</b> | <b>Associated<br/>Smallholder</b> | <b>Total FFB/Month</b> |
|--------------|-----------------------|-----------------------------------|------------------------|
| Jan-Dec 13   | none                  | none                              | - MT                   |
| <b>TOTAL</b> | none                  | none                              | - <b>MT</b>            |

## Appendix B: RSPO Certificate Details

### Hargy Oil Palm Limited

Bialla, West New Britain Province,  
Papua New Guinea.

Certificate Number: SPO 535739

Initial Certificate Issued Date: 9 March 2009

Re-issuance Certificate Date: *waiting for BSI approval.*

Standard: RSPO Principle & criteria: 2007; RSPO P&C Papua New Guinea National Interpretation Working Group: 2008; RSPO Supply Chain for CPO Mills Module D – Segregation: 25 November 2011.

| <b>Hargy Palm Oil Mill and Supply Base</b> |   |
|--|---|
| Location                                   | East of Bialla, West New Britain Province, PNG                                |
| Address                                    | Hargy Mill, Hargy Oil Palm Limited, PO Box 21, Bialla, WNBP, Papua New Guinea |
| GPS  | Longitude: 151.0109719° E Latitude: -5.31111488°                              |
| Estate FFB Tonnage processed               | 78,051 Tonnes   |
| Smallholder Growers FFB Tonnage processed  | 83,696 Tonnes   |
| CPO Tonnage produced                       | 41,634 MT   |
| PK Tonnage produced                        | 9,786 MT  |
| PKO Tonnage produced                       | 3,291 MT  |

| <b>Navo Palm Oil Mill and Supply Base</b> |  |
|---|--|
| Location                                  | 50 km East of Bialla, West New Britain Province, PNG                         |
| Address                                   | Navo Mill, Hargy Oil Palm Limited, PO Box 21, Bialla, WNBP, Papua New Guinea |
| GPS                                       | Longitude: 151.224494° E Latitude: -5.094109°                                |
| Estate FFB Tonnage processed              | 78,936 Tonnes  |
| Smallholder Growers FFB Tonnage processed | 89,655 Tonnes  |
| CPO Tonnage produced                      | 43,395 MT  |
| PK Tonnage produced                       | 10,200 MT  |
| PKO Tonnage produced                      | 3,381 MT   |

| <b>Barema Palm Oil Mill and Supply Base</b> |  |
|---|--|
| Location                                    | 30 km East of Bialla, West New Britain Province, PNG                           |
| Address                                     | Barema Mill, Hargy Oil Palm Limited, PO Box 21, Bialla, WNBP, Papua New Guinea |
| GPS   | Longitude: 151.134° E Latitude: 5.219°   |
| Estate FFB Tonnage processed                | 97,836 Tonnes  |
| Smallholder Growers FFB Tonnage processed   | 60,338 Tonnes  |
| CPO Tonnage produced                        | 40,714 MT  |
| PK Tonnage produced                         | 9,570 MT   |
| PKO Tonnage produced                        | 4,688 MT   |

## Appendix C: List of Stakeholders Contacted

LIST OF STAKEHOLDER ISSUES FROM HOPL RE-CERTIFICATION ASSESSMENT VISIT, MARCH 2014 (including selected worker/supervisor feedback).

NOTE 1.: Issues reported by multiple sources (or those which are closely related) are indicated with an asterisk(\*).

NOTE 2.: Responsibility for addressing some of the issues included not necessarily the primary responsibility of HOPL.

| STAKEHOLDER   | ISSUE  | COMPANY RESPONSE  | AUDITOR'S COMMENTS   |
|---|--|---|--|
| <b>1. Senior national employee responsible for large team.</b>                      | (a) Provision of housing for staff is considered important in order that all staff can get to work on time.  | The quantity and standard of housing has greatly improved but is still limiting recruitment.  | Noted. Continual attention to housing encouraged by audit team.  |
|   | (b) Availability of appropriate clothing for workers sometimes an issue.   | Issuance of PPE is issued based on OHS risk assessment  | Please refer 2.a below.  |
|   | (c) Sometimes it is difficult to communicate with management, and it is disappointing when recommendations for change (aimed at improving outcomes and prevent this individual from being blamed for future problems) are ignored. Would like to be listened to more and receive more feedback concerning suggestions for improvement. | There is a whistleblower system in place through email and drop boxes. Meetings are held regularly where issues can be raised.  | Noted, however the point refers to interest in being 'listened to more and receiving more feedback concerning suggestions for improvement'.  |
|   | (d) More training opportunities would be appreciated by team.*   | By law HOPL has to spend 2.5% of salary and wages on training. HOPL spends in excess of this amount. HOPL has introduced an extensive supervisory training program which emphasizes the importance of training employees. The company is currently identifying and registering trainers with National Training Board from each department. These trainers will form the basis for ongoing department-based training programs for the company. | Access of lower grade estate employees to training opportunities identified as an opportunity for improvement under 4.8.1.   |
| <b>2. Workers (EFB Applicators)</b>   | (a) Access to appropriate safety wear (including boots/gumboots) limited (group of workers sighted using thongs/plastic sandals).*   | Based on OHS risk assessment, PPE are issued to workers accordingly   | Identified as an area of minor nonconformity under 4.7.3. Appropriate PPE (including boots and gloves if requested) should be provided to EFB applicators and others involved in land preparation. |
|   | (b) Training in relevant areas (first aid?) would be appreciated.*   | Work areas are assessed and training is given to employees based on training needs analysis.  | Access of lower grade estate employees to training opportunities identified as an opportunity for improvement under 4.8.1.   |
| <b>3. Union/Worker's Association Representative (or at least interested party).</b> | (a) Asserts the importance of observed limits on the number of consecutive days which mill workers should be required to work, without a day off, in order to reduce the risk of fatigue-related accidents (no more than 12-13 days). Particularly an issue when 12-hour days are being worked due to heavy processing schedule.       | Areas of the mill operation requiring continuous 24 hour labour include CPO milling, powerhouse operators and mobile equipment operators. These areas have been put on 8 hour shifts except CPO milling. With the current forecast and Barema mill coming online, CPO milling hours will reduce, thus reducing the occurrence of 12 hour days being worked Working hours will reduce to 88 hours per fortnight plus overtime when required.   | Identified as an area of minor nonconformity under 4.7.2, hence a timely response to addressing this area appropriate.   |
|   | (b) Hargy should "be more reasonable" in cases of domestic violence and assault (especially with lower level workers), as termination creates severe economic impacts on families.*  | Families should consider that domestic violence is a criminal offence. Domestic violence will not be tolerated.   | The auditor understands the HOPL position and takes no position on this matter, however the issue is noted for information purposes (see also Police feedback at 6.e below).                       |
|   | (c) Copies of the employee handbook should be available for all employees to refer to and study if they are interested, in order to foster awareness and understanding about procedures.   | Copies are available and policies can be made available on request.   | Identified as an opportunity for improvement under 6.5.3. Action could include ensuring employees are aware that they can access copies of the employee handbook for reference and study.          |

|  |   |   |  |
|--|---|---|--|
|  | (d) Local living costs are high hence workers need adequate space to grow food.*  | Land is made available for food production where land is available.   | Given the nature of the PNG economy, HOPL is strongly encouraged to provide all employees with access to gardening land in order to maximise nutritional and economic outcomes for the plantation workforce. This is of particular importance if reports of the spread of TB are accurate (see 9.g below), as nutrition is a significant factor in the spread of TB. |
| 4. East Nakanai LLG Senior Representative            | (a) Settler overcrowding on LLS blocks, resulting in stealing, home-brew and drug (marijuana) use. Referred to as a problem requiring united action by multiple actors including the LLG, OPIC and HOPL. (The development of small business capacity among LSS population referred to as a particular area of need). See also 9.g.*   | As part of community support HOPL through the Community Affairs section has a plan in place for Community based training in partnership with the East Nakanai LLG, which will cover common social issues in the communities. This plan is part of HOPL's Social Improvement plan. | Noted.   |
|  | (b) The need for improved financial literacy/book-keeping ability and responsibility required for members of LSS population, with attention to gender aspects (for example, it is reported that whereas loose-fruit income is meant to be paid directly to women, men often take control of it). HOPL to be requested to support new service aimed at promoting independence among women. | A Smallholder Extension Support Manager is being recruited. Financial Literacy and Book Keeping have been identified as key training requirements for smallholders.   | Noted.   |
| 5. Spokesperson for Kabulubulu Clan & Matililiu Ward | (a) Reports the issue of overflow of septic systems and sewage leaks at the Hargy compound (also sighted by audit team) which reportedly (according to this source) resulted in the contamination of nearby creek leading to a number of community members requiring treatment for diarrhea.  | Our water sample records show that the creek water upstream from the compound is also heavily contaminated. Open water is not safe to drink anywhere in PNG.  | Noted.   |
|  | (b) Reported overplanting of 44 oil palms dating back many years, and followed by subsequent re-overplanting around 2000. (The resolution of this matter understood by auditor to be in-process, and the need for clarification/improved observation of boundaries, to prevent recurrences, noted elsewhere).   | The smallholders also planted in company land. No support from government officers to resolve this issue.   | Attention to improving land records to 'reduce risk of activities outside of boundaries' (and 'increased coordination between land, construction, and estate department') noted as an opportunity for improvement under 2.2.2.   |
|  | (c) Drainage 90 meters in length constructed by HOPL on smallholder block some years back. (The resolution of this matter understood by auditor to be in-process, and the need for clarification/improved observation of boundaries, to prevent recurrences, noted elsewhere).  | Noted as above  | As above.  |
|  | (d) According to this stakeholder, many blocks are reverting to bush because owners are no longer managing them. Reportedly a key factor is lack of activity by OPIC officers   | A Smallholder Extension Support Manager is being recruited. HOPL will gradually take over the OPIC extension service  | Noted.   |
|  | (e) Improved road infrastructure in smallholder block areas necessary (to promote increased performance among smallholders).  | This is a government responsibility   | Noted.   |
|  | (f) Reports that sometimes FFB is left uncollected and washes into stream. Reported to HOPL but no response. (This incident appears to date back some years).   | HOPL does not control the weather and road conditions.  | Noted.   |
|  |   |   |  |
| 6. Senior Police Source, Bialla Police Station       | (a) Reports that sometimes HOPL delays payments due to villagers (infrastructure site payments referred to) resulting in villagers becoming upset and police being called in. No further details.   | Not clear what this refers to. All claims are paid in a timely manner if all documentation and contract procedures are correctly followed   | Noted. The point related to port/wharf area payments.  |
|  | (b) Resources are stretched for the policing work that must be undertaken for a population of over 50,000, these resources  | This is a government responsibility. There was no magistrate in Bialla for almost 2 years. HOPL has over the years  | Noted.   |



|                                |  |   |  |
|--------------------------------|--|---|--|
|                                | comprising 14 officers and two vehicles based in Bialla, plus 13 officers and one vehicle at Navo. The majority of law and order problems (including assault and manslaughter) reportedly originate among the LSS block population (43,000?). <sup>1</sup>   | continuously lobbied the WNB provincial government for relevant government services to support the Bialla project area.   |  |
|                                | (c) People are attracted to the area from other provinces because of work. However if employees lose their jobs (even though the company will offer to send them home), they often end up living in Bialla in settlements and these are the people at risk of committing offences. The police have done a lot of awareness-raising in the past about the need for people to understand the laws and respect them, but none this year so far. The police would appreciate the opportunity to continue to deliver justice awareness programs among the current HOPL workforce.   | HOPL repatriates workers where possible. However, there is nothing to prevent them from returning.<br><br>Police are invited to all major gatherings within the Hargy Plantation to address employees in justice and domestic violence issues. The low level of police representation in other areas of operations has not supported this initiative. | Noted  |
|                                | (d) One big problem involving HOPL (according to source) is that children have often been found being transported to school standing in the backs of trucks, which is unsafe and illegal and highlights the need for provision of appropriate transport. Specific problem locations include Urumaili Area 8 (from where children reportedly have a two hour walk to get to school in Bialla unless they are transported) and Makakiwa. This is an important priority for HOPL to resolve – to provide proper transport for the children to travel to school.   | HOPL is not legally required to transport school children. The government has not provided sufficient classrooms and teachers for the expanding population. PMVs have been contracted rather than using open trucks.  | 'Arrangements enabling children to access school [ie. be transported to school in circumstances where they do not reside in walking distance] to be consistently implemented' identified as an opportunity for improvement under 6.5.6.<br><br>The audit team encourages HOPL's continued commitment to this important area.                         |
|                                | (e) As per 3.(b) above, the senior police source strongly believes the zero tolerance domestic violence policy of HOPL should be revised, taking into account counselling options, because of (i) the potential role of women in provoking domestic violence, for example through playing cards/gambling, etc. instead of looking after the house while their husband is at work, and (ii) the reportedly common practice of domestic violence victims requesting that police issue a Caution rather than prosecute perpetrators, and the suggestion that HOPL should implement the same strategy. (On the other hand, the senior police source also reports that domestic violence often results from men spending money on beer and other women).* | The police do not enforce the laws in regarding to domestic violence. HOPL policy has been successful in reducing domestic violence incidents and the policy will not be changed.   | Note: The auditor understands the HOPL position and takes no position on this matter, however the issue is noted for information purposes (see also the Union/Worker's Association section at 3.b above).  |
|                                | (f) Overloading of FFB (20 cases in 2013) and speeding of HOPL vehicles* are ongoing causes of concern to the police.  | All Volvo trucks are speed limited to 65km/hour.<br>Drivers are penalized for overloading   | 'Lack of measures to control company vehicle speeds (as observed by auditing team members and reported by stakeholders)' identified as an area of minor nonconformity under 4.7.2. Clarification from the Police may be required concerning which categories of HOPL vehicles are speeding (if not Volvo trucks is it other trucks or 4WD vehicles?) |
| <b>7.Ewasse Representative</b> | (a) The Ewasse representative claims that Ewasse people are discriminated against in relation to HOPL employment opportunities (perhaps due to the longstanding dispute between the Ewasse and HOPL referred to  | There are 32 people from Ewasse Village employed by HOPL. 26 males and 6 female.  | Noted.   |

<sup>1</sup> Reportedly, in 2013 the cases of murder/manslaughter numbered five: two cases involving men bringing new wives onto their blocks and these new wives being stabbed to death by existing/former wives; two cases of men fighting/stabbing each other to death, and one case of a man murdering his wife. An estimated 200 cases of sexual assault were reported for 2013.

|   |   |  |   |
|---|---|--|---|
|   | under point c. below), reporting that only five or six men and no women are currently working for HOPL when a more proportional figure would (as suggested by Ewasse representative) be 20 to 30 individuals. <sup>2</sup>  |  |   |
|   | (b) The Ewasse representative claims that HOPL has been unresponsive to Ewasse requests for assistance with road repairs, while other areas (Matililiu cited) have received assistance with similar works. (see also d. below).   | There has not been any request come to the attention of Management. This is a government road and is not the responsibility of HOPL. The Matililiu road was repaired due to a washout and work was done in response to a request from the Dept of Works. | Noted.  |
|   | (c) A long-running dispute related to effluent discharge reportedly (according to the Ewasse representative) resulted in a court order that HOPL and Ewasse representatives meet regularly in order to resolve their differences, however according to the Ewasse representative this process has stalled and there have been no meetings since December 2012.  | This matter is before the National Court. The Ewasses are claiming K107 million in compensation. HOPL does not admit any liability for environmental damage  | Noted.  |
|   | (d). The Ewasse representative reports that there is no proper drainage system diverting water around their village, and that when it rains, much water flows through the Ewasse plantation area and the Ewasse village.  | This is not the responsibility of HOPL   | Noted.  |
| <b>8. Representative of a Development Corporation working with HOPL</b> | (a) Reference to the “passenger” problem whereby new accommodation areas (Sabal Bala) used by workers from elsewhere have attracted large numbers of wantoks, leading to various social problems including gardening outside of permitted boundaries.* This is reported as the “main” problem in relation to which HOPL should be strict in order to protect the interests of local people. This Stakeholder also notes, however, that HOPL has taken recent action and that the matter is under control at the present time. | Management is now living on site and action is being taken to remove unauthorized residents from company housing.  | Noted.  |
|   | (b) This Stakeholder believes that he and other landholders felt rushed into agreeing to lease lease-back terms and that upon reflection think the 10% royalty rate should be revised to 20%.   | The landowners get rental, royalty and are also able to get employment.  | Noted.  |
|   | (c) This Stakeholder believes that HOPL Community Relations Officers should visit outlying (new planting) areas more regularly to update community members concerning development plans (preferably providing more information about total project costs in the process)  | This is a valid point<br><br>Navo management has undertaken an initiative to organize a stakeholder forum to address development and community concerns. Community Relations and HR representation are included in this forum.                           | Noted.  |
|   | (d) Although HOPL has proper payment procedures in place, sometimes bills are not paid by HOPL as soon as this Stakeholder would prefer.  | Payments are delayed if documentation is not complete  | Noted.  |
| <b>9. Senior Source A, Bialla Health Centre</b>                         | (a) HOPL staff need to be sure to observe the biomedical waste procedure, in particular appropriate procedures and record-keeping practices associated with the transfer of biomedical waste from HOPL to Bialla Health Centre, for disposal in the Bialla clinic biomedical waster incinerator (see also b. below).  | HOPL will have to construct our own medical waste incinerator.   | Noted.  |
|   | (b) The incinerator currently used by Bialla Health Centre to destroy biomedical waste (including that produced by HOPL clinics) reportedly unable to reliably incinerate waste to ashes as required by relevant waste management procedures. This conclusion verified by audit team visual check. Other aspects also apparently non-compliant,   | See above  | Identified as an opportunity for improvement under 5.5.4.<br><br>HOPL response noted. |

<sup>2</sup> Note that the according to the Ewasse representative, the Ewasse were original landowners of some of the alienated land now used for the HOPL plantation, and the Ewasse are now therefore particularly deserving of HOPL employment opportunities.

|  |  |   |  |
|--|--|---|--|
|  | including requirement that the incinerator should be appropriately secured when not in use (check indicated that the facility is not locked and that even if locked, a child or other intruder could easily access facility).  |   |  |
|  | <b>(c)</b> Concern about the speed of HOPL vehicles, including in the town limits. View of Stakeholder that HOPL should be endeavoring to set good example with vehicle speeds,* and also consider introducing alcohol and drug tests for driver of company vehicles.  | Pedestrians walk on the road not on the side. Volvo trucks are speed limited.<br>Alcohol testing is done randomly.<br>Drug testing is very expensive  | Lack of measures to control company vehicle speeds (as observed by auditing team members and reported by stakeholders)' identified as an area of minor nonconformity under 4.7.2. Clarification from the Police may be required concerning which categories of HOPL vehicles are speeding (if not Volvo trucks is it other trucks or 4WD vehicles?)  |
|  | <b>(d)</b> The clinic sees a lot of people with work related injuries, and HOPL needs to place greater emphasis on provision and use of protective clothing, especially boots and gloves.*   | See comments above. Workers also have to be aware of safety and take adequate care.   | Identified as an area of minor nonconformity under 4.7.3, which requires that 'Adequate and appropriate protective equipment should be available to labourers at the place of work to cover at least the following: all potentially hazardous operations, such as pesticide application, land preparation, harvesting ...'. Feedback from stakeholders suggests that HOPL should expand the provision of PPE to workers. |
|  | <b>(e)</b> Reports information from HOPL employees with genuine work-related injuries indicating that they experience difficulty obtaining medical assessments as part of the process for claiming compensation (ie. must visit medical officer in Kimbe).   | This is a legal requirement for workers compensation insurance  | Noted.   |
|  | <b>(f)</b> Reference to the past (positive) role of OPIC in delivering awareness programs on a range of issues (including health, OHS and financial management). This Stakeholder notes with regret that these programs no longer take place.  | OPIC is no longer functioning. See above  | Noted.   |
|  | <b>(g)</b> Reports life on LSS blocks to be highly dysfunctional in a broad range of terms related to behavior/discipline, financial management, and health issues (including STIs). Reports that LSS blocks are the source (due to poor sanitation, poor housing and mobility) of TB which is now striking Biiala (see also 4.a above). Asserts that action by OPIC is necessary to suspend LSS blocks in the event they are being poorly managed.  | The OPIC Local Planning Committee does suspend blocks due to law and order problems   | Noted.   |
| <b>Senior Source B, Biiala Health Centre</b> | Reports that between 2010 and 2014 there were 14 new HIV positive cases. Thinks rate is growing but difficult to be certain because the clinic receives only 100 test kits/month which does not meet demand. Reports that HOPL tests its workforce, however (the point of this entry) when the Sister at an HOPL estate clinic was questioned on this matter, she indicated that for reasons of confidentiality, few HOPL workers voluntarily requested HIV and STI tests at her HOPL clinic. These differing accounts suggest that there may be a need for greater coordination and monitoring on this matter between HOPL and GoPNG Health officers. | HOPL distributes up to 1 million condoms per year. HOPL clinic staffs are also trained in VCT.<br>Test results are confidential<br>ARV drugs and treatment is not available in Biiala.<br>All pregnant women are tested during ante natal clinics | Noted.<br>Comments/observations as outlined in Column 2.   |

## Appendix D: Assessment Programme

| AUDIT AGENDA          |  |  |      |        |           |       |
|-----------------------|--|--|------|--------|-----------|-------|
| Date                  | Time   | Description  | Aryo | Sedayu | Rod Nixon | Sarah |
| Saturday,<br>22/03/14 | 13.45 – 16.35  | Auditor flight Jakarta – Singapore (by Garuda Indonesia GA 830)  | √    | √      | -         | -     |
|                       | 20.25 – 05.00  | Auditor flight Singapore – Port Moresby (by Garuda Indonesia PX 393)   | √    | √      | -         | -     |
| Sunday,<br>23/03/14   | 08.40 – 09.50  | Auditor flight Port Moresby – Hoskins (by Air Niugini PX 840)  | √    | √      | -         | √     |
|                       | 06.20 – 09.20  | Auditor flight Darwin – Cairns (by Jetstar JQ 58)  | -    | -      | √         | -     |
|                       | 12.00 – 13.40  | Auditor flight Cairns – Port Moresby (by Air Niugini PX 093)   | -    | -      | √         | -     |
| Monday,<br>24/03/14   | 05.20 – 06.30  | - Auditor flight Port Moresby – Hoskins (by Air Niugini PX 842)  | -    | -      | √         | -     |
|                       | 08.00 – 08.30  | Opening Meeting<br>- Presentation by Hargy Oil Palm Limited<br>- Opening meeting by BSI (including introduction of team and audit agenda)  | √    | √      | √         | √     |
|                       | 08.30 – 12.00  | Head office (Document review):<br>Time bound plan, partial certification verification and general information  | √    | √      | √         | √     |
|                       |  | Hargy Mill (Document review):<br>Stakeholder communication, Legal compliance, mill planning and operation, Health and Safety, Environmental and Social Impact, Continuous improvement.   | √    | -      | -         | √     |
|                       |  | Hargy Estate (Document review):<br>Stakeholder communication, Legal compliance, Estate planning and practices, Health and Safety, Environmental and Social Impact, Continuous improvement.   | -    | √      | √         | -     |
|                       | 12.00 – 13.00  | Lunch break  | √    | √      | √         | √     |
|                       | 13.00 – 14.00  | Hargy Mill (Site tour):<br>Worker interviews (OSH, contract, salary, etc), PPE, safe working environment, walk ways, signs, EFB, POME treatment, emissions, diesel tanks, fire extinguishers, first aiders and boxes.  | √    | -      | -         | √     |
|                       | 14.00 – 17.00  | Hargy Mill (Document review continued):<br>Stakeholder communication, Legal compliance, mill planning and operation, Health and Safety, Environmental and Social Impact, Continuous improvement.   | √    | -      | -         | √     |
| 13.00 – 17.00         | Hargy Estate (Document review continued):<br>Stakeholder communication, Legal compliance, Estate planning and best practices, Health and Safety, Environmental and Social Impact, Continuous improvement | -  | √    | √      | -         |       |
| Tuesday,<br>25/03/14  | 08.30 – 12.00  | Navo Mill (Document review):<br>Stakeholder communication, Legal compliance, mill planning and operation, Health and Safety, Environmental and Social Impact, Continuous improvement.  | √    | -      | -         | √     |
|                       |  | Hargy Estate (field visit):<br>Boundaries inspection, agrochemical application programme, harvesting, fertilizer application, HCV, riparian zone, water management, road maintenance, chemical store, fertilizer stores, workshop, worker housing, waste management, social amenities, clinic, etc | -    | √      | √         | -     |
|                       | 12.00 – 13.00  | Lunch break  | √    | √      | √         | √     |

| AUDIT AGENDA           |               |  |        |        |           |        |
|------------------------|---------------|--|--------|--------|-----------|--------|
| Date                   | Time          | Description  | Aryo   | Sedayu | Rod Nixon | Sarah  |
|                        | 13.00 – 17.00 | Navo Mill (Site tour):<br>Worker interviews (OSH, contract, salary, etc), PPE, safe working environment, walk ways, signs, EFB, POME treatment, emissions, diesel tanks, fire extinguishers, first aiders and boxes.   | √      | -      | -         | √      |
|                        |               | Hargy Estate (Document review continued):<br>Stakeholder communication, Legal compliance, Estate planning and best practices, Health and Safety, Environment and Social Impact, Continuous improvement   | -      | √      | √         | -      |
| Wednesday,<br>26/03/14 | 08.30 – 12.00 | Barema Mill:<br>Document review on SCCS system and standard  | √      | -      | -         | √      |
|                        |               | Navo Estate:<br>Boundaries inspection, agrochemical application programme, harvesting, fertilizer application, HCV, riparian zone, water management, road maintenance, chemical store, fertilizer stores, workshop, worker housing, waste management, social amenities, clinic, etc                | -      | √      | √         | -      |
|                        | 12.00 – 13.00 | Lunch Break  | √      | √      | √         | √      |
|                        | 13.00 – 17.00 | Bialla smallholder (document review):<br>Stakeholder communication, Legal compliance, Smallholder plot planning and best practices, Health and Safety, Environment and Social Impact, Continuous improvement   | √      | -      | -         | √      |
|                        |               | Navo Estate (Document review continued):<br>Stakeholder communication, Legal compliance, Estate planning and best practices, Health and Safety, Environment and Social Impact, Continuous improvement  | -      | √      | √         | -      |
| Thursday,<br>27/02/14  | 08.00 – 12.00 | Stakeholder consultation   | -      | -      | √         | -      |
|                        |               | Smallholder Plot Visit (approximately 50 smallholder plot will be subject to sample):<br>Smallholder interview (OSH, FFB sales, training), boundaries inspection, agrochemical application programme, harvesting, fertilizer application, HCV (or flora and fauna), riparian zone, terracing, etc. | √      | √      | -         | √      |
|                        | 12.00 – 13.00 | Lunch Break  | √      | √      | √         | √      |
|                        | 13.00 – 17.00 | Stakeholder consultation continued<br>Smallholder plot visit continued   | -<br>√ | -<br>√ | √<br>-    | -<br>√ |
| Friday,<br>28/03/14    | 08.00 – 12.00 | Closing outstanding issues   | √      | √      | √         | √      |
|                        | 12.00 – 13.00 | Lunch Break  | √      | √      | √         | √      |
|                        | 13.00 – 15.00 | Preparing report for closing meeting   | √      | √      | √         | √      |
|                        | 15.00 – 16.00 | Closing meeting  | √      | √      | √         | √      |
|                        | Evening       | Stay overnight at Hargy Guest House  | √      | √      | √         | √      |
| Saturday,<br>29/03/14  | 07.55 – 09.00 | Auditor flight Hoskins – Port Moresby (by Air Niugini PX 841)  | √      | √      | √         | √      |
|                        | 14.40 – 19.00 | Auditor flight Port Moresby – Singapore (by Air Niugini PX 392)  | √      | √      | -         | -      |
|                        | 22.05 – 22.55 | Auditor flight Singapore – Jakarta (by Garuda Indonesia GA 839)  | √      | √      | -         | -      |
| Sunday,<br>30/03/14    | 09.20 – 11.00 | Auditor flight Port Moresby – Cairns (by Air Niugini PX 090)   | -      | -      | √         | -      |
|                        | 20.40 – 22.45 | Auditor flight Cairns – Darwin (by Qantas QF 1874)   | -      | -      | √         | -      |

## Appendix E: Corrective Action Plan

HOPL has provided Corrective Action Plan for Non-conformities identified during the Re-Certification Assessment Visit.

| REFERENCE | CLAUSE            | RATING   | DETAILS OF NON CONFORMITY   | ACTION PLANS  | RESPONSIBILITY   | DUE DATE                                       | STATUS      |
|-----------|-------------------|----------|---|---|--|--|-------------|
| 037572M17 | D.3.2<br>RSPO SCC | Major NC | There is no clear system in place indicating retention times for all records and reports in relevant to RSPO supply Chain requirement shall be at least five (5) years.   | Develop and implement a documented procedure in accordance with the applicable record keeping requirements of RSPO Supply Chain Certification System Standard. Provide training to staff charged with record keeping and monitor compliance.  | Chief Engineer   | Apr-14   | Closed      |
| 037572M18 | D.3.3<br>RSPO SCC | Major NC | Insufficient evidence Hargy and Navo Mills have system in place to 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.                             | Reconcile & balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO, CPKO and palm kernel meal on 3 monthly basis.  | Chief Engineer   | Apr-14   | Closed      |
| 037572N4  | 4.7.2             | Minor NC | Insufficient attention to identification of significant risks and implementation of control measures.<br>Evidence observed during visits such as:<br>a. Fatigue risk for palm oil mill worker, working 12 hours per days for 13 or more days; | Include fatigue risk in OHS risk assessment.<br><br>Monitoring of hours worked shift workers;<br>OT control measure in place so that over working can be minimised and justified.<br>Identify possible FATIGUE are of work / Station and organize for 3 shift operation for those work station.   | OHS Superintendant<br><br>HPOM - Mill Manager / Chief Engineer | Apr-14   | In Progress |
|           |                   |          | b. Need for hearing checks of mill engine room operators concerning risk of hearing loss;   | Conduct noise monitoring for relevant operational areas (mills, workshops) in the next 3 months.<br><br>Do audiometric tests for current relevant employees exposed to noise for prolonged periods.<br><br>Include audiometric test as part of New Employee Pre-employment Medical checks as well as hearing assessment in annual medical checks for all employees to enable trend monitoring of hearing loss | OHS Supt<br><br>Health dept/ESD<br><br>HR                      | 30/05/2014<br><br>30/05/2014<br><br>30/04/2014 |             |

|           |       |          |   |  |  |  |            |
|-----------|-------|----------|---|--|--|--|------------|
|           |       |          | c. Appropriate PPE for EFB applicators and possibly other staff as well.  | Provide gumboots for EFB Applicators   | OHS Superintendent                             | Mei-14   |            |
|           |       |          | d. Measures to control company vehicle speeds (as observed by auditing team members and reported by stakeholders), an area of particular importance given that school children also use roads (action on this matter also strongly encouraged).   | Regular awareness on driver safety & speed on public roads.<br>Road Safety Awareness at all HOPL sites<br>Safety alerts  | OHS Superintendant                             | Start in Apr 2014 & Ongoing                    |            |
| 037572N5  | 4.7.3 | Minor NC | Provision of appropriate PPE to all workers - incomplete; Workers were interviewed who reported they have not been provided with appropriate PPE. This included 4 EFB applicators without gum boots and one welder without apron were sighted during visit. Additionally, a community health informant noted the need for HOPL to ensure that all workers are equipped with boots and gloves. The view of the audit team is that continued improvement is important in this area. | Review the OHS Risk Assessment and where justified by risk rating, issue appropriate PPE as required   | DHS Superintendent/Site Managers               | Mei-14   | n Progress |
| 037572N10 | 4.7.5 | Minor NC | A review of records found two emergency plans were not tested in interval basis i.e. emergency procedure for Unrest/Strike (procedure created 17/03/2012) and Tsunami response (procedure created 28/03/2013). Additionally the emergency shower in Hargy Estate was found to be only semi-functional upon testing.   | Conduct a drill to test the Tsunami emergency procedure<br><br>Remove the Unrest/Strike Procedure from ERP manual & distribute as a separate document to relevant management members only.<br><br>Repair the semi-functional emergency shower at Hargy estate (Urumaili chemical shed) | DHS Superintendant<br><br>Hargy Estate Manager | 30/05/2014<br><br>30/04/2014<br><br>30/04/2014 |            |
| 037572N9  | 5.3.2 | Minor NC | Waste chemical pit management not in conformance with MSDS and sanitary land field code of practice. Chemical waste pit at Hargy landfill found to be without impermeable liner and found to contain caustic soda which is classified in the MSDS as a poisonous and dangerous corrosive (Class 8) which must be neutralized prior to disposal.   | Include disposal of chemicals and/or fertilisers in Pesticide Management Guideline.<br><br>Commence records disposal of fertiliser/chemicals   | ESD Manager<br><br>Plantation Managers         | 30/04/2014<br><br>30/04/2014                   |            |
| 037572N13 | 5.6.2 | Minor NC | Insufficient control of BOD levels in Hargy mill; Insufficient evidence of source of BOD levels in Hargy mill effluent to enable successful control of BOD levels within permitted limits. This matter of special importance given evidence of high BOD levels over the past 6 months.  | Immediate Diversion of Storm water to Aerobic Pond instead of Final Pond for improvement in BOD. Vigilant sample collection / sampling method to ensure correct procedure is been practise.  | Hargy Mill Manager                             | Apr-14   |            |

|                |       |             |   |   |                             |        |  |
|----------------|-------|-------------|---|---|-----------------------------|--------|--|
| 1037572N1<br>5 | 6.5.4 | Minor<br>NC | Sewage/septic issues on Hargy estate compound not being addressed in a timely fashion; Evidence of sewage leaks in Hargy compound and reports that leaking septic tank and leaking sewage pipe problems have not been addressed in a timely manner. | Pump out current septic overflows at Hargy Division 2 compound The Company will provide clear advice on how residents of houses with sewage problems must report those issues to enable prompt response. The Company will maintain a record of requests that willll included the time and date of receiving a request and the time and date of response | Hargy Plantation<br>Manager | Apr-14 |  |
|----------------|-------|-------------|---|---|-----------------------------|--------|--|