PUBLIC SUMMARY REPORT

RSPO ANNUAL SURVEILLANCE ASSESSMENT

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

Report Author
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SUMMARY

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

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

ABBREVIATIONS USED

AD  Company Administration Department
BOD  Biological Oxygen Demand
BOPGA Bialla Oil Palm Growers Association
BP Barema Plantation
CC  Cover Crop
CIP  Continuous Improvement Plan
CLUA Clan Land Useage Agreement
COP  Code of Practice
Cosec Company Secretary
DNPP National Government – Department of National Physical Planning
DOL National Government - Department of Lands
DLPP Dept of Lands & Physical Planning
EFB Empty Fruit Bunch
EMS Environmental Management System
FC Company Financial Controller
FFB Fresh Fruit Bunch
FPIC Free, Prior and Informed Consent
GM Company General Manager
HCV High Conservation Value
HM  Hargy Mill
HOE Company Head of Estates
HOPL Hargy Oil Palm Limited
IE  Independent Estate (a class of Smallholder)
ILG Incorporated Land Group
IPM Integrated Pest Management
LLG Local Level Government
LPC Local Planning Committee
LSS Land Settlement Scheme (a class of Smallholder)
LTI Lost Time Injury
MG Management Guidelines
MSDS Material Safety Data Sheets
NLDD Native Land Dealing Document
NM  Navo Mill
OD Company Out Grower (Smallholder), Department
OPMP8 Oil Palm Management Program used by the company
OPIC Oil Palm Industry Corporation
OPM Oil Palm Management Programme
OPRA Oil Palm Research Association
PCD Pollution Control Device
PMP Pest Management Plan
PNG NIWG Papua New Guinea National Interpretation Working Group
POME Palm Oil Mill Effluent
PPE Personal Protective Equipment
SEIA Social and Environmental Impact Assessment
SG Smallholder Grower
SIA Social Impact Assessment
SM Company Sustainability Manager
SOP Standing Operating Procedure
TRP Timber Rights Purchase
TSS Total Suspended Solids
UV Ultra Violet
VOP Village Oil Palm (a class of Smallholder)
VWS Vehicle Workshop
WNBP West New Britain Province

1.0 SCOPE OF CERTIFICATION ASSESSMENT

1.1 National Interpretation Used

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

1.2 Certification Scope

The scope of Certification covers two (2) Palm Oil Mills including Palm Kernel Oil Mills and the supply base comprising three (3) company owned oil palm Estates and fruit from 3,700 Smallholder Growers (SG) harvesting an area of 13,162 planted Hectares.

1.3 Location and Maps

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

Table 1: Mill GPS Location

<table>
<thead>
<tr>
<th>MILL</th>
<th>EASTING</th>
<th>NORTHING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hargy Mill</td>
<td>151 0109719º</td>
<td>-5 31111488º</td>
</tr>
<tr>
<td>Navo Mill</td>
<td>151 224494º</td>
<td>-5 0941099º</td>
</tr>
</tbody>
</table>

1.4 Description of Supply Base

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

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

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

The SG’s comprise small holdings of oil palm that were developed under a Land Settlement Scheme (LSS) on State Leased land, Village Oil Palm (VOP) that was developed on customary land and Independent Estates (IE), that have been developed on both Customary and State leased land by customary landowners. The LSS,
Figure 1: Location Map
Figure 2
Mengen Bakada New Developments
Figure 3 Project Location & Expansion Areas
VOP and IE were developed independently of the company. The SG’s manage their small holdings of oil palm, including harvesting. FFB production is shown in Table 2. The production of FFB for 2009 for HOPL was 213,207 tonnes and from Small Holders 200,123 tonnes.

Table 2: Company and SG FFB Production tonnes

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Company FFB</td>
<td>156,278</td>
<td>180,122</td>
<td>168,293</td>
<td>213,207</td>
</tr>
<tr>
<td>Total Smallholder FFB</td>
<td>138,450</td>
<td>159,040</td>
<td>162,766</td>
<td>200,123</td>
</tr>
<tr>
<td>% Company</td>
<td>53%</td>
<td>53%</td>
<td>51%</td>
<td>52%</td>
</tr>
<tr>
<td>% Smallholder</td>
<td>47%</td>
<td>47%</td>
<td>49%</td>
<td>48%</td>
</tr>
</tbody>
</table>

1.5 Date of Plantings and Cycle

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

<table>
<thead>
<tr>
<th>Year of Planting</th>
<th>Hargy</th>
<th>Navo</th>
<th>Barema</th>
<th>% of Planted Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984</td>
<td>303.25</td>
<td></td>
<td></td>
<td>3.10%</td>
</tr>
<tr>
<td>1985</td>
<td>927.97</td>
<td></td>
<td></td>
<td>9.49%</td>
</tr>
<tr>
<td>1986</td>
<td>581.55</td>
<td></td>
<td></td>
<td>5.95%</td>
</tr>
<tr>
<td>1987</td>
<td>172.50</td>
<td></td>
<td></td>
<td>1.76%</td>
</tr>
<tr>
<td>1994</td>
<td>335.55</td>
<td></td>
<td></td>
<td>3.43%</td>
</tr>
<tr>
<td>1995</td>
<td>137.16</td>
<td></td>
<td></td>
<td>1.40%</td>
</tr>
<tr>
<td>1996</td>
<td>368.05</td>
<td></td>
<td></td>
<td>3.76%</td>
</tr>
<tr>
<td>1997</td>
<td>318.96</td>
<td></td>
<td></td>
<td>3.26%</td>
</tr>
<tr>
<td>1998</td>
<td>370.13</td>
<td>257.41</td>
<td></td>
<td>6.42%</td>
</tr>
<tr>
<td>1999</td>
<td>241.49</td>
<td>425.50</td>
<td></td>
<td>6.82%</td>
</tr>
<tr>
<td>2000</td>
<td>132.90</td>
<td>376.74</td>
<td></td>
<td>5.21%</td>
</tr>
<tr>
<td>2001</td>
<td>156.43</td>
<td>505.38</td>
<td></td>
<td>6.77%</td>
</tr>
<tr>
<td>2002</td>
<td>236.18</td>
<td>123.10</td>
<td></td>
<td>3.67%</td>
</tr>
<tr>
<td>2003</td>
<td>111.83</td>
<td></td>
<td></td>
<td>1.14%</td>
</tr>
<tr>
<td>2004</td>
<td>291.64</td>
<td></td>
<td></td>
<td>2.98%</td>
</tr>
<tr>
<td>2005</td>
<td>168.71</td>
<td></td>
<td></td>
<td>1.73%</td>
</tr>
<tr>
<td>2006</td>
<td>590.76</td>
<td>270.66</td>
<td></td>
<td>8.81%</td>
</tr>
<tr>
<td>2007</td>
<td>432.48</td>
<td>674.32</td>
<td></td>
<td>11.33%</td>
</tr>
<tr>
<td>2008</td>
<td>982.37</td>
<td></td>
<td></td>
<td>10.06%</td>
</tr>
<tr>
<td>2009</td>
<td>134.22</td>
<td>150.11</td>
<td></td>
<td>2.91%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2,431.07</td>
<td>5,268.82</td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

1.6 Other Certifications Held

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

1.7 Organisational Information / Contact Person

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

Hargy Oil Palm Limited
PO Box 21,
BIALLA WNB
PAPUA NEW GUINEA
Contact Person: Max Kuduk
Sustainability Manager
Phone: +675 983 1005
Fax: +675 983 1191
Email: mkuduk@hargy.com.pg

1.8 Time Bound Plan for Other Management Units

The other Majority owned Management Units are as follows:
- PT Tolan Tiga located in North Sumatra
- PT Agro Muko, in Bengkulu
- Jabelmalux group: PT Umbul Mas Wisesa, PT Toton Usaha Mandiri, and PT Citra Sawit Mandiri, in North Sumatra, and PT Melania in South Sumatra.

Sipef plan is to achieve RSPO certification for our majority-owned Indonesian operations within 3 years of HOPL certification. As described in the clarification letter sent to the RSPO in 2008, and confirmed in 2009, Sipef have divided our Indonesian operations into three groups.

PT Tolan Tiga Indonesia, including 2 mills and 4 estates in North Sumatra, was assessed in March 2010 and they are awaiting certification.

PT Agro Muko, including 2 mills and 8 estates in Bengkulu, to be certifiable 2.0 years after certification of HOPL, or by April 2011.

Certification audit is planned for September 2010, with BSI.
Jabelmalux group. PT Umbul Mas Wisesa, PT Toton Usaha Mandiri and PT Citra Sawit Mandiri, 3 new estates under development. Sipef are currently placing these estates in the RSPO compensation mechanism based on a precautionary approach, while continuing to study all possible solutions. Sipef are complying with local laws and regulations in the development of these estates, and there are no unresolved disputes.

PT Melania in South Sumatra still has an area of 456ha of oil palms, currently being converted into rubber.

At this point Sipef has informed BSI that there are no know legal non-compliances, land or unresolved labour disputes at its other operations. BSI considers Sipef’s Time Bound Plan to conform to the RSPO requirements for Partial Certification."
1.9 Area of Plantation

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

**Table 4(a): Estates Hectare Statement**

<table>
<thead>
<tr>
<th>Estate</th>
<th>Mature (ha)</th>
<th>Immature (ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hargy</td>
<td>2,296.85</td>
<td>134.22</td>
</tr>
<tr>
<td>Navo/Ibana</td>
<td>5,268.82</td>
<td>-</td>
</tr>
<tr>
<td>Barema</td>
<td>944.98</td>
<td>1,132.48</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>8,510.65</strong></td>
<td><strong>1,266.70</strong></td>
</tr>
</tbody>
</table>

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

| Mature area     | 12,665 |
| Immature area   | 498    |
| **Total SG area** | **13,163** |

**Table 4(c): HOPL Hectare Statement**

| Mature area          | 8,510.65 |
| Immature             | 1,266.70 |
| Preparation for oil palm | -         |
| **Total area for oil palm** | **9,777.35** |
| Nurseries            | 23.01    |
| Emplacement, Roads, Mills, Compounds etc | 717.16   |
| Unplanted reserve, incl underwater lease | 1,763.50 |
| **Hargy Total leased area** | **12,281.02** |

1.10 Approximate Tonnages Certified

Note: HOPL do not measure PK directly but calculate it as 5.5% of FFB. All PK is crushed and on crushing and HOPL record approx 1.7% extraction of CPKO to FFB. The approximate tonnages that would have been certified on the basis of 2009 production are shown in Table 5.

**Table 5: Approximate Tonnages Certified**

<table>
<thead>
<tr>
<th>MILL</th>
<th>CPO</th>
<th>CPKO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hargy</td>
<td>45,582</td>
<td>3,356</td>
</tr>
<tr>
<td>Navo</td>
<td>49,586</td>
<td>3,921</td>
</tr>
</tbody>
</table>

1.11 Date Certificate Issued and Scope of Certificate

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

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

Inclusion of Smallholders

During the audit of HOPL operations, the audit team became aware of the continued effort and resources that HOPL had continued to commit to the RSPO implementation for its SG’s. In particular, HOPL had initiated RSPO awareness for SG’s back in 2005 through the Papua New Guinea National Interpretation Working Group (PNG NIWG) process and worked with the Oil Palm Industry Corporation (OPIC) smallholder extension service. HOPL worked closely with OPIC in the development of a “Planting Approval Form” which is used for environmental screening of SG applications for development of new areas of land to oil palm. The PNG NIWG submitted the “Planting Approval Form” along with the NI to the EB and the public review process. Since late 2007, no new SG has been accepted without being subjected to a field assessment in accordance with the “Planting Approval Form”.

HOPL has provided training of OPIC extension officers on the RSPO P&C, for example at a workshop in October 2007, 2008 and 2009. HOPL, OPIC and OPRA implemented awareness training of SG’s on the RSPO P&C at Field Days in each of the SG Divisions, commencing in October 2007 and continuing regularly since. HOPL has with OPIC completed a baseline survey of SG’s. The survey process involved the physical inspection of all SG blocks and interview of each SG to assess their understanding of sustainable practices and conformance with the relevant RSPO P&C.

OPIC is supported by the whole of the Oil palm Industry. All PNG producers are represented on the OPIC Board.

OPIC officers are not employees of HOPL.

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

They are not under any obligation or contract to supply to the mill but are associated to the company through the OPIC association. In cooperation with the companies and OPIC the smallholders are included in the awareness programs, compliance surveys and other RSPO related work.

HOPL is represented on the board of OPIC through its
membership of the PNG Palm Oil Producers Association as one of the stakeholders to contribute and give input. Not as an employee with an official role and function. All the PNG producers are on the OPIC board.

BSi examined in detail the SG survey database and concluded that the information showed the great majority of SG’s met conformance with the relevant Indicators of the PNG NIWG (March, 2008). The validity of the SG survey results was tested by selecting a sample of smallholders that were representative of a range of conditions and subjecting these to field audits. The BSI field audit results matched those that had been obtained independently by the OPIC extension officers.

BSI concluded that the survey results for 3,700 SG’s provided substantive evidence of conformance with the RSPO P&C. Furthermore, the survey had been conducted by OPIC, a statutory authority, which can be regarded as an independent third party.

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

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

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

2.0 ASSESSMENT PROCESS

2.1 Certification Body

BSI Group Singapore Pte Ltd
3 Lim Teck Kim Road
#10-02 Singapore Technologies Building
Singapore 088934

Product Manager: Mr Soon Leong Chia
Phone: +65 6270 0777 Ext 115
Fax: +65 6270 2777
Email: soonleong.chia@bsigroup.com

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

2.2 Qualifications of the Lead Assessor and Assessment Team

Allan Thomas Lead Assessor

Allan Thomas holds a tertiary qualification in commerce and accounting from Wollongong University in 1973 and has more than 17 years experience in systems management and auditing of large organisations in construction, forestry, agriculture, manufacturing and in private and Government sectors both in Australia, South East Asia and the South Pacific. During the past 15 years, he has been the Manager of a large certification body based in Australia with responsibilities throughout SE Asia. He has performed over 100 comprehensive audits of management systems throughout the Palm Oil industry including Occupational Health and Safety, Environmental and Quality Management Systems. He has also advised companies on the implementation of OHS in the Oil Palm Industry. He has worked in Indonesia, Malaysia and PNG in the Oil Palm industry. Allan has conducted over 2000 system audits in the last 12 years and controlled over 50 auditors when Certification Manager of SGS-ICS.

He is a Lead Environmental Auditor (ISO 14001) with IRCA, A Lead OHS Auditor (OHSAS 18001 & AS 4801) with IRCA, a Lead Quality Auditor (ISO 9001:2000) with RABQSA and also an accredited Heavy Vehicle Auditor. He has also implemented strategies for implementing and maintaining SA 8000. Allan has also been appointed a Federal Safety Officer by the Australian Commonwealth Government.

He has conducted Integrated Management assessments of a large number of palm and kernel oil mills and many oil palm plantations in Indonesia, Malaysia and Papua New Guinea. He has worked closely with RSPO in developing an audit checklist for the Principles and Criteria and developed an audit methodology. This was carried out at the instigation of Dr. Simon Lord – in 2005 prior to RT3. Dr. Lord is a former member of the Executive Board – this audit checklist was bought by RSPO in early 2006. He also performed the first base line assessment of the applications of the P&C. He is a strong advocate of environmental, safety and social accountability.

Stephen T. Keu - Technical Interviewer

Local Language Skills – HCV’s & Social

Stephen holds a Bachelor of Science Degree and a Diploma in Forestry Sciences at the Papua New Guinea University of Technology. He also graduated with a Masters Degree of Agriculture majoring in environmental sciences and landscape ecology at the faculty of horticulture, Chiba University, Japan. Stephen has 12 years experience with the Department of Environment & Conservation performing the following capacities; Environmental Planner (Forestry projects, New Guinea Islands region), Scientific Officer (Renewable Resources) and Environmental Compliance and Monitoring officer (Lihir Gold Mine and New Guinea Islands region).
Stephen has researched the ecological impacts of agricultural land-use on soil fertility, water quality and vegetation status in the Stettin Bay region of Papua New Guinea. He has also been involved in other research on the distribution of the mangrove communities in Kimbe Bay. Data derived from the study was used as a layer in the Marine Protected Area resilience design for Kimbe bay in Papua New Guinea. Stephen also worked as a Conservation Planner with The Nature Conservancy; a US based international Non-Governmental Organization for a period of four years.

At one stage Stephen was hired as an Environmental Specialist to the PNG Government Forestry Review team that conducts review of all the Logging Projects under Timber Permits for their compliance to all Forestry, Environmental and Social requirements and reports to the Chief Secretary of the Prime Minister.

Recently, he has participated as a support local consultant on the Round Table of Sustainable Palm Oil (RSPO) principle 5.2 that requires HCVF (High Conservation Value Forests) assessment of the NBPOL present and future operational areas.

Ian Rove Sahoto – Technical Interviewer – Small Holders and Social

Aged 29, Mr. Sahoto has had several years of mentorship in implementing and managing systems, in particular, the ISO14001 environmental standard.

Mr. Sahoto attended tertiary education at the University of Technology, Lae, Papua New Guinea. Studying a Bachelor of Science degree in Applied Physics with Electronics and Instrumentation. He holds a certificate in internal auditing and is also undergoing further training to enhance current skills to meet the growing needs of today’s market.

Mr. Sahoto has more recently been involved with facilitating several third party audits of the implementation of RSPO Principles & Criteria in the Papua New Guinea oil palm industry and recently coordinated a baseline survey of more than 7000 oil palm smallholders in Papua New Guinea Implementing & maintaining Environmental Management Programs in line with the company Environmental Management System (EMS) & ISO14001. Recommend action to mitigate negative and enhance positive environmental impacts. Development and maintenance of documentation related to ISO14001 and the Roundtable on Sustainable Palm Oil Principles & Criteria (RSPO P&C). Assist and facilitate first, second and third party ISO14001 and RSPO audits. Provided assistance & training to members of the Oil Palm Industry Corporation (OPIC) extension officers, Hoskins, West New Britain Province. Assisted in the facilitation of the third party surveillance audit in accordance with RSPO Principles & Criteria P&NWG: 2008 and ISO14001:2004 and subsequent continued certification. Provided support & guidance to reviewing the NBPOL social register and assessment toolkit 2008.

Assistant to the head of research and the environment officer providing support on RSPO & ISO14001 related projects.

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

2.3 Assessment Methodology, Programme, Site Visits

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

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

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

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

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

The methodology for collection of objective evidence included physical site inspections, observation of tasks and processes, interviews of staff, workers and their families, review of documentation and monitoring data. Checklists and questionnaires were used to guide the collection of information. The comments made by external stakeholders were also taken into account in the assessment.

SG’s were also included in this audit. A total number of 54 smallholder blocks were audited ranging in size from 2Ha (Village Oil Palm Blocks/VOP) to 7Ha (Land Settlement Scheme/LSS). After the interview with each small holder was concluded the auditor inspected each block with the block holder and in the absence of any officers from HOPL or OPIC in order to gain an understanding of any issues of concern that the block holder wished to raise about the oil palm company (HOPL) or the extension service (OPIC).
2.4 Stakeholder Consultation and List Of Stakeholders Contacted

Stakeholder consultation involved external and internal stakeholders.

Letters were written to individual stakeholders and telephone calls were made 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 aspects where improvements could be made.

Stakeholders included those immediately linked with the operation of the company such as employees; SG’s including LSS, VOP and IE’s, the OPIC, and the Oil Palm Research Association (OPRA).

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

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

In the case of the Incorporated Land Groups (ILG’s), meetings were held on site. Time limitation and transportation for ILG’s created difficulties which prevented the convening of ILG meetings in all the villages where there could have been greater participation by other members.

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

Hargy is in the early stages of the development of a lease-lease back system with landowners and are making preparations for new plantings. HOPL has leased land from customary land owners for expansion and ILGS were registered at that time.

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

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

There is now a trade union at HOPL.

LIST OF STAKEHOLDERS CONTACTED

EMPLOYEES

- 2 maintenance workers
- Estate workers – many
- Mill workers – many
- Vehicle Workshop workers
- 1 loading ramp operator
- 1 sample collector
- 1 female mill admin
- 1 nurse and Health Worker
- 1 female on compound duties

- OPIC
- OPRA

CONTRACTORS

- Building Contractor
- Pacific Development
- Commodore Bay
- NIT Transport
- Ngatia Enterprises
- KK Transport
- GOMU VOP
- KCP

Five (5) Local Contractors and Suppliers

SMALLHOLDER GROWERS (INCLUDING)

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

LOCAL COMMUNITIES

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

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

3. Apupul
   - 3 Female Subsistence gardeners

4. Apupul
   - 2 Male Subsistence gardeners

5. Apmeliodi Paraide, Gomu
• Village Committee
• Church elder
6. Anis Gaa, Gomu
• Ordinary villager

GOVERNMENT DEPARTMENTS
• West New Britain Provincial Administration
• West New Britain Provincial Government
• Police Department
• Dept of Health
• Dept of Lands
• Department of Environment and Conservation

NGO’s
• Mahonia Na Dari
• Nature Conservancy

2.5 Date of Next Surveillance Visit
April 2011

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings
As outlined in Section 2.3, objective evidence was obtained separately for each of the RSPO Indicators for the Mills and the Estates. The results for each indicator from each of these operational areas have been aggregated to provide an assessment of overall conformance of the Company’s operations with each Criterion. A statement is provided for each of the Indicators to support the finding of the assessment team.

During the audit Eight (8) Nonconformities were assigned against Minor Compliance Indicators. HOPL has prepared a Corrective Action Plan (Appendix D) for addressing the identified nonconformities that was reviewed and accepted by BSI.

Twelve (12) Observations/Opportunities for Improvement were identified. Details of the Nonconformities and Observations are given in Section 3.2 (Page 28).

BSI’s assessment of HOPL operations, comprising two palm oil mill, three estates, infrastructure and support services, concludes that HOPL operations comply with the requirements of RSPO Principles & Criteria : 2007 and PNG-NIWG Indicators and Guidance : 2008.

BSI recommends that HOPL continue to be approved as a producer of RSPO Certified Sustainable Palm Oil.

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

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

There is a list of publicly available documents which is approved by the GM and can be produced on request. This list will be made available both in hard copy on request and on the company’s planned web site when it is completed. A list of documents was produced during the audit. The register also includes information on who is authorised for making available documentation.

The list of documents that can be made available on request includes the following as an example:
HOPL has separate policies for the following: Health and Safety, HIV/AIDS, Sexual Harassment, Malaria and Domestic violence amongst others. These are also widely available. There is a documented procedure for dealing with complaints. There is a grievance complaints register which is supported by any documented complaints. Outcomes are documented and the company has a standard letter with which it informs the aggrieved party of receiving the complaint and procedures to be followed for resolution. This has progressed since the initial audit and includes a register of all complaints or grievances received. It includes name of party, date received, outcome, acknowledgment of receiving complaint, and date resolved as well as a brief description of the complaint. This is supported by a file which keeps hard copies of complaints/grievances and all responses and communications between HOPL and the aggrieved party. The file for each complaint / grievance is comprehensive.

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

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

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

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

Examples of ensuring laws are being implemented is via external checking using such as agencies as the Department of Conservation, Dept of Labour, and Dept of Health. This is further supported by internal audits and inspections to ensure that certificates, permits etc are current. As far as possible all government permits and licenses have been obtained and they appear to be current of the samples inspected.

HOPL is proactive in renewing of all permits and licenses. The issuing of new permits however is outside the control of HOPL.

Due to the fact that the company will have to comply with laws and regulations under RSPO as well as ISO they take the initiative to contact the official regulatory bodies to follow up on permits etc. Letters to government departments following up on expired permits can be provided on request. A record is maintained of these instances when enquiries have been made to determine the position in relation to these new permits etc.

The SG's and OPIC during inspection check that legal and regulatory requirements are being met. This is recorded on the Planting Approval form. The OPIC Act is the

1. Land titles/Leases
2. Maps of lease areas
3. Annual Reports
4. HOPL Policies and Guidelines
5. Environment Plans & Environment Permits
7. DEC compliance Monitoring Reports
8. Waste Management Plans
9. Water Management plans
10. Social Impact Assessments
11. Environmental Impact Assessments
12. Production Reports
13. FFB Pricing Information
14. Financial report
15. Employee Training.

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

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

The documents will be available on request. Some information will need to be handled with care in some cases as it could adversely impact on a situation. This would normally be related to sensitive financial information that may only be shared if and when appropriate. However all requests can be traced back through the information request register.

Land Titles will be made available on request if appropriate.

The OHS Plan will be made available on request. It is also posted in all work areas in a prominent position on noticeboards were workers congregate at certain times – this includes in the mill and field offices. It was sighted in many areas during the audit. All managers also have a copy of the OHS Plan. It will also be made available on the company’s web site when established.

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

The Equal Opportunities Policy as per the PNG Constitution is available and has been approved by Management. It is widely available.

HOPL has separate policies for the following: Health and Safety, HIV/AIDS, Sexual Harassment, Malaria and...
principle piece of legislation for management of the SG sector.

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

There is register of PNG legal and regulatory requirements including codes of practices, environmental permits, forestry etc with the Sustainability Manager (SM). The SM also keeps aware of any changes to legal or regulatory requirements and updates the list / register if and when required. The register presented was quite extensive and included all legal and regulatory requirements known to concern HOPL.

A copy of the register of legal and regulatory requirements was presented.

Copies of other legal documents are also maintained by the Sustainability Team. There is a system required within ISO 14001 that includes any legal or regulatory requirements applicable to SG’s. Therefore this area is also sufficiently documented.

HOPL through the EMS / OHS ensures that any law changes are tracked. However the system is not adequately documented.

Minor NCR 2.1.2 There is no documented procedure for updating of information on legal requirements and how changes to laws are tracked.

The system for tracking changes includes the following methods. HOPL are members of the Employers Federation of PNG, PNG Growers Association, Palm oil Producers Association (POPA), the OPRA board and also sit on the OPIC Board and are therefore privy to any changes. HOPL also receives updates of law changes from PNG Law Society.

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

Smallholders indicated awareness of the importance of environment & fauna Protection land boundaries. Some smallholder had established existing buffer zones while most smallholders indicated awareness of the importance of environment & fauna Protection land boundaries.

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

HOPLs operations are all on State Agricultural Leases. The Lands Department has copies of all leases – for example observed Navo lease 99 yrs - issued 1983 and Barema Lease issued 2005 – 99 years.

HOPL now has land arrangement with customary land owners in relation to mini-estates > 20 ha (Lease – Lease back). This is with local ILG’s who have suitable land and an official agreement with customary landowners has been reached. The Lease - Lease back - awareness sessions are held and the FPIC component is being integrated into these sessions. This development of Lease-lease back areas is in the Mengen Bakada areas and crosses into East New Britain.

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

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

During a recent survey in late 2009 is was discovered that 3 hectares of non Hargy land was planted on and HOPL immediately stopped harvesting the Oil Palms and gave them over the local land owners.

Observation 2.2.2 The boundaries where a small encroachment was discovered on the recent survey is marked by a boundary peg however the last row of Hargy Land could also be more clearly identified.

All the stakeholders are informed on disputes and conflicts and information is made available – though radio programmes and newsletters. NGOs (TNC) have been invited to attend landowner awareness sessions. These NGOs were invited as they are present within the province.

Under EMS all people who come under the influence even remotely of an organization are called stakeholders.

NGO is invited to participate in awareness sessions with landowners for Lease-lease back.

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

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

There are no disputes at present in the HOPL area with regards to land tenure and therefore there are no significant land conflicts with regards to land tenure. Until the Lease –lease back area which is just being developed in the Mengen Bakada area all HOPL
development and plantings have been on state land.

There is proof where disputes have been resolved or are being resolved and ongoing disputes are being monitored. HOPL have established a system to negotiate with the parties in dispute before legal means. Dispute resolution mechanisms are established through open and consensual agreements with relevant affected parties using either legal means or negotiation with the party in dispute. If required the DOL or other bodies are brought in to act as independent arbiters. This system will be used if any disputes arise.

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

There was significant land conflict with Navo Estate in 2001 and this was resolved peacefully. It recently rose again and HOPL were taken to court. The boundaries of the conflicted areas are mapped. A conflict resolution process was started but the case was forwarded to court by the other party who started the case. Advice has been received the case has been dismissed and the company is now awaiting a copy of the court order. Advice only received in June 2008 from Kimbe Court.

HOPL have a participatory conflict resolution method by first talking to involved parties and also recording minutes of these meetings as per 2.2.4 The Company tries to implement the conflict resolution process by the involvement of the Lands Officer dealing with complaints of the communities. He keeps track of the complaints and visits to settle any dispute. When conflict resolution in relation to state land cannot be settled accordingly it becomes a process for the DOL or the courts to settle.

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

The company OD maintains copies of all CLUA’s. The CLUA assists in minimising disputes by splitting land into smaller family groups (this reduces disputes). Copies of all CLUA’s are also held with OPIC. LSS disputes are facilitated by OPIC due to the inactivity of the DOL. A plan is in place which has given better control and ensures LSS blocks owners have wills so that ownership is easily transferred to the next of kin.

In all cases for SG’s it can be demonstrated that acceptable conflict resolution has taken place. Customary land owners are able to release their clan owned land to individuals through the CLUA system and proof of this is the release of the SG block.

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

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

Previously all land used by HOPL was State owned land to which a Leasehold Title has been issued. Maps are available (current) showing occupied state land, vacant state land and customary land. Maps are available which indicate the extent of all plantations on alienated land.

HOPL has negotiated with customary landowners to acquire land for plantation expansion under the Lease-Lease back process. This process commenced in 2008 and agreements have been finalised recently in 2009. The FPIC component has been integrated into the land lease process (the description of the awareness session on pro’s and con’s of development), with cooperation of an independent neutral party (e.g. NGO co-operation). The minutes of meetings are kept and are a tool to follow up on the awareness that is forwarded and to check the FPIC component. This indicates that these agreements are entered into voluntarily as minutes of any meetings are recorded. This information is recorded in English with translations available to the local people if required Maps are available indicating the extent of lease – lease back areas in the Mengen Bakada development area.

Awareness sessions have been held with the landowners in the villages or at a suitable location where all interested parties may attend. An NGO representative is invited to attend the awareness sessions to verify that FPIC is followed and also to explain possible negative environmental and social impacts to the landowners. Following the awareness session consent is given by the landowners for the company to assist in the formation of the ILG and to obtain title over the land. HOPL lands officers provide assistance to the landowners.

Land Investigation Reports have been completed in conjunction with Provincial Lands Officers. This Land Investigation Report is used as the basis for determining whether there is undisputed ownership over the Land in question or not.

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

Therefore maps showing potential areas for Lease Lease Back have been produced. These maps show the areas of Timber Rights Purchase (TRP) which is evidence of logging. Areas of vacant State Owned land are also identified on these maps.
A copy of the Sub Lease Agreement was displayed during the audit.

The Lease - Lease Back system is a legal process under the Land Act whereby customary landowners can form an ILG and obtain leasehold title to their land. By holding a recognised legal title the ILG can then enter into a Sub-Lease agreement with a company to develop that land. HOPLE has a written procedure to assist customary landowners to obtain leasehold title to their land. The DLPP is the government department responsible for administering the Land Act and the Lease Lease - Lease Back process ensuring that the rights of the customary landowners are protected

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

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

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

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

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

There is a five year business plan for HOPLE. It is available from the GM. There are business plans in place that take into account crop projection, mill extraction rates, costs of production, annual replanting programmes, forecasts and financial indicators. All requirements of this indicator have been met. The auditor sighted crop projections for all estates and associated SG’s. All mill extraction rates are documented.

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

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

The Five Year plan is reviewed on a yearly basis at least. The latest review and update was completed in March 2010. There is a need to check all formulas to ensure figures projected are accurate.

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

HOPLE has Management Guidelines (MG) for Estates and Mills. Standard Operating Procedures (SOP) are in place for each station in the process from weighbridge to storage.

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

The mills have in place SOP’s for all mill activities. These are specific for each mill due to difference in operations of each mill. They are now available in the mills at the area of operations. At this time all mill SOP’s have been translated into Tok Pisin and put in place in all operational areas. Adequate document control in the form of issue date and approval is in place.

For the mills there is in place a mechanism for monitoring effectiveness of procedures. The shift supervisors check that all log books are completed for all SOP’s at the frequency required. This is done by signing the appropriate station log book, a copy of which is kept by mill management and also includes planned scheduled inspections which were further supported by the internal audit process developed for ISO 14001.

The operators at both mills had completed the required log sheets at each station on the required timetable and frequency. These log sheets are collected and reviewed on a daily basis. The log sheets are used to identify breakdowns and cases of wear and tear where breakdowns may be imminent.

The SOP’s are further supported by routine regular scheduled preventive maintenance. This is planned and carried out under the Mechanical and Electrical Engineering divisions to ensure on going production capability is maintained and that operating machinery is safe. Any deviation from standard procedures is reported and followed up to ensure documented practices are being followed. Any breakdowns, stoppages or major services are recorded in both the log books for each area and in the maintenance records.

The estates are similar to the mills in that scheduled field inspections are in place. These are further supported by an Internal Audit Programme.

The estate managers carry out regular field inspections to ensure SOP’s are being followed and supervisors issue instructions at each morning muster and follow up to determine the quality of work and that procedures are being followed. This is further supported by the Head of Estates (HOE), who carries out regular field inspections which are further supported by the issuing and circulating of an inspection report to the relevant authorities. Any nonconformances are recorded and followed up in a specified time frame.
There is a Code of Practice (COP), for Oil Palm Processing. This document is referenced in the legal register, SOP’s, MGs and ISO Procedures. There are also Codes of Practices for Hydrocarbon and the Vehicle Workshop (VWS) - these are also referenced. The latest issues are controlled by the SM who ensures current applicable PNG COP’s are in place. The following COP’s which affect estates are referenced in documentation and include Logging, Landfill and specific COP’s for PNG.

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

**Observation 4.1.4** It is suggested that from time to time management show evidence of reviewing log sheets by signing them appropriately.

The EMS / OHS system requires that records of monitoring are kept e.g. drain and Pollution Control Devices (PCD’s), as well as use of Personal Protective Equipment (PPE), etc and any actions taken such as cleaning are recorded. The records include actions taken with regards to Quality Management, OHS and Environmental Management.

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

Records of fertiliser inputs are maintained in the Oil palm Management Programme database and these details are readily available through this system.

Periodic tissue and soil sampling takes place by Agronomy in conjunction with OPRA. The results of the analysis of the samples are used to optimise fertiliser requirements. The next detailed Soil sampling at HOPL will take place in late 2010. Soil sampling for the new plantings at Mengen Bakada took place as part of the Environmental Impact Assessment prior to development.

Agronomy ensures that tissue analysis takes place each year and determines future fertiliser application for the coming year. The latest leaf analysis took place in 2009.

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

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

**Observation 4.2.3** At times nutrients in the form of EFB is not taking place regularly in some areas – Ibane for example – it is acknowledged that heavy abnormal rain fall (over 3.6 metres first 3 months of 2010) has hampered application. However effort needs to be made to apply the EFB once rain clears.

The SG’s visited all had a basic understanding of soil fertility. It was observed through block management & upkeep practices i.e. frond stacking, rubbish row establishment and fertiliser application.

The SG’s visited did understand the principles of fertilizers and there is a support service in place to train and create awareness through the OPIC extension service. Out of blocks visited, All understand boxing of frond stacks to minimise erosion and provide better soil protection. The SGs could also describe correct fertiliser application practices and could demonstrate these practices on the block.

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

During field inspections 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 SG’s 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 (CC), for new and old plantings especially in steeper areas and replanting of CC done where required to ensure that risks of erosion are reduced and eliminated when possible.

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

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

At Hargy estate there is terracing in some areas to reduce soil erosion – Kera Kera estate for example. To prevent erosion cover crop (CC), is introduced at the time of the formation of the terraces and once palms growing fronds placed in a position to reduce erosion in the form of boxing. Rainfall run off is minimised where necessary by construction of strategically placed drains along road way in the form of scupper or turn out drains – these were sighted on roads which have been graded following very heavy rainfall when roads are reformed and drains constructed.

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

There are no peat soils in HOPL leased areas.

There is a current road grading programme in place for Uramali estate and throughout Hargy Plantations which ensures that drains are clear and properly formed to channel run off into these drains on the steeper roads. Scupper drains are also constructed if required.

There is a plan in the form of scuppers drains to help keep roads free as possible of erosion. In the past plantations were established prior to road formation. There are attempts being made to improve the roads in the Navo area to prevent and rehabilitate areas of road which were not properly constructed during the original planting. This action could be recorded showing progress made in stabilising these roads to prevent excess erosion. It can already be noticed that the extent of wash aways is reducing along the main Navo road.

Minor NCR 4.3.5 There is no current Roading Maintenance programme in place for 2010 for either Ibana or Navo estates. The roading programme for Hargy Estates is not dated indicating programme year.

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

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

There is in place now an Integrated Water Management Plan which has been implemented. The plan takes into account the efficient use of resources, ensuring water use does not impact on other users, avoiding of contamination of ground and surface water, appropriate treatment of mill effluent. HOPL have in place all water extraction permits for all operations and these are all current and all were sighted during this review. All required conditions are adhered to as far as possible by HOPL. Biological Oxygen Demand (BOD) is monitored and records are in place for the last 5 years at least and indicate that at all times, apart from abnormal rain events, BOD levels are within the prescribed limits as are stated in the Environmental permits and Government guidelines. It is noted that an extreme rain event in HOPL included 3.6 metres of rain from January to March – this caused the ponds to overflow and it was not possible to prevent this within the means they have at their disposal. The size of the ponds is not the problem – it is the amount of rain fall and drainage.

Records indicate that Navo Mill is monitoring effluent discharge and this is in compliance with PNG guidelines for field BOD application.

At HM the treatment of POME is monitored to ensure discharge is in compliance with national regulations. This is also monitored via an independent accredited testing authority whose figures are used for comparison with Hargy BOD data.

All monitoring results were well within limits prescribed in the environmental permit and national regulations. The only exception, when very heavy abnormal rain falls are the limits exceeded and this is out of the control of the mills.

HOPL are monitoring the amount of mill water used per tonne of FF8. 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. There is also a strategy to turn off or mend all dripping taps. On all roads but especially steep areas water run off and erosion is managed by construction of scupper/take off drains to get the water quickly of the roads and prevent pollution by run off as well as prevent erosion.

It is also part of the water management plan that HOPL test regularly raw water from all water course affected by their operations.

The riparian buffer zones are maintained in good condition. The buffers in existing plantations were inspected and found to be within the limits as prescribed by the environmental permits which have been issued for each estate. All permanent water courses have buffers in place and these comply with the permits respectively. The area at the top of Area 8 of Hargy Estate is an example of buffer zones being in place.

At Navo Estate the buffers appear to be effective in that is exceeds to government required in regards to river size – that is over 50 metres on larger rivers. At the property boundary a number of buffers have been established. Bird life and flora were observed in abundance. There are many signs in the buffer riparian areas indicating the areas are to be preserved and include no hunting, gardening and other activities on these sign posts.

Vetiver grass is now used as it does not produce seeds. Legume covers are also used where possible.

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

In Barema the buffers remain in place and have not been encroached. The buffers include wetland areas and there is a substantial buffer between plantings and the sea (200 to 400 metres). The wildlife in these areas is also abundant and the buffer areas appear pristine.

Proper signage has been erected at appropriate locations to warn people on the importance of Barema,
Lobo and the coastal zone buffer reserves. Monitoring of the buffer zone condition is undertaken by Estate Managers on a regular basis.

**Conclusion**

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

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.

**Observation 4.4.2 – Due to heavy rain the Barema River has changed course and therefore previous buffer zones have been encroached by the river.** It is suggested that new course is mapped and that palms near this fast flowing river are not harvested due to OHS issues and that the buffer is re-established at re planting (that if the river does not change course again). The new course as now been mapped.

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.

There is an Integrated Pest Management Programme (IPM) for specific pests. There is a measurement of the amount of each pesticide used and type for each specific pest e.g. for Sexava - use methamidaphos. On identification of damage warranting control a programme is put in place with the cooperation of OPRA who are the authorities in the PNG Oil Palm Industry for recommending the use of chemicals in the control of pests. HOPL monitors pests and disease as part of the IPM. This includes Sexava, Stick Insects etc. OPRA are instrumental in this pest monitoring programme.

The Pest Management Plan (PMP) has which has been recently updated does not take into account use of biological methods being used in some areas to minimise and reduce the use of pesticides. This includes the use of pheromones at Ibana – where the results were not included in the latest IPM. Also a beneficial plant has been introduced in some areas (Tunera) and this use has also not been recorded. Therefore biological and physical methods are being used to control pests but not being recorded or updated in the IPM – Minor NCR raised.

**Minor NCR 4.5.2 The IPM Programme is not being monitored for new techniques used to control pests including the use of pheromones in Ibaana and planting of Tunera in Navo and Ibaana**

The use of all chemicals is justified and a plan to reduce usage has been presented. This includes chemicals used, dosages, and frequency of use.

The amount and type of pesticides used and the locations they are used in are recorded for each programme and kept in OMP 8. Spray diaries are also used to indicate where pesticides have been used and amounts.

SG’s are informed about the dangers of pesticides usage and that the company is not providing any chemicals to them. The IPM Working Action Group meets monthly. This committee is responsible for collating all pest population data and coordinating the implementation of the IPM programme for both plantation and SG’s. Representatives from HOPL, OPIC and OPRA attend this meeting.

All smallholders interviewed indicated to seek advice from OPIC should any sign of pest infestation be evident.

**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.

At this stage there is a formal documented justification for agro chemical use and this is documented within the PMP, which attempts to ensure that the most effective and least harmful chemicals are always first choice.

The PMP has documented what chemicals are used and where and in what situation. It stipulates the maximum dose possible for each application. There are also plans in place to gradually reduce the use of Agrochemicals through the application of the IPM. There are time frames in place in the PMP whereby chemical use is reduced. All chemicals have to be approved for use as well as frequency. This was supported by the chemicals listed for use by DEC and as per PNG Oil Palm Industry practice.

Records of chemicals used, areas treated, amount applied and frequency of application is recorded and controlled via the Pest Management Plan in OMP8 and are available.

Paraquat is only used in the nurseries and in immature palms. It is also used for selective spraying of volunteer oil palm seedlings and if continuous rain precludes use of alternatives. Use is being slowly reduced while the industry comes up with a viable alternative. As with all chemicals records are kept of any paraquat applications. Records indicate that the use of paraquat is being reduced in all applications.

There is in place an ongoing IPM which is controlled via the PMP with regards to the use of WHO Type 1A or 1B chemicals. No suitable alternative has been identified by
Records of training are kept in each estate of the following:
- Pesticide Mixers
- Pesticide Sprayers

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

PPE for sprayers is supplied and used demonstrated in the MG and further demonstrated in training manuals. The company supplies two sets of overalls so that one can always be considered clean. Overalls are washed at the pesticide mixing areas in specially constructed wash areas so that sprayers and mixers do not need to take them home and therefore the risk of cross contamination with family members is reduced and eliminated.

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

Material Data Safety Sheets (MSDS) are obtained for all chemicals used and are available at the areas of mixing. No concentrates are taken into the field as all spray solutions are pre-mixed in a designated area.

Where possible MSDS are translated into the local language. This is not required by the supply chain but can be carried out if required by the supply chain.

Storage of chemicals is in especially locked areas with limited access. All areas where chemicals are stored appear to be adequately ventilated through cross flow ventilation. This will be further improved as HOPL have designed a standardised pesticide store which will be progressively used to replace current stores and become standard practice. Since the previous assessment new improved pesticide sheds have been erected in all estates. See 8.1.

All chemicals containers are triple rinsed and pierced prior to being placed in the designated pesticide waste pit (landfill). Records of containers disposed are kept including numbers sent to landfill.

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

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

Health checks are now conducted for pesticide handlers. This is carried out by the clinics on a twice yearly basis and records of these checks are kept in each clinic. Records are available to demonstrate Acetyl Cholinesterase testing for all users of organophosphates – records indicated who has been tested and comprehensive results are provided. Any workers who are below the limits are stood down and given other duties until such time that they are within limits. They are retested once the stipulated time frame is up before once again applying organophosphates. Organophosphates are only used for certain pests and not used on a daily basis.

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

All smallholders interviewed indicated understanding of proper chemical usage. However most did not use chemicals.

Until OPIC completes training for SGs HOPL will not supply pesticides.

All small holders interviewed as part of this audit had any pesticides stored correctly away from food, children etc. The program by OPIC has ensured that more training on chemical storage is provided and that appears to be the case.

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

However with regards to containers – numbers are registered, triple rinsed, punctured and then placed in separate pesticide pit. Pits are under control.

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

There is an OHS Plan in place in all the following areas:
- Estates
- Mills
- Workshops
- Clinics
- Stores

All areas have implemented and monitor the Health and Safety plan and the level of application is consistent. This has improved considerably since the previous audit.

Hazards and Risks have been identified for all operations and in all areas. This also includes the degree of risk as well as the controls in place. Procedures and plans are in place to address all operations. These have been distributed to all areas and to the respective managers.
and supervisors. It appears that some areas have now implemented the plan with a view to continual improvement.

Although overall Safety has improved a Minor NCR was raised in this area. A number of areas that previously were unsafe are now much better managed and awareness is lifting in all areas — the below instances while unsafe represent but a small fraction of all the safe operations taking place.

Minor NCR 4.7.2 The following unsafe conditions were observed during this audit:
- Small number of missing guard rails
- Some employees of a contractor (Morual Ltd) not wearing safety footwear
- Some workers not using hearing protection provided
- Access to Emergency shower blocked
- Some trip hazards in mill
- Crane operator on FFB truck not wearing boots
- Tractor carrying passenger without seating
- Some safety signs needed
- Electrical safety issues (although greatly improved)
- Tippler access to be restricted

There are emergency procedures in all area and these are tested and all records are available.

HOPL has determined the optimum frequency for testing accident procedures and put that in place. NM and Hargy VWS have regular evacuation drills which are recorded to determine the level of response. HM did have a number of drill and the records were extensive and gave a clear indication of the results of each drill. They also carried out emergency shutdown procedures at both mills. Emergency Shutdown procedures are available in all areas of the mills and in the local language.

It was noted that the estates are now carrying out accident drills and records are being kept. Navo Estate however had a disaster emergency evacuation drill of the whole estate and mill to test their evacuation plan in case of volcanic eruption.

The records of the drills at NM are extensive and exceptional and give a clear indication of the results of the drill.

There are company clinics on all plantation divisions and at the HM compound which are staffed by trained health workers or Nurses and are on call 24 hours a day. The clinics are regularly checked to ensure they are hygienic and sharps and medical waste is handled correctly.

The company also has Red Cross trained first aiders and first aid kits in all field and mill work areas that are checked and restocked regularly. A number of First Aiders are available in both mills at all times including day and afternoon shifts.

There are records kept by Administration of training First Aiders. A dedicated person has been appointed as the overall OHS Manager who coordinates all OHS matters. Furthermore an OHS representative has been appointed in all operations areas. OHS Representatives have been appointed at:
- Hargy Mill
- Hargy Estates
- Navo Mill
- Navo Estates
- Central VWS
- Navo VWS

All areas have regular meetings to discuss OHS. These are now scheduled across the board at 2 monthly intervals.

Observation 4.7.4 Each area requires a standardised Safety meeting agenda and meetings are to be conducted after workplace inspections if possible.

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

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

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

All potentially hazardous operations are identified and if required PPE is provided.

All workers are covered by workers compensation accident insurance.

HOPL are now keeping records of LTI’s. All accident records are being kept and reviewed to determine cause and to prevent recurrence where possible. Any accident records are filed on blue paper to separate them from any medical conditions reported to the clinics. All records are centralised in to the main clinic and data is extracted and reported to management. This includes Lost Time Severity and Frequency rates for each area and the whole of HOPL. There are trends analyses of types of accidents which occur more often with a view to improving each area. This appears effective as both the Frequency and Severity rates for accident overall has reduced markedly in recent times.

All smallholders interviewed where very well aware of hazards associated with working on the block. Some had purchased PPE for use on their own blocks when working.

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

There are training programmes in place to up skill staff when required. The training involves requirements such as pesticide application, pesticide mixing and other field training such as harvesting, etc. This is planned for each estate.

Specialised training courses are also planned as the need arises and this includes group or in house training. Some training is carried out on demand.
Training needs are assessed on a needs basis. There does now appear to be a formal training plan for all staff. The training is mainly to ensure that skills required to perform tasks successfully and safely are in place. The overall HOPL training plan for 2010 was sighted.

There are formal training records for all supervisory staff up to the level of Senior management. This includes recording of external course attended or skills attained – these records are maintained by the Training Officer under the HR department.

There are training records in place at each operational site recording skills and training and these were sighted at NM, HM, Navo Estates, Hargy Estates, Central VWS and Clinics.

Some of these records are in the form of attendance at training which is given in the field or formal skills such as plant operators, driver’s licenses, boiler operators and Red Cross First Aid.

Training records are therefore kept for all employees.

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

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

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.

Through the ISO 14001 system an Environmental Aspects and impacts register has been developed and is reviewed and updated at least annually or when the external audit is completed. This includes all aspects identified. These aspects further nominate which are the significant environmental aspects and also nominate any legal requirements or restriction classified with the aspects. This register covers all operations impacted upon by HOPL.

The EMS is audited externally at least annually. It is a requirement of ISO 14001 External Audits that Environmental aspects be updated on review on a regular basis. The most recent update of the Environmental Aspects register was in January 2010.

Having environmental management plans is part of ISO 14001 certification requirements as this is a requirement of the standard. The role of the ISO 14001 is to provide the organisation with a system to control and reduce negative impacts and promote positive impacts such as buffer zones, waste management plans, spill control plans and emergency plans. These plans are developed, implemented and monitored through the ISO 14001 system.

Minor NCR 5.1.2 The Environmental Improvement Plan does not appear to be specific and account for each specific area and activity. The impact assessment appears to be generic.

All smallholder 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.

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

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

Within the estate some areas are not planted and these habitats are being left in their natural state. None of these areas have been identified as HCVs.

Douglas Environment Services did not identify any rare, threatened or endangered species of fauna within the plantations or adjacent areas.

The estate is bounded by Barema River to the east and Lobo to the west. Barema estate area has been extensively logged in the past by a logging company. Barema estate plantation and housing area is situated in the low lying flat wetland between the above two rivers. Sago swamp is apparent towards the coast with backflow inlets which gives rise to a near estuarine zones and small oxbow lakes. Water table is high at the estate area whilst large drains were dug to drain the site for access water. Soil is highly erodable due to the sandy nature of the soil.

An excellent buffer-strip by the Barema River consisting of large Eucalyptus deglupta and Pometia pinnata trees being dominant and canopy emergent with heights exceeding more than 30 meters. At the plantation edge secondary forests were found mainly due to the clearing during the land preparation stage for planting. The coastal region to the north of the plantation estate has good buffer reserves however there are no adequate signage for awareness purposes. The forest type is that of low altitude forests on plains and fans. Soil type is typical of volcanic origin with ideal fertility for oil palm establishment.

Prepared by BSI Group Singapore Pte Ltd for Hargy Oil Palm Limited
Coastal buffer area to be reserved as a biodiversity hotspot due to the mixture of beach vegetation and swamp forests areas. There are coastal Casuarina equisetifolia trees growing within the coastal buffer-zone with other coastal trees such as Barringtonia asiatica, Pometia pinnata, Insia bijuga and others of sapling and tree sizes. Presence of Anthocephaalus trees regenerating vigorously at the cleared sites with other Macaranga species. Active birdlife has been observed on buffer-zones along Barema River, Lobo River and the coastal zone. It is important that buffers along both rivers must be kept without encroachment as they become a link for animal movements from the coastal areas to the higher altitudinal zones.

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

At this point of time the adjacent areas are still well intact (e.g. Hargy Lake and the Caldera of the extinct volcano near Kera Kera) and some are under protection by local land owners as well. Some assistance has given by the company to expeditions to Hargy Lake in 2007 and the Pandi River, whereby Hargy helped the scientists/people get in contact with local landowners, and provided logistics and accommodation.

Inspection during the audit indicated there was no inappropriate hunting, fishing or collecting activities in the HOPL areas noted. HOPL is discouraging people to encroach into the buffers. Signboards have been erected in order to deter access to the buffers and awareness has been conducted for staff and workers.

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

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

There is a waste management plan in place and it is current. There are formal rubbish collections in all areas at least weekly. This needs to be monitored to make sure it happens. The waste management plan is covered in MG 8 and includes pesticide contaminated waste.

The following waste streams have been identified and are controlled through the EMS:

- Office Waste – segregated, recycled where possible with rest to the landfill.
- Household waste – segregated, recycled where possible with the rest to the landfill.
- Human waste – Septic and soak aways.
- Mill Effluent – through effluent ponds and land application.
- Fibre – Fuel for furnace.
- EFB – Fertiliser.
- Oils and Hydrocarbons (including containers) to Hydrocarbon pit.
- Pesticides (including containers which are triple rinsed, punctured and to pesticide pit.
- Pesticide spills – cleaned with spill kits used kits sent to pesticide pit.
- Hydrocarbon spills treated with sawdust. Burnt in boiler.
- Used oil – recycled, burnt in boiler.

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

Pesticides are a source of pollution and ground water and surface water contamination is controlled as stated elsewhere. The control of hydrocarbons has also been addressed elsewhere in this report. The collection of household waste is well controlled.

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

Records include disposal of sharps and contaminated medical waste, amount destroyed and where transported from and dates. All clinics send their waste to the main clinic at Hargy who in turn destroy the medical waste. They also record the return of expired ointments and drugs. The amounts sent to the incinerator at Bialla Hospital are recorded including date and amount burnt. The medical waste is collected at each clinic then picked up and taken to Bialla hospital for destruction in the hospital incinerator – this includes needles, syringes and contaminated bandages. Records of disposal are kept.

**Observation: 5.3.2 It appears that green waste is being placed in landfills and this should be discontinued. A sign is required to mark old landfills to prevent re-use at a later date. Also should attempt to recycle metal such as vehicle radiators rather than place in land fill. This would all improve with more awareness of the need to segregate waste.**

**Small Holders**

Chemical containers are punctured and disposed of in dug out waste pit. No burning is used. Most do not use chemicals apart from fertilizers.

**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. These records are in place and are available for each mill as part of energy control and use as required by the ISO 14001 system.

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

The feasibility of collecting and using biogas, biodiesel and biofuels as been studied and is not yet achievable in PNG.

Observation 5.4.2 The calculations of fuel used from non renewable sources should include transport costs and an estimate of contractors resource use.

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

There is no burning in new developments or at replanting. Burning is not allowed by HOPL and there is no evidence of burning in regards to preparation of land

HOPL will record any areas of sanitary burning 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.

When developing former copra plantations sanitary burning may be required to eliminate the possibility of Ganoderma infection of oil palms. On these occasions HOPL will request and obtain the OPRA pathologists approval prior to burning.

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

Minor NCR 5.5.3 There was evidence of an attempt to burn domestic waste at both the Executive Housing complex and at the Hargy Office complex.

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

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

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

Significant pollutants have been identified through the waste management plan as well as the means to reduce them. There is in place a waste management plan which includes control and management of all waste. This includes the methodology for controlling any polluting activities. This is also managed through the ISO 14001.

All requirements as set out in the Environmental permits are monitored. Hargy Oil Palm is in the process of obtaining their own lab equipment for measuring and monitoring both BOD and E.Coli as at time external labs are slow to provide results to allow action to be taken if required in a timely manner.

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

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

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

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

Observation 5.6.2 At times there appears to be gaps in the records of smoke emission monitoring – if this is during repairs or maintenance this should be noted on the report to remove any confusion.

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

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

A SIA and EIA have been done for the existing estates and the new developments at Mengen Bakada. Some areas for improvement have been highlighted and have now been integrated into an improvement plan / mitigation plan. For a social impact register to be effective mitigation plans need to be in place (similar to the ISO 14001 impact/aspect register).

With the new development at Mengen Bakada there is evidence of many meetings with stakeholders. There is a record of all meetings in each area or with each ILG. These include items discussed, attendance and dates – minutes are distributed to all attendee representatives.

The social impacts were reviewed at Mengen Bakada with a view to continuing access and use rights including informing groups that land needs to be kept for subsistence and future food gardens and other local needs. The prospect of paid employment and the maintaining of cultural and religious values were also included in the social assessment completed and made known to the stakeholders. The provision and improvement in both education and health facilities was also among the social benefits discussed with the ILG’s.

The meetings and communication was quite open with both positive and negative impacts being addressed.

During this audit meetings were held independently with an aggrieved party at Ewasse who were claiming some compensation for pollution going back for some time. This meeting was with aggrieved villagers and there were no company management present. They were asked to provide information on the issues and this matter is still to be resolved. Copies of all meetings were kept.

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

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

This improvement plan has taken into account the need for an elementary school at the Ibana compound where a new facility is now being built.

Toilet block HM near school fixed. New classrooms have been built at Ewasse.

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.

At this point of time a procedure is in place in relation to communication. The policy has been designed and implemented and is now understood by all stakeholders. The communication policy has been formalised. This has had an impact on the effectiveness of the policy and has now improved the communication between management and other levels within the company.

Senior management now engages with other levels within the company in relation to the communication policy. Excellent progress has been made in this area since the initial audit. The policy calls for effective communication between all parties.

HOPL will put its all relevant policies on its web site, where it will be available to stakeholders. There is also a procedure in place in the EMS which addresses consultation and communication with stakeholders. In fact all policies are also widely available on noticeboards throughout the operations of Hargy Oil Palm and wherever people congregate.

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

Minor NCR 6.2.2. The records of meeting with ILG’s are at times are incomplete and the timetable for action are not at times clearly stated.

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.

A procedure is available for handling complaints. Records of the handling is documented and managed. Each Estate manager is responsible for the management of complaints. There is a documented system aimed to resolve disputes. A grievance book/register is kept in all estate and mill offices. Items are dealt with on a local level unless cannot be resolved and then referred to more Senior Management for further consideration. This process has already been used in some areas. (Minor Improvement is required to make totally compliant).

There is documented procedure for handling grievances and developed internally as an internal response system/procedure to the complaints. If any disputes or complaints surface the internal procedure will be applied. At a later stage if the initial effort to resolve a complaint was not effective both parties will discuss agreed way/mechanism to resolve disputes/complaints. Records of all complaints and progress to resolution are to be maintained in a current state so all parties are aware of the status of the complaint/grievance.
All complaints/grievances are documented. If warranted all are investigated to get to the bottom of each complaint. An example was a complaint at Navo with regards to favouritism from locals of a certain ethnic group getting more employment than others. This was investigated and figures were produced which indicated this was not the case and a report was made to employees. Senior management is made aware of all grievances via the Sustainability team.

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

Observation 6.3.1 A number of small complaints were made by Small Holders with regards to the picking up of FFB and marking the owner of the FFB accurately – although most of these were followed up the action taken and date of action was not recorded in the Small Holder grievance book on some occasions.

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

At the time of the audit all HOPL operations are based on state land to which HOPL has Leasehold title. In the future there are opportunities for expansions on non-state land however the acquisition of lease – lease back land has now progressed and development is starting to take place and land has been surveyed and ILG’s are aware of local boundaries. Hargy is aware about the FPIC and transparency in relation to dealings with customary landowners and has incorporated this in the HOPL procedure.

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

The areas being developed for new plantings in the Mengen Bakada area will not be subject to compensation as the ILG’s will not lose any rights and they approached Hargy to develop the land. Only a certain proportion of the land is to be developed with substantial amounts of land not developed and kept as food gardens and for other local activities. This is set out in the SIA conducted and indicates that some land will set aside for traditional activities. The ILG’s will benefit from employment, improved living standards, better housing, improved education and access to health care.

The communities need to be represented by a person who does understand and is aware of the issues. Also the communities now they need to give their consent based on a full understanding of the matter/proposal and sufficient information is provided. Each community has appointed a spokesperson to address these issues and to discuss on behalf of them and they have been democratically chosen by the majority.

Records of all negotiated agreements and any compensation claims are recorded and have been made publicly available. This is the case with regards to the Mengen Bakada development where all agreements are documented and available. These documents are part of the list of publicly available documents (See 1.2)

All documents are in English but can be translated into local languages as necessary.

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.

There is documentation of all pay and conditions for all company employees. Sighted HOPL pay rates, copy of pay slip, copy of individual rates of pay for each grade, employment form, and disciplinary rules for employees. Employment contracts must be signed prior to commencing work. Other conditions such as Workers Compensation, Sick Leave etc comply with the PNG Labour Act. There is very little evidence of employees being expected to work excessive overtime in breach of PNG labour laws.

The decent living wages area has been addressed and the minimum pay rates at HOPL taking into consideration that workers are supplied with housing, clean water, electricity, schooling and health care and they are well above the PNG Government set Minimum Wage which was recently reviewed.

Observation 6.5.3 The wording of the employment agreements should be amended to include “understood” as well as read and aware and also where the agreements is with someone who does not read English there should be a sign of by the new employee and the person who has explained the agreement to them.

At current there is a variation between the standard of housing mainly because the newer estates have new housing and therefore it is in better condition so housing at Ibana and Barema to of the newer estates is superior to Uramali, Kiba and Makakiwa although Hargy is systematically working and improving all of the older housing and this is in a time bound improvement plan (8.1). The housing was all considered adequate although there is no national standard on which to base guidelines. At Atata where the facilities were lacking a number of new toilet blocks have now been completed making the area much more hygienic. The river next to Atata now not used for waste disposal as landfill is now used and therefore drinking water control downstream is improved. In fact many improvements have been made and are ongoing for all the older style housing in HOPL.
As a result of the new development some workers are occupying temporary bush material houses. A time bound plan is in place to ensure the company is providing decent living quarters that don’t create a risk to health and wellbeing of the employees within a given time frame. The company has built over 100 new houses in 2009 alone in addition to some Junior staff and executive houses and all future developments requiring housing construction are in a time bound plan showing the way forward. The plan allows for all employees domiciled on the project to be accommodated in housing of an adequate standard. The only exception is in new development areas where temporary accommodation is provided until such time permanent company housing is constructed.

**Hargy Mill Compound**

The general health and hygiene of the compound was checked. A compound dweller (Mary Paska) when asked about the situation of their livelihood in the compound she stated that generally was good except that maintenance of their dilapidated roofs and walls are usually not done at a regular interval. All the employees living at Hargy mill compound have small vegetable gardens that supplement their living as they reckoned their husbands pay’s are not adequate to keep them to the next pay day. All houses are provided with a wheelie bins.

**Mill compound clinic**

The audit team interviewed Sr. Nicholas Tominda who worked for four and a half years at that clinic. Her clinics drug supply is adequate where she gets two sources of drug suppliers from Ausaid support program and HOPL. The most treated disease at the clinic is Malaria and Skin diseases. All the clinic wastes are stored and transported and burnt at the Biella Hospital incinerator. The sister was asked to do charts showing frequency of the types of diseases and paste them on notice board for public information and awareness.

**Kera kera compound**

(Haus kuk) Bush material Kitchen houses are too close to the sleeping quarters which posed a fire hazard to the main building. The main problem faced by the compound dwellers are lack of firewood for cooking, appropriate toilets and shower areas. At Kera Kera a UV treatment system will be installed to treat water as the compound water remains untreated ever since it was installed. The general outlook of the compound is clean and tidy. All domestic water supplies are being fitted with UV treatment systems.

**2.4 Atata compound**

While the general problems encountered by the compound dwellers as other sites, there is continuous improvement to the livelihoods of the workers. HOPL has an approved CAPEX that housing maintenance and renovation is an ongoing task undertaken by the company. General health & hygiene at the compound is good but one only problem is the overcrowding of the elementary school children in one classroom. There is a great need for improvement of the present status of the Elementary school classroom.

Atata clinic has a HEO and 5 nurses. The clinic areas are clean and tidy with adequate notice boards and wash rooms. The prevailing diseases are Malaria and skin diseases.

**Makakiwa compound**

Makakiwa compound has an ongoing Repair & Maintenance program for improvements. Work had started with toilets and shower for all the workers. The generator shed is clean. Wheelie bins were supplied and rubbish removal is carried out on a regular basis.

HOPL is a member of the WNB Chamber of Commerce and a Hargy representative attends meetings. The Chamber lobbies government for the provision of improved education, health, law and order and other infrastructure. Minutes of meetings can be provided.

Contractors have agreed to meet legal minimum terms and conditions. Contracts are worded to ensure the contractor agrees and signs to meet legal requirements. A number of contractor agreements were reviewed and they included statements on making sure payment and terms are within legal requirements. A number of contractors workers were questioned during this assessment and agreed they are paid correctly, provided with PPE and allowed home to visit families on weekends when camping. Interviewed employees from Commodore Bay and VNK contractors.

**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 respects freedom of association for employees and they are allowed to join or form unions. This right is covered in PNG law under the Labour Act. The union is called the West New Britain Workers Union

As of April 2008 the WNB Oil Palm Workers Unions amended Section 5 of their constitution to include HOPL employees as part of the union thereby fulfilling all the statutory requirements.

The union has also established a branch to deal with HOPL union matters with an executive and an account to which all union subscriptions are being paid into.

This has been approved by the Registrar of Industrial Relations within the Department of Labour and Industrial Relations.
Minor NCR 6.6.3 There were no records available of the latest meetings between the West New Britain Workers Union and Management of Hargy Oil Palm limited.

The published statement with regards to Freedom of Association has been formalised and has been included in the employment terms and conditions for each employee and explained in local language.

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

There is a policy on child labour which prohibits employment of children under the age of 16 and this is put in place and constantly monitored.

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

**Observation 6.7.1:** It was school holidays when this audit was conducted and some children were “hanging around” some housing construction for teacher housing near Ibana although not working at all any children should be moved from any work areas

All smallholders interviewed indicated that children only carry out duties on the farm when NOT in school. i.e. weekends & holidays.

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

Policy is available and includes PNG constitutional requirements.

During public consultation it was understood that the implementation of gender equality is now in place and this will soon be starting to have minuted meetings. There are now more obvious equal employment opportunities for women at Hargy. There are now employed female environment officer, a female mill engineer and a women is in charge of the laboratory at Hargy Oil Palm Mill.

No constitutional infringements have been recorded in recent times.

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

There is a policy with regards to sexual harassment which includes all genders. This is appropriate and is enforced by company management.

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.

A sexual harassment grievance mechanism has now been established and is in place and available throughout HOPL operations.

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

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

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 pay out ratio in the formula is to be regularly reviewed independently. The last review was in 2001 and a new review is to be conducted in 2009. During this review process milling companies and SG’s are consulted. This is carried out by the Commodities Working Group which is a sub-committee of the Department of Agriculture and Livestock.

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

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

**Observation 6.10. HOPL in association with OPIC needs to ensure that all small holders are aware of the grievance procedure with regards to gate prices of FFB.**

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

The people were interviewed to get their views on HOPL’s relationship with their respective communities. They were also asked about their communication status with HOPL. Mixed responses were given in view of each interviewee’s position in the village setting. A general villager’s view about the company is different with the one with some status in the village. In general the relationship and standard of communication between HOPL and the neighbouring villages is good.

The following examples of contributions having been made since the last audit:

- Building a school and teacher housing at Ibana
HOPL needs to canvas more openly local residents and record their responses to HOPL activities and attempt to address these concerns and where possible get more feedback from local residents of their requirements and desires.

**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.**

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

HOPL prepared an SIA for the Mengen-Bakada development in addition to the Environmental Plan. HOPL have completed a full Social and Environmental Impact Assessment for this development to comply with RSPO P&C. The SIA included consultation with local stakeholders.

The SIA identified all major impacts of all activities. These included impacts of roads and other infrastructure (see 6.1). The results of the SEIA and HCV assessments have been incorporated into plans for the new plantings through the Management guidelines prepared.

The plan is based on the free, prior and informed consent of all local people whose lands are involved in the expansion.

There are plans in place to maintain or enhance all identified HCV and other areas maintained to prevent erosion.

There are no primary forests to be cleared as a result of this expansion.

An Environmental Permit has been issued for the new development dated 9th November 2009.

An assessment of HCV’s has been completed in relation to the new developments (see 5.2) and which areas could be negatively affected. There is also an assessment of the local and adjacent natural ecosystems. All watercourses have been identified and including recommendations of measures to be taken to maintain the quality of these water resources including the maintaining of riparian – buffer zones alongside all water courses.

The legal requirement in PNG for the Mengen Bakada development was that an SIA was required. DEC determined that an Environmental Permit was required; a copy of the permit was presented.

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

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

Prior to development at Mengen-Bakada soil surveys were undertaken and soil types recorded with a view for long term suitability. Maps of soil types for new planting areas are kept by the Field Services Agronomy Section. Topographic information is also incorporated in these maps.

A map of the Mengen-Bakada prepared in 2009 was sighted. It includes a guide for drainage plans, roads, fields and blocks. This map includes all relevant topographic information.

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

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

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

Within the proposed development a number of bird species were found particularly those of scavenging one’s such as Crows, Brahminy kites, Kingfishers and other smaller whistling birds. At the time of the visit 4 non endangered mammals were observed. There are very few mammals to be found in this area of PNG (see also REDD list - birds etc) Therefore all legal requirements related to species protection are being met as there are no protected species in the area.

See 5.2 with regards to HCV assessment completed.

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

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

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

Although RSPO limits plantings to a maximum of 25º HOPL policy limits all plantings to a maximum of 20º.
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.

There is no peat soil at the proposed new development.

**Criterion 7.5** No new plantings are established on local peoples’ land without their free, prior and informed consent, dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their own representative institutions.

Evidence is available of consultation with local ILG’s to ensure they are aware of developments through meetings. Each meeting with ILG’s are recorded and minuted. There have been 21 such meetings with over 530 attendees.

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

HOPL is aware all future developments on customary land will require that local communities are consulted and no development will take place without FPIC.

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

There is a process for identifying those people entitled to compensation when customary land is involved. This system for determining compensation is defined in the PNG Lands Act. This particular development came about via the requests of the local people. There is no compensation required as people benefit from the new development via improved economy, paid employment, improved education facilities, housing, medical facilities and better infrastructure as a result.

The loss of access and usage rights was not applicable for this development. Only a certain amount of the land offered for development was taken up as landowners were advised to keep land for their own gardening activities.

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

No burning intentionally takes place in new plantings. HOPL has a no burn policy for new plantings and this is documented elsewhere in this report.

There has been no use of fire in the preparation of the new development at Mengen Bakada so policy has been implemented.

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

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

Objectives and Targets have been developed and an improvement plan prepared. The third party ISO 14001 Certification Audit checks the achievement of the objectives and targets annually for continuous improvement. The main focus of continual improvement to date has been environmental performance, while less attention has been given to social impacts. Environmental impacts are documented with a view to improving and reducing these impacts as part of the ISO 14001 certification process.

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

OPRA is also looking at alternatives to paraquat.

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

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

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

An independent Scoping Assessment was carried out in 2007 to identify a list of social impacts on employees, SG’s, ILG’s and local communities. A Register has been prepared and risk assessment carried out for the social aspects and impacts.

A Continuous Improvement Plan is attached. Appendix C.

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

**MAJOR NONCONFORMITIES**

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

**MINOR NONCONFORMITIES**
Eight (8) Nonconformities were assigned against Minor Compliance Indicators. Details of these Nonconformities are provided below:

**Minor NCR 2.1.2** There is no documented procedure for updating of information on legal requirements and how changes to laws are tracked.

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

**Minor NCR 4.3.5** There is no current Roading Maintenance programme in place for 2010 for either Ibana or Navo estates. The roading programme for Hargy Estates is not dated indicating programme year.

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

**Minor NCR 4.5.2** The IPM Programme is not being monitored for new techniques used to control pests including the use of pheromones in Ibana and planting of Tunera in Navo and Ibana.

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

**Minor NCR 4.7.2** The following unsafe conditions were observed during this audit:
- Small number of missing guard rails
- Some of Gary’s boys not wearing safety footwear
- Some workers not using hearing protection provided
- Access to Emergency shower blocked
- Some trip hazards in mill
- Crane operator on FFB truck not wearing boots
- Tractor carrying passenger without seating
- Some safety signs needed
- Electrical safety issues (although greatly improved)
- Tippler access do be restricted.

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

**Minor NCR 5.1.2** The Environmental Improvement Plan does not appear to be specific and account for each specific area and activity. The impact assessment appears to be generic.

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

**Minor NCR 5.5.3** There was evidence of an attempt to burn domestic waste at both the Executive Housing complex and at the Hargy Office complex.

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

**Minor NCR 6.2.2.** The records of the meeting with ILG’s are at times are incomplete and the timetable for action are not at times clearly stated.

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

**Minor NCR 6.6.3** There were no records available of the latest meetings between the West new Britain Workers Union and Management of Hargy Oil Palm limited.

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

**OBSERVATIONS / OPPORTUNITIES FOR IMPROVEMENT**

The assessment identified twelve (12) Observations/Opportunities for Improvement. The progress with the Observations/Opportunities for Improvement will be checked during the Surveillance Assessment visit scheduled for April 2011.

1. **Observation 2.2.2** The boundaries where a small encroachment was discovered on the recent survey is marked by a boundary peg however the last row of Hargy Land could also be more clearly identified.

2. **Observation 4.1.4** It is suggested that from time to time management show evidence of reviewing log sheets by signing them appropriately.

3. **Observation 4.2.3** At times nutrients in the form of EFB is not taking place regularly in some areas – Ibana for example – it is acknowledged that heavy abnormal rain fall (over 3.6 metres first 3 months of 2010) has hampered application. However effort needs to be made to apply the EFB once rain clears.

4. **Observation 4.4.2** – Due to heavy rain the Barema River has changed course and therefore previous buffer zones have been encroached by the river. It is suggested that new course is mapped and that palms near this fast flowing river are not harvested due
to OHS issues and that the buffer is re-established at re-planting (that if the river does not change course again ). The new course as now been mapped.

5. Observation 4.7.4 Each area requires a standardised Safety meeting agenda and meetings are to be conducted after workplace inspections if possible.

6. Observation: 5.3.2 It appears that green waste is being placed in land fills and this should be discontinued. A sign is required to mark old landfills to prevent re-use at a later date. Also should attempt to recycle metal such as vehicle radiators rather than place in land fill. This would all improve with more awareness of the need to segregate waste.

7. Observation 5.4.2 The calculations of fuel used from non renewable sources should include transport costs and an estimate of contractors resource use.

8. Observation 5.6.2 At times there appears to be gaps in the records of smoke emission monitoring – if this is during repairs or maintenance this should be noted on the report to remove any confusion.

9. Observation 6.3.1 A number of small complaints were made by Small Holders with regards to the picking up of FFB and marking the owner of the FFB accurately – although most of these were followed up the action take and date of action was not recorded in the Small Holder grievance book on some occasions.

10. Observation 6.5.3 The wording of the employment agreements should be amended to include “understood” as well as read and aware and also where the agreements is with someone who does not read English there should be a sign of by the new employee and the person who has explained the agreement to them.

11. Observation 6.7.1: It was school holidays when this audit was conducted and some children were “hanging around” some housing construction for teacher housing near Ibana although not working at all any children should be moved from any work areas.

12. Observation 6.10. HOPL in association with OPIC needs to ensure that all small holders are aware of the grievance procedure with regards to gate prices of FFB.

3.3 Noteworthy Positive Components

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

The upgrade and provision of further facilities for the police based at Navo.

The provision of clean water supply projects for Lolobau Island, Tiauru LSS, Matiliiliu and Ewasse villages.

The construction of a new school at Ibana which also include Teacher accommodation.

Facilitating the building of the Noau Primary School library using mainly donor funds topped up by HOPL.

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

The maintenance of roads in the project area including the main road and repairing bridges as required to keep the road open.

The provision and management of a Landfill site for the use of the Bialla township.

The provision of clinics, health facilities and trained staff for the wider community.

The creation of jobs and other opportunities in the Biella and Navo areas.

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

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

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

1. Pollution at Ewasse

Ewasse community, a village on the coastline near HOPL operation complained about careless discharged of the CPO from a tanker into the waters of Biella. The villagers alleged that when the pollution occurred it damaged corals, poisoned fish population, caused pollution to their drinking water sources and damage their fishing grounds.

They do have other previous environmental pollution claims dating back to 1980. In 1995 they filed a writ of summons with the Waigani
National Court. They engaged a legal council to act for them in the National court but due to the escalating legal cost they gave-up on the case. In 2006 they engaged another Law firm (Narakobi lawyers) to take up their case with the National court hearing. They stated that the ruling of the courts at that time was that there is lack of scientific proof and that the villagers were asked to conduct another sampling and get environmental experts to conduct research and further findings to verify if there are impacts on the environments as claim by the landowners.

HOPL Responses: HOPL has inspected the area and facilitated meetings with third parties to resolve this issue. HOPL to engage consultants to study the effect on the areas concerned.

Auditor Comments: HOPL has reacted well in the face of some threats from the villages to resolve this issue and BSi auditors will continue to monitor this issue until resolved.

2. ILG Representatives

The ILG representative’s only concern was on the likelihood of immigrants and settlements on the fringes of their land when oil palm development has been implemented. In view of social services such as schools, Aid posts and water supply projects, they also want Hargy to conduct awareness to their communities about the existence and implementation of the RSPO principles and criteria’s with Oil palm developments.

HOPL response: Hargy supports all the extension programs run by OPIC for small holders. One notable program is the sponsorship of the radio program aired by the local Radio station, Radio WNB – which raises awareness of RSPO.

Auditor Comment: HOPL works well with the local community and ILG’s and conduct awareness sessions with local communities manager in Biella Mr. Otto Pukam is that his working relationship with HOPL is excellent.

3. Rural villages

Need support from HOPL as source of income

HOPL Response: HOPL has provided very strong support to rural villages, estates, VOPs and LSS as a major source of income through assisting development and providing employment and supporting local businesses.

Auditors Comment: Support of local area is very widespread.

4. All Stakeholders

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

HOPL Response: Continue to improve relationships.

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

5. VOPS and estates

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

HOPL Response: HOPL does not make decisions on its own regarding the development and management of VOPs and estates, the company allows stakeholders to participate and make decisions.

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

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

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

Signed for on behalf of
Hargy Oil Palm Limited

Mr Max Kuduk
Sustainability Manager
Date: 26.4.2010

Signed for on behalf of
BSI Management Systems Singapore Pte Ltd

Mr Allan Thomas
Lead Auditor
Date: 26.4.10
Appendix “A”

RSPO Certificate Details

### Hargy Palm Oil Mill and Supply Base

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<th>Location</th>
<th>East of Biella, West New Britain Province, PNG</th>
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<tr>
<td>Address</td>
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<td>GPS</td>
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<td>CPO Tonnage</td>
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<td>CPKO Tonnage</td>
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<td>Smallholder Growers FFB Tonnage</td>
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### Navo Palm Oil Mill and Supply Base

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<td>CPKO Tonnage</td>
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<td>Smallholder Growers FFB Tonnage</td>
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Appendix “B”

Certification Audit Programme
Sustainability Audit Program
(Combined RSPO Surveillance Assessment & ISO Surveillance Audit)
6th – 10th April 2010

BSI Audit team
   Allan Thomas (Lead Auditor) (AT)
General Manager
   Steven Keu (SK)
   Ian Suhoto (IS)
   Rod Parsons (RP) (ISO 14001 only)

Hargy Sustainability Team
   Graham King (GK)
   Max Kuduk (MK)
   Joycelyn King (JK)
   Alphonse Gumbal (AG)
   Murray Feddersen (MF)

Audit Groups.

<table>
<thead>
<tr>
<th>Group</th>
<th>Audit Team Member</th>
<th>NBPOL Facilitator</th>
<th>Comment</th>
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<tr>
<td>1</td>
<td>Allan Thomas</td>
<td>Max Kuduk</td>
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<td>2</td>
<td>Steven Keu</td>
<td>Angelus Palik</td>
<td>RSPO Social aspects</td>
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<td>3</td>
<td>Ian Suhoto</td>
<td>Alphonse Gumbal</td>
<td>OHS &amp; Environment</td>
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<td>4</td>
<td>Rod Parsons</td>
<td>Joycelyn King</td>
<td>Environmental specialist</td>
</tr>
</tbody>
</table>

Graham King and Murray Feddersen will monitor activities and assist as required.

Daily Program
   0700 – 0715 Pick-up Hargy Guesthouse, travel to Office
   0715 – 0730 Audit team planning, confirmation of logistics for the day
   0730 – 1200 Auditing
   1200 – 1300 Break for lunch
   1300 – 1630 Auditing
   1630 – 1700 Return to office, Audit team review, notes, administration, email
   1700 – 1715 Return to Hargy Guesthouse

Note: Program may be varied by Audit Team Leader particularly with respect to travel to/from Lliamo
Time will be provided daily for Audit team planning meeting, administration, email, etc.
### Sustainability Audit Program
(Combined RSPO Surveillance Assessment & ISO Surveillance Audit)
6th – 10th April 2010

Monday 5 April

Audit team (Allan, Rod) and also Murray arrive Hoskins airport at 17:05 on flight PX844, Hargy Driver to pick up and transport to Guesthouse.
Ian and Steven will drive from Dami.
Accommodation for 5 people required at guesthouse for 5 nights arriving Monday 5 April and departing Saturday 10 April

Tuesday 6 April

<table>
<thead>
<tr>
<th>Time</th>
<th>Place</th>
<th>Activity</th>
<th>Attendees</th>
<th>Hargy Oil Palm Personnel</th>
</tr>
</thead>
<tbody>
<tr>
<td>0730-0830</td>
<td>Hargy Board Room</td>
<td>Entry Meeting – Introduce audit team, confirm audit scope, confirm transport and logistic arrangements</td>
<td>Audit team, Hargy senior management team</td>
<td>GM, Senior Managers, RSPO team</td>
</tr>
<tr>
<td></td>
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</tr>
<tr>
<td>Morning</td>
<td>Hargy Oil Mill</td>
<td>Inspect Mill and Effluent Ponds</td>
<td>Allan/Rod</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hargy Compound</td>
<td>Review Compound – rubbish, sanitation, safety, etc</td>
<td>Steven/Ian</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hargy Smallholders</td>
<td>Meet with selected Smallholders, verify RSPO awareness</td>
<td>Steven/Ian</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hargy area Community</td>
<td>Bialla town, nearby villages, school, others affected by HOPL</td>
<td>Steven/Ian</td>
<td></td>
</tr>
<tr>
<td>Lunch</td>
<td>Guest House</td>
<td></td>
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<tr>
<td>Afternoon</td>
<td></td>
<td>Continuation of morning</td>
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</tr>
</tbody>
</table>

Wednesday 7 April

<table>
<thead>
<tr>
<th>Morning</th>
<th>Construction/Stores</th>
<th>Inspect</th>
<th>Allan/Rod</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Jetty</td>
<td>Inspect</td>
<td>Allan/Rod</td>
</tr>
<tr>
<td></td>
<td>Keri Keri</td>
<td>Compound/Store/Construction</td>
<td>Steven/Ian</td>
</tr>
<tr>
<td></td>
<td>Keri Keri area</td>
<td>Smallholders</td>
<td></td>
</tr>
<tr>
<td>Lunch</td>
<td></td>
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</tr>
<tr>
<td>Afternoon</td>
<td>Berema Estate</td>
<td>Compound, chemical store, genset, water supply</td>
<td>Allan/Rod</td>
</tr>
<tr>
<td></td>
<td>Berema Area</td>
<td>Smallholders &amp; Communities</td>
<td>Steven/Ian</td>
</tr>
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</tbody>
</table>

Thursday 8 April

<table>
<thead>
<tr>
<th>Morning</th>
<th>Navo Oil Mill</th>
<th>Inspect OHS and Environment issues</th>
<th>Allan/Rod</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Navo Compound</td>
<td>Inspect</td>
<td>Steven/Ian</td>
</tr>
<tr>
<td></td>
<td>Navo Smallholders</td>
<td>Meet and review</td>
<td>Steven/Ian</td>
</tr>
<tr>
<td>Lunch</td>
<td></td>
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<tr>
<td>Afternoon</td>
<td>Possibly at Navo</td>
<td>To be determined</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Navo Transport</td>
<td>Inspect</td>
<td>Allan</td>
</tr>
<tr>
<td></td>
<td>Navo Chemical store</td>
<td>Inspect</td>
<td>Rod</td>
</tr>
<tr>
<td></td>
<td>Navo Construction</td>
<td>Inspect</td>
<td>Rod</td>
</tr>
<tr>
<td></td>
<td>Navo</td>
<td>Meet and review</td>
<td>Steven/Ian</td>
</tr>
</tbody>
</table>
**Sustainability Audit Program**
(Combined RSPO Surveillance Assessment & ISO Surveillance Audit)

6th – 10th April 2010

<table>
<thead>
<tr>
<th>Smallholders</th>
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</table>

**Friday 9 April**

<table>
<thead>
<tr>
<th>Morning</th>
<th>New Developments</th>
<th>Review SEIA</th>
<th>Rod</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Inspect site</td>
<td></td>
<td>Allan</td>
</tr>
<tr>
<td></td>
<td>Review and verify consultation process (FPIC)</td>
<td></td>
<td>Steven/Ian</td>
</tr>
<tr>
<td>Lunch</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Afternoon</td>
<td>New Mill site</td>
<td>Review SEIA and inspect local area incl. environment &amp; communities</td>
<td>Steven/Ian</td>
</tr>
<tr>
<td></td>
<td>Inspect site</td>
<td></td>
<td>Allan/Rod</td>
</tr>
</tbody>
</table>

**Saturday 10 April**

<table>
<thead>
<tr>
<th>Morning</th>
<th>0730-1000 Hargy Board Room</th>
<th>Auditors meeting – prepare preliminary report</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1000-1200 Hargy Board Room</td>
<td>Exit meeting</td>
</tr>
<tr>
<td>Lunch</td>
<td>Guest House</td>
<td></td>
</tr>
<tr>
<td>Afternoon</td>
<td>Travel to Kimbe – Hargy Vehicle (Allan, Rod &amp; Murray)</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Senior staff, RSPO team</th>
</tr>
</thead>
</table>

Appendix “C”

Continuous Improvement Plan
<table>
<thead>
<tr>
<th>Crit.</th>
<th>Requirement</th>
<th>PNG NI Indicators</th>
<th>Conformance</th>
<th>Planned Improvement</th>
<th>Outcome</th>
<th>By Whom</th>
<th>Date Due</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Oil palm growers and millers provide adequate information to other stakeholders on environmental, social and legal issues relevant to RSPO Criteria, in appropriate languages and forms to allow for effective participation in decision making.</td>
<td>1.1.1 Records of Requests and Responses</td>
<td>Major</td>
<td>A register of requests and responses is maintained by ESD. All departments are required to forward a copy of requests and responses to ESD for filing.</td>
<td>Record of all requests and responses is available for management analysis</td>
<td>ESD Manager</td>
<td>Mar 10</td>
<td></td>
</tr>
<tr>
<td>1.2</td>
<td>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.</td>
<td>1.2.1 List of publicly available documents approved by top management.</td>
<td>Major</td>
<td>Updated list available</td>
<td>Current information publicly available</td>
<td>General Manager</td>
<td>Feb-10</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.2.2 Equal opportunity policy as per PNG constitution</td>
<td>Major</td>
<td>Policy is included in the 2010 Employee Handbook. Currently called Discrimination Policy</td>
<td>Improved tolerance and understanding in the workforce</td>
<td>HR Manager</td>
<td>Feb-10</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.2.3 Land titles/User rights</td>
<td>Major</td>
<td>Compliant. All titles are current.</td>
<td>No further requirement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.2.4 Occupational Health and Safety Plan</td>
<td>Major</td>
<td>Safety committees need to be functional and implementing the plan</td>
<td>Greater focus on making sure worksite is safe before starting work.</td>
<td>Safety Officer</td>
<td>Dec-10</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.2.5 HOPL encouragement of out grower management to adopt and disseminate an OHS Policy</td>
<td>Minor</td>
<td>Prepare awareness materials for smallholders</td>
<td>Safer working environment for smallholders</td>
<td>Safety Officer</td>
<td>Dec-10</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.2.6 Health Policy includes HIV/AIDS, Malaria, Domestic Violence and Sexual Harassment Policy</td>
<td>Major</td>
<td>Improved awareness of employees through training.</td>
<td>Reduction in reported cases.</td>
<td>HR Manager</td>
<td>Jun-10</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.2.7 Plans and impact assessments relating to environmental and social aspects. These are legal requirements and must be held on site.</td>
<td>Major</td>
<td>Currently compliant. Update as required.</td>
<td>No further requirement</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>1.2.8 (1) Details of complaints and grievances</td>
<td>Major</td>
<td>Refer to improvement 1.1.1</td>
<td>Complaints and grievances dealt with in a timely manner.</td>
<td>Sustainability Manager</td>
<td>Dec-10</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.2.8 (2) Out growers to adopt incrementally</td>
<td>Minor</td>
<td>Refer to improvement 1.1.1</td>
<td>Complaints and grievances dealt with in a timely manner.</td>
<td>Smallholder Manager</td>
<td>Dec-10</td>
<td></td>
</tr>
<tr>
<td>1.2.9 Documented system for access to customary land and negotiation procedures for settling disputes under criteria 6.4</td>
<td>Major</td>
<td>Currently compliant. Update as required.</td>
<td>No further requirement</td>
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<tr>
<td>1.2.10 Continuous Improvement Plan</td>
<td>Major</td>
<td>Refer 8.1 - Update Plan in Jan 2011, Assess achievements</td>
<td>Update plan as per 8.1.1</td>
<td></td>
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<tr>
<td>General Manager</td>
<td>Jan-11</td>
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</tr>
<tr>
<td>2.1 There is compliance with all applicable local, national and ratified international laws and regulations</td>
<td>2.1.1 Evidence that all applicable legal and regulatory requirements are implemented as prescribed</td>
<td>Major</td>
<td>Discuss further support with smallholders e.g. OHS training</td>
<td>Improved smallholder OHS performance</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>Sustainability Manager</td>
<td>Sep-10</td>
<td></td>
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</tr>
<tr>
<td>2.2 The right to use the land can be demonstrated, and is not legitimately contested by local communities with demonstrable rights.</td>
<td>2.2.1 Documents showing legal ownership or lease and where possible a history of land tenure and the actual legal use of the land.</td>
<td>Major</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
<td></td>
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<tr>
<td>2.2.2 Evidence that legal boundaries can be identified</td>
<td>Major</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2.2.3 Where there are, or have been, disputes proof of resolution or progress towards resolution by acceptable conflict resolution processes.</td>
<td>Major</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
<td></td>
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<tr>
<td>2.2.4 Absence of significant land conflict, unless requirements for acceptable conflict resolution processes are implemented and accepted by parties involved.</td>
<td>Major</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
<td></td>
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<tr>
<td>2.3</td>
<td>Use of the land for oil palm does not diminish the legal rights, or customary rights, of other users, without their free, prior and informed consent.</td>
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</tr>
<tr>
<td>2.3.1 Maps of an appropriate scale showing extent of plantations on alienated land.</td>
<td>Major</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2.3.2 Maps of an appropriate scale showing extent of lease/lease back areas</td>
<td>Major</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2.3.3 Maps of an appropriate scale showing land settlement scheme on alienated land.</td>
<td>Major</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2.3.4 Sketch maps showing customary land to be utilised in VOP (Village Oil Palm)</td>
<td>Minor</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
<td></td>
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</tr>
<tr>
<td>2.3.5 Land titles for 1-3</td>
<td>Major</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2.3.6 Customary Land Usage Agreement to demonstrate rights to 2.3.4 (for new smallholders, CLUA is mandatory)</td>
<td>Minor</td>
<td>New CLUA form to be introduced and implemented by OPIC</td>
<td>All VOP blocks have signed CLUA OPIC Jun-11 0%</td>
<td></td>
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</tr>
<tr>
<td>2.3.7 Copies of negotiated agreements detailing process of consent</td>
<td>Major</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
<td></td>
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<tr>
<td>3.1</td>
<td>There is an implemented management plan that aims to achieve long-term economic and financial viability</td>
<td></td>
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</tr>
<tr>
<td>3.1.1 A documented business or management plan (at least 5 years)</td>
<td>Major</td>
<td>Update LTP annually</td>
<td>Updated LTP General Manager Mar-10</td>
<td></td>
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</tr>
<tr>
<td>3.1.2 Annual replanting program, where applicable, projected for a minimum of 5 years with yearly review</td>
<td>Minor</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
<td></td>
<td></td>
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<tr>
<td>4.1</td>
<td>Operating procedures are appropriately documented and consistently implemented and monitored</td>
<td></td>
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</tr>
<tr>
<td>4.1.1 Standard operating procedures for estates and mills are documented</td>
<td>Major</td>
<td>Ensure SOPs are updated annually and reflect any changes or response to OHS, Environmental or Social issues.</td>
<td>Current documents HoE, CE Mar-10</td>
<td></td>
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</tr>
<tr>
<td>Section</td>
<td>Description</td>
<td>Compliance Level</td>
<td>Ref. Date</td>
<td></td>
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<tr>
<td>4.1.2</td>
<td>A mechanism to check consistent implementation of procedures is in place.</td>
<td>Major</td>
<td>Monthly Checklists and Quarterly Internal Audits must be completed</td>
<td>HoE, CE</td>
<td>Jun-10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1.3</td>
<td>PNG National Codes of practice are referenced</td>
<td>Major</td>
<td>Ensure MGs and SOPs reference Codes of Practice where necessary</td>
<td>Update documents</td>
<td>HoE, CE</td>
<td>Jun-10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1.4</td>
<td>Records of monitoring and the action taken are maintained</td>
<td>Major</td>
<td>Monthly Checklists and Quarterly Internal Audits must be completed</td>
<td>Non-conformances cleared</td>
<td>HoE, CE</td>
<td>Jun-10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.2</td>
<td>Practices maintain soil fertility at, or where possible improve soil fertility to, a level that ensures optimal and sustained yield.</td>
<td>Minor</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>4.2.1</td>
<td>Records of fertiliser inputs are maintained</td>
<td>Minor</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>4.2.2</td>
<td>Evidence of periodic tissue and soil sampling to monitor changes in nutrient status.</td>
<td>Minor</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.2.3</td>
<td>A nutrient recycling strategy should be in place</td>
<td>Minor</td>
<td>Update list of blocks for EFB annually.</td>
<td>Reduced requirement for inorganic fertiliser.</td>
<td>HoE</td>
<td>Aug-10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.3</td>
<td>Practices minimise and control erosion and degradation of soils</td>
<td>Minor</td>
<td>Currently compliant</td>
<td>Reduced erosion risk</td>
<td>Agronomist</td>
<td>Mar-11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.3.1</td>
<td>Risk assessment of erosion for each block (plantation and smallholder)</td>
<td>Minor</td>
<td>Currently compliant for plantations. Smallholder risk to be assessed</td>
<td>Reduced erosion risk</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>4.3.2</td>
<td>No evidence of new planting (Nov 07) on slopes above 25° (plantation and smallholder)</td>
<td>Major</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>4.3.3</td>
<td>Erosion control practices are implemented on fields with slopes above 9° (and less than 25°) and on blocks identified as having significant risk of erosion (plantation and smallholder).</td>
<td>Minor</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.3.4</td>
<td>Subsidence on peat soils should be minimised under an effective and documented water management program.</td>
<td>Major</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>4.3.5</td>
<td>Presence of a road maintenance program that includes control and management of rainfall runoff</td>
<td>Minor</td>
<td>Update road improvement and maintenance plan</td>
<td>Road maintenance program in place</td>
<td>HoE</td>
<td>Mar-10</td>
<td></td>
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<tr>
<td>4.3.6</td>
<td>A management strategy should be in place for fragile and problem soils; this should include maps of these soils.</td>
<td>Minor</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
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<td>4.4</td>
<td>Practices maintain the quality and availability of surface and groundwater</td>
<td>4.4.1 An implemented water management plan in compliance with PNG DEC Water extraction and discharge permits and including but not limited to: the monitoring of BOD (mg/l) trend for the previous 12 months, mill water use per tonne of FFB trend for the previous 5 years, storm water drains, nursery and domestic use.</td>
<td>Minor</td>
<td>Pond rehabilitation program must be documented and implemented</td>
<td>Improved quality of effluent discharge</td>
<td>CE</td>
<td>Mar-10</td>
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<tr>
<td>4.4.2 Maintain and/or rehabilitate riparian buffer zones as per PNG Logging Code of Practice at planting and replanting. (For smallholders the buffer zone issue to be included on the RSPO smallholder baseline survey)</td>
<td>Major</td>
<td>Ensure all buffer zones conform to code of practice and update maps. During replanting establish improved buffers as required.</td>
<td>Improved protection of water courses</td>
<td>HoE</td>
<td>Dec-12</td>
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<td>4.5</td>
<td>Pests, diseases, weeds and invasive introduced species are effectively managed using appropriate Integrated Pest Management (IPM) techniques</td>
<td>4.5.1 Monitoring of pesticide toxicity units (ai - LD/tonne of FFB or /Ha). Trend data should be available for the preceding 5 years.</td>
<td>Minor</td>
<td>Need to get records from Stores and compile report.</td>
<td>Report of pesticide usage</td>
<td>GM</td>
<td>Mar-10</td>
<td></td>
</tr>
<tr>
<td>4.5.2 An IPM program is documented for relevant pests that set out techniques, locations and timeframe for implementation. Monitoring extent of IPM implementation including training for major pests including but not restricted to Sexava, Stick Insects, Bagworms, Oryctes / total Ha</td>
<td>Minor</td>
<td>OMP records for 2009 to be updated and checked</td>
<td>Records of monitoring lead to reduced severity of infestations and reduced pesticide usage</td>
<td>Agronomist</td>
<td>Mar-10</td>
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<td>4.5.3 Recording areas where pesticides have been used within an IPM program</td>
<td>Minor</td>
<td>OPM records and maps of pesticide application to be updated for 2009.</td>
<td>Updated maps and improved monitoring system</td>
<td>Agronomist</td>
<td>Mar-10</td>
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<td>Crit.</td>
<td>Requirement</td>
<td>PNG Ni Indicators</td>
<td>Conformance</td>
<td>Planned Improvement</td>
<td>Outcome</td>
<td>By Whom</td>
<td>Date Due</td>
<td>Status</td>
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<td>4.6</td>
<td>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 WHO Type 1A or 1B, or are listed by the Stockholm or Rotterdam Conventions, growers are actively seeking to identify alternatives, and this is documented.</td>
<td>4.6.1 Documented justification of all agrochemical use.</td>
<td>Major</td>
<td>Check that all chemicals used are included and documented.</td>
<td>Improved compliance</td>
<td>Agronomist</td>
<td>Mar-10</td>
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<td>4.6.2 Records of pesticide use (including active ingredients used, area treated, amount applied / Ha and number of applications) are maintained.</td>
<td>Minor</td>
<td>OMP records for 2009 to be updated and checked</td>
<td>Improved compliance</td>
<td>Agronomist</td>
<td>Mar-10</td>
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<td>4.6.3 Documentary evidence that use of chemicals categorised as WHO type 1A or 1B or listed by the Stockholm or Rotterdam conventions is reduced and/or eliminated except where there is no other suitable means to control severe pest outbreaks within an ongoing IPM program</td>
<td>Minor</td>
<td>Not applicable</td>
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<td></td>
<td>4.6.4 No aerial spraying of pesticides</td>
<td>Major</td>
<td>Not applicable</td>
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<td>4.6.5 Adoption of a suitable economic alternative to paraquat as recommended by the RSPO board</td>
<td>Minor</td>
<td>Awaiting advice from RSPO Board. Monitor annual use of paraquat</td>
<td>Reduced paraquat usage</td>
<td>HoE</td>
<td>Sep-10</td>
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<td>4.6.6 No herbicide to be supplied to smallholders without prior training and certification through a registered smallholder management organisation. A re-certification course to be held every 2 years. Smallholder management organisations to actively discourage smallholders from using insecticides on oil palm.</td>
<td>Minor</td>
<td>OPIC is proposing to conduct training courses in 2010. No herbicides or insecticides are supplied to smallholders by HOPL.</td>
<td>Trained and competent smallholders</td>
<td>OPIC</td>
<td>Dec-10</td>
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<td>4.6.7 No paraquat or insecticides to be supplied to smallholders by plantation companies or smallholder management organisations</td>
<td>Major</td>
<td>Currently compliant and no further action is required.</td>
<td>N/A</td>
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<td>4.6.8 Records of training to be maintained</td>
<td>Major</td>
<td>Update training records</td>
<td>Records of trained operators</td>
<td>HoE</td>
<td>Mar-10</td>
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<td>4.6.9</td>
<td>Personal protective equipment should be specified in MG/Standard Operating Procedures for pesticides workers in plantations. Appropriate safety equipment must be provided and used.</td>
<td>Major</td>
<td>Currently compliant and no further action is required.</td>
<td>N/A</td>
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<td>4.6.10</td>
<td>Storage and disposal of all chemicals as described in the GIFAP Code of Practice</td>
<td>Major</td>
<td>Ensure all stores have essential items as per GIFAP. Disposal records must be available</td>
<td>High level of safety in chemical stores</td>
<td>HoE</td>
<td>Mar-10</td>
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<td>4.6.11</td>
<td>Only registered agrochemicals following PNG labelling guidance will be used (nb FAO guidance applies, register kept by DEC). All chemical inputs require an MSDS</td>
<td>Major</td>
<td>Check that all MSDS sheets are updated available in every store</td>
<td>High safety level</td>
<td>Sustainability Manager</td>
<td>Mar-10</td>
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<tr>
<td>4.6.12</td>
<td>Evidence of CPO residue testing as required and conducted by the supply chain</td>
<td>Minor</td>
<td>Check with SIPEF on requirement by supply chain</td>
<td>Compliance</td>
<td>GM</td>
<td>Mar-10</td>
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<td>4.6.13</td>
<td>Annual health screening for plantation pesticide operators. Acetyl cholinesterase testing for all organophosphate users.</td>
<td>Major</td>
<td>All sexava treatment workers to be sent to NBPOL for testing</td>
<td>Healthy workers</td>
<td>Health Superintendent</td>
<td>Mar-10</td>
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<td>4.6.14</td>
<td>No work with pesticides for pregnant or breast feeding women</td>
<td>Major</td>
<td>Currently compliant and no further action is required</td>
<td>No further requirement</td>
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<td>4.7</td>
<td>An occupational health and safety plan is documented effectively communicated and implemented.</td>
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<td>4.7.1</td>
<td>A health and safety policy which is implemented and monitored</td>
<td>Major</td>
<td>Review policy every three years for continued relevance or when circumstances change that require policy amendment</td>
<td>Continued Compliance</td>
<td>Sustainability Manager</td>
<td>Jun-11</td>
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<td>4.7.2</td>
<td>All operations where health and safety is an issue have been risk assessed and procedures and actions are documented and implemented to address the identified issues. All precautions attached to products should be properly observed and applied to the workers.</td>
<td>Minor</td>
<td>Risk assessments are being done and need to be reviewed every 6 months. Integrate with accident investigation findings.</td>
<td>Reduced workplace risk</td>
<td>OHS Officer</td>
<td>Mar-10</td>
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<td>Section</td>
<td>Description</td>
<td>Status</td>
<td>Responsible</td>
<td>Date</td>
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<td>4.7.3</td>
<td>All workers involved in the operations have been adequately trained in safe working practices. 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 milt operations, construction transport, pesticide application, land preparation, harvesting and if used, burning.</td>
<td>Minor</td>
<td>Training is being done and is continuing. Check that training records are updated.</td>
<td>Safer working environment</td>
<td>Training Supt.</td>
<td>Dec-10</td>
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<td>4.7.4</td>
<td>A designated competent person will coordinate the implementation and management of the OHS policy. A mechanism for discussing OHS concerns will be in place and issues raised should be kept.</td>
<td>Major</td>
<td>RSPO committees must meet quarterly in each department/plantation and must follow an agreed agenda</td>
<td>Improved knowledge and understanding of RSPO systems by entire workforce</td>
<td>Sustainability Manager</td>
<td>Mar-10</td>
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<td>4.7.5</td>
<td>Accident and emergency procedures should exist and be tested at 6 monthly intervals. Instructions should be clearly understood by all workers. Procedures should be available in the appropriate language of the workforce</td>
<td>Minor</td>
<td>All departments and plantations must conduct 4 emergency drills per year.</td>
<td>Employees know how to respond in an actual emergency.</td>
<td>HODs</td>
<td>Mar-10</td>
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<td>4.7.6</td>
<td>A first aid clinic staffed by a qualified health worker will be provided for each plantation division (accessible by the mill). Workers trained in first aid with a first aid kit should be present in the mill.</td>
<td>Minor</td>
<td>First aid kits must be accessible and not locked up in managers office. First aid kits must be checked monthly by Superintendent Health</td>
<td>Injuries are treated correctly in the workplace</td>
<td>Health Superintendent</td>
<td>Mar-10</td>
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<td>4.7.7</td>
<td>Records should be kept of all accidents and periodically reviewed. Recording of occupational injuries. Lost time accident rate (within acceptable maximum or demonstrated downward trend)</td>
<td>Major</td>
<td>Target is zero lost time incidents within 5 years.</td>
<td>Reduction in lost time.</td>
<td>OHS Officer</td>
<td>Dec-10</td>
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<td>4.7.8</td>
<td>All workers should be covered by workers compensation accident insurance</td>
<td>Major</td>
<td>Currently compliant. Insurance is renewed annually</td>
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<td>4.8</td>
<td>All staff, workers, smallholders and contractors are appropriately trained.</td>
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<td>4.8.1</td>
<td>An appropriate formal training program that includes regular assessment of training needs and documentation of the program is in place.</td>
<td>Minor</td>
<td>Training program is currently being developed by new HR Manager. Must make sure sustainability requirements are addressed in the training program.</td>
<td>Improved employee awareness of RSPO requirements at all levels in the Company</td>
<td>HR Manager</td>
<td>Mar-10</td>
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<tr>
<td>4.8.2</td>
<td>Records of formal training (on-site/off-site) for each employee are kept.</td>
<td>Major</td>
<td>Upgrade employee database to include training records for each employee.</td>
<td>Improved records of training</td>
<td>MIS Manager</td>
<td>Sep-10</td>
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<td>4.8.3</td>
<td>Certified smallholders course is implemented</td>
<td>Minor</td>
<td>Develop and certify course</td>
<td>Improved smallholder compliance</td>
<td>Smallholder Manager</td>
<td>Dec-10</td>
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<td>5.1</td>
<td>Aspects of plantation and mill management 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</td>
<td>Major</td>
<td>Currently compliant, update as required. Improve knowledge of EMS system through training.</td>
<td>Improved level of compliance</td>
<td>Sustainability Manager</td>
<td>Dec-10</td>
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<td>5.1.1 An environmental aspects and impacts register has been developed and is periodically reviewed and updated</td>
<td>Major</td>
<td>Currently compliant, update as required. Improve knowledge of EMS system through training.</td>
<td>Improved level of compliance</td>
<td>Sustainability Manager</td>
<td>Dec-10</td>
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<td>5.1.2 An environmental improvement plan to mitigate the negative aspects and promote the positive ones is developed, implemented and monitored.</td>
<td>Minor</td>
<td>Currently compliant, update as required. Improve knowledge of EMS system through training.</td>
<td>Improved level of compliance</td>
<td>Sustainability Manager</td>
<td>Sep-10</td>
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<td>5.2</td>
<td>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.</td>
<td>Major</td>
<td>Currently compliant, update as required.</td>
<td>No further requirement</td>
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<td>5.2.1 Identification of high conservation value habitats and protected areas such as rare and threatened ecosystems that could be significantly affected by the grower or miller</td>
<td>Major</td>
<td>Currently compliant, update as required.</td>
<td>No further requirement</td>
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<td>5.2.2 Establish the conservation status (e.g. IUCN status) legal protection, population status and habitat requirements of rare, threatened or endangered species that could be significantly affected by the grower or miller</td>
<td>Major</td>
<td>Currently compliant, update as required.</td>
<td>No further requirement</td>
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<td>5.2.3 Ensuring that any applicable legal requirements relating to the protection of the species habitat are met</td>
<td>Major</td>
<td>Refer to 2.1</td>
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<td>5.2.4 Avoiding damage to and deterioration of applicable habitats</td>
<td>Minor</td>
<td>Monitor buffer zones at regular intervals and ensure buffers are being managed correctly</td>
<td>Improved standard of buffers and evidence of management</td>
<td>Sustainability Manager</td>
<td>Dec-10</td>
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<td>5.2.5 Evidence of a commitment to discourage any illegal or inappropriate hunting, fishing or collecting activities; and developing responsible measures to resolve human wildlife conflicts.</td>
<td>Minor</td>
<td>Currently compliant, update as required.</td>
<td>No further requirement</td>
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<td>5.3</td>
<td>Waste is reduced, recycled, re-used and disposed of in an environmentally and socially responsible manner</td>
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<td>5.3.1</td>
<td>Identify all sources of waste and pollution</td>
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<td></td>
<td>Major</td>
<td>Currently compliant, update as required.</td>
<td>No further requirement</td>
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<td>5.3.2</td>
<td>Evidence of the implementation of a waste management and disposal plan including pesticide contaminated waste</td>
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<td></td>
<td>Minor</td>
<td>Currently compliant, improve knowledge of plan through training.</td>
<td>Improved level of compliance and reduced waste generation.</td>
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<td>5.4</td>
<td>Efficiency of energy use and use of renewable energy is maximised.</td>
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<td>5.4.1</td>
<td>Monitoring kWh per tonne of palm product in the mill from renewable energy sources, kg steam per tonne of FFB. Monitoring trend for previous 5 years</td>
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<td></td>
<td>Minor</td>
<td>Connect Hargy Mill to Barema Hydro power.</td>
<td>Reduced consumption of diesel at Hargy Mill</td>
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<td>5.4.2</td>
<td>Monitoring kWh per tonne of palm product from non-renewable energy resources. Monitoring trend for previous 5 years</td>
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<td></td>
<td>Minor</td>
<td>Currently compliant, update as required.</td>
<td>No further requirement</td>
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<td>5.5</td>
<td>Use of fire for waste disposal and for preparing land for replanting is avoided except in specific situations, as identified in the ASEAN guidelines or other regional best practice.</td>
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<td>5.5.1</td>
<td>Documented assessment where fire has been used for preparing land for replanting</td>
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<td></td>
<td>Major</td>
<td>Not applicable</td>
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<td>5.5.2</td>
<td>All sites and incidents of sanitary burning mapped and recorded. Sanitary burning permitted only after recommendation by national pathologist.</td>
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<td></td>
<td>Major</td>
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<td>5.5.3</td>
<td>No burning of domestic refuse</td>
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<td></td>
<td>Minor</td>
<td>Not applicable</td>
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<td>5.5.4</td>
<td>Incineration of medical waste (including quantities) is recorded.</td>
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<td></td>
<td>Minor</td>
<td>Check records - are quantities being recorded.</td>
<td>Sustainability Manager</td>
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<td>5.6</td>
<td>Plans to reduce pollution and emissions, including greenhouse gases, are developed, implemented and monitored.</td>
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<tr>
<td>5.6.1</td>
<td>A register and assessment of all polluting activities are conducted including gaseous emissions, particularly soot emissions and effluent (see also 4.4)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Major</td>
<td>Currently compliant, update as required.</td>
<td>No further requirement</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>5.6.2</td>
<td>Significant pollutants and emissions are identified, monitored and plans to reduce them implemented.</td>
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<td></td>
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</tr>
<tr>
<td></td>
<td>Minor</td>
<td>Currently compliant, update as required.</td>
<td>No further requirement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.6.3</td>
<td>The treatment methodology for POME is recorded.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Minor</td>
<td>Update methodology and records following pond rehabilitation.</td>
<td>Improved POME treatment and reduced BOD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CE indicates the Competent Entity for this section.
Sustainability Manager indicates the responsible party for this section.
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.

<table>
<thead>
<tr>
<th>6.1.1</th>
<th>A register of all social impacts on employees, individuals and affected communities is maintained including records of meetings.</th>
<th>Major</th>
<th>Currently compliant, update register monthly</th>
<th>Sustainability Manager</th>
<th>Mar-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1.2</td>
<td>Evidence that the assessment has been done with the participation of affected parties.</td>
<td>Major</td>
<td>Currently compliant, update as required.</td>
<td>No further requirement</td>
<td></td>
</tr>
<tr>
<td>6.1.3</td>
<td>A timetable with responsibilities for mitigation and monitoring, reviewed and updated as necessary, in those cases where the assessment has concluded that changes should be made to current practices.</td>
<td>Minor</td>
<td>Complete housing construction program. Allocate garden land for all housing areas as applicable.</td>
<td>Improved social compliance standards.</td>
<td>Construction Manager/HoE</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>6.2.1</th>
<th>A documented policy is in place for effective communication with all affected parties.</th>
<th>Major</th>
<th>Currently compliant, update as required.</th>
<th>No further requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.2.2</td>
<td>Evidence of the policy being implemented - maintenance of a list of stakeholders, records of all communication and records of actions taken in response to input from stakeholders and under the control of a nominated management official.</td>
<td>Minor</td>
<td>Currently compliant, update as required.</td>
<td>No further requirement</td>
</tr>
<tr>
<td>6.2.3</td>
<td>For environmental issues - a documented consultation and communication procedure exists with a nominated company representative.</td>
<td>Minor</td>
<td>Currently compliant, update as required.</td>
<td>No further requirement</td>
</tr>
</tbody>
</table>

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

| 6.3.1 | A documented system open to all affected parties which resolves disputes in an effective, timely and appropriate manner and records the outcome. | Major | Currently compliant, update as required. | No further requirement |

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.

<p>| 6.4.1 | Compliance with applicable government legislation. Procedures for identifying legal and customary rights of people entitled to compensation. | Major | Currently compliant, update as required. | No further requirement |
| 6.4.2 | Company records should be maintained | Minor | Currently compliant, update as required. | No further requirement |</p>
<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Conformity</th>
<th>Action</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.4.3</td>
<td>A procedure for calculating and distributing fair compensation (monetary or otherwise) is established and implemented.</td>
<td>Minor</td>
<td>Currently compliant, update as required.</td>
<td>No further requirement</td>
</tr>
<tr>
<td>6.4.4</td>
<td>The process and outcome of any negotiated agreements and compensation claims are documented and made publicly available. Company records should be maintained.</td>
<td>Minor</td>
<td>Currently compliant, update as required.</td>
<td>No further requirement</td>
</tr>
<tr>
<td>6.5</td>
<td>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.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.5.1</td>
<td>Documentation of pay and conditions in comparison with the legal minimum for all Company employees</td>
<td>Major</td>
<td>Currently compliant, update as required.</td>
<td>No further requirement</td>
</tr>
<tr>
<td>6.5.2</td>
<td>Evidence that contractors have agreed to meet legal minimum terms and conditions</td>
<td>Major</td>
<td>Write to all contractors informing them of their obligation to pay the legal minimum wage.</td>
<td>Contractor compliance HR Manager Mar-10</td>
</tr>
<tr>
<td>6.5.3</td>
<td>Labour laws, union agreements or direct contracts standards income employment detailing payments and conditions of employment (e.g. working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice, etc.) are available in the languages understood by the workers or explained carefully to them by a management official.</td>
<td>Minor</td>
<td>Currently compliant, update as required.</td>
<td>No further requirement</td>
</tr>
<tr>
<td>6.5.4</td>
<td>Where companies provide housing, water supplies, medical, educational and welfare amenities they adhere to national legislation (not applicable to smallholders).</td>
<td>Minor</td>
<td>Currently compliant, update as required.</td>
<td>No further requirement</td>
</tr>
<tr>
<td>6.5.5</td>
<td>Where no such public facilities exist, companies will actively lobby government to provide such facilities.</td>
<td>Minor</td>
<td>Continue to work closely with government to provide and improve standard of facilities using the Tax Credit Scheme where possible</td>
<td>Improved facilities GM Mar-10</td>
</tr>
</tbody>
</table>
6.5.6 Growers and millers demonstrate a suitable, adequate and effective systematic approach to the provision of adequate facilities. | Minor | Improve quantity and standard of housing as Capital Expenditure budgets permit. | Improved housing standards | GM | Dec-11 |

6.6 The employer respects the right of all personnel to form and join trade unions of their choice and to bargain collectively. Where the right to freedom of association and collective bargaining are restricted under law, the employer facilitates parallel means of independent and free association and bargaining for all such personnel. | 6.6.1 Compliance with the PNG Industrial Organisations Act - being the Act to provide for the registration and control of industrial organisations. | Major | Currently compliant, update as required. | No further requirement |

6.6.2 A published statement in English or Tok Pisin recognising freedom of association. | Minor | Update employee handbook | Improved compliance | HR Manager | Mar-10 |

6.6.3 Documented minutes of meetings with main trade unions or workers representatives. | Minor | Currently compliant, update as required. | No further requirement |

6.7 Children are not employed or exploited. Work by children is acceptable on family farms, under adult supervision, and when not interfering with educational programmes. Children are not exposed to hazardous working conditions. | 6.7.1 Documentary evidence that minimum age requirement (16) is met. | Major | All new employees must provide clinic book as evidence of age. | Updated personnel database with accurate age records. | HR Manager | Jun-10 |

6.8 Any form of discrimination based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, or age, is prohibited. | 6.8.1 A publicly available equal opportunities policy as per the constitution of PNG. | Major | Revise Discrimination Policy and reword as "Equal Opportunity Policy" | HR Manager | Mar-10 |

6.8.2 No constitutional infringements | Major | Compliant | No further action required |

6.9 A policy to prevent sexual harassment and all other forms of violence against women and to protect their reproductive rights is developed and applied. | 6.9.1 A policy on sexual harassment and all other forms of violence and records of implementation. | Major | Compliant | No further action required |

6.9.2 Compliance with labour laws on breastfeeding. As a minimum, two 30 minute leave of absences per day. Such periods to count as normal working hours. | Major | Compliant | No further action required |

6.9.3 A specific grievance mechanism is established. | Minor | Compliant | No further action required |

6.10 Growers and mills deal fairly and transparently with smallholders and other local businesses. | 6.10.1 Current and past prices paid for FFB shall be publicly available. | Major | Currently compliant, update as required | No further requirement |
<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Compliance</th>
<th>Action</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.10.2</td>
<td>Pricing mechanisms for FFB and inputs/services shall be documented (where these are under the control of the mill/plantation)</td>
<td>Major</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
</tr>
<tr>
<td>6.10.3</td>
<td>Evidence that every effort has been made to ensure that all parties understand the contractual agreements they enter into, and that contracts are fair, legal and transparent.</td>
<td>Minor</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
</tr>
<tr>
<td>6.10.4</td>
<td>Agreed payments shall be made in a timely manner</td>
<td>Minor</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
</tr>
<tr>
<td>6.10.5</td>
<td>EFB freely available to be collected by smallholders but not to be closer than 500m to the nearest dwelling due to nuisance flies and smell.</td>
<td>Minor</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
</tr>
<tr>
<td>6.11</td>
<td>Growers and millers contribute to local sustainable development wherever appropriate.</td>
<td>Minor</td>
<td>Document meetings with LLG and other local communities</td>
<td>Projects are identified with involvement of local communities.</td>
</tr>
<tr>
<td>7.1</td>
<td>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.</td>
<td>Major</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
</tr>
<tr>
<td>7.1.1</td>
<td>Independent impact assessment, undertaken through a participatory methodology including external stakeholder groups (EIA - PNG Law &gt;1,000ha)</td>
<td>Minor</td>
<td>Document meetings with LLG and other local communities</td>
<td>Projects are identified with involvement of local communities.</td>
</tr>
<tr>
<td>7.1.2</td>
<td>Appropriate management planning and operational procedures.</td>
<td>Minor</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
</tr>
<tr>
<td>7.1.3</td>
<td>Where the development includes an out grower scheme, the impacts of the scheme and the implications of the way in which it is managed should be documented and a plan to manage the impacts produced</td>
<td>Minor</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
</tr>
<tr>
<td>7.2</td>
<td>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.</td>
<td>Major</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
</tr>
<tr>
<td>7.2.1</td>
<td>Soil suitability maps or soil surveys adequate to establish the long term suitability of land for oil palm cultivation should be available.</td>
<td>Major</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
</tr>
<tr>
<td>7.2.2</td>
<td>Topographic information adequate to guide the planning of drainage and irrigation systems, roads and other infrastructure should be available</td>
<td>Major</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
</tr>
<tr>
<td>Section</td>
<td>Description</td>
<td>Evidence/Deliverable</td>
<td>Compliance</td>
<td>Update Requirement</td>
</tr>
<tr>
<td>---------</td>
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</tr>
<tr>
<td>7.3</td>
<td>New plantings since Nov 2005, have not replaced primary forest or any area required to maintain or enhance one or more High Conservation Values</td>
<td>7.3.1 Evidence of an assessment of High Conservation Values that has been made by suitably qualified and experienced persons prior to any conversion</td>
<td>Major</td>
<td>Currently compliant, update as required</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7.3.2 Dates of land preparation and commencement are recorded.</td>
<td>Major</td>
<td>Currently compliant, update as required</td>
</tr>
<tr>
<td>7.4</td>
<td>Extensive planting on steep terrain, and/or on marginal and fragile soils, is avoided.</td>
<td>7.4.1 Where limited planting on fragile and marginal soils is proposed, plans (including maps) shall be developed and implemented to protect these soils thus minimising adverse impacts.</td>
<td>Major</td>
<td>Currently compliant, update as required</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7.4.2 No planting on slopes in excess of 25°</td>
<td>Minor</td>
<td>Currently compliant, update as required</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7.4.3 No planting on contiguous areas of peat soils &gt;3m deep and &gt;150ha in extent</td>
<td>Minor</td>
<td>Currently compliant, update as required</td>
</tr>
<tr>
<td>7.5</td>
<td>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 views through their own representative institutions.</td>
<td>7.5.1 This activity should be integrated with the SEIA required by 7.1</td>
<td>Major</td>
<td>Currently compliant, update as required</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7.5.2 Evidence that every effort has been made to ensure that all parties understand the contractual arrangements they enter into, and that contracts are fair, legal and transparent.</td>
<td>Minor</td>
<td>Currently compliant, update as required</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7.5.3 Documented system for access to customary land is publicly available</td>
<td>Minor</td>
<td>Currently compliant, update as required</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7.5.4 Where new plantings are considered acceptable, management plans and operations should maintain sacred sites. Agreements with indigenous peoples, local communities and other stakeholders should be made without coercion or other undue influence. Relevant stakeholders include those affected by or concerned with the new plantings.</td>
<td>N/A</td>
<td>Currently compliant, update as required</td>
</tr>
<tr>
<td>7.6</td>
<td>Local people are compensated for any agreed land acquisitions and relinquishment of rights, subject to their free, prior and informed consent and negotiated agreements.</td>
<td>7.6.1 Evidence that the issue of compensation has been discussed with the relevant local people in the SEIA process</td>
<td>Major</td>
<td>Currently compliant, update as required</td>
</tr>
<tr>
<td>Section</td>
<td>Description</td>
<td>Compliance</td>
<td>Update Required</td>
<td>Notes</td>
</tr>
<tr>
<td>---------</td>
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<td>-------</td>
</tr>
<tr>
<td>7.6.2</td>
<td>Documented identification and assessment of legal and customary rights.</td>
<td>Major</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
</tr>
<tr>
<td>7.6.3</td>
<td>Establishment of a documented system(s) for identifying people entitled to compensation</td>
<td>Major</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
</tr>
<tr>
<td>7.6.4</td>
<td>Establishment of a system for calculating and distributing fair compensation (monetary or otherwise)</td>
<td>Minor</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
</tr>
<tr>
<td>7.6.5</td>
<td>Communities that have lost access and rights to land for plantation expansion are given opportunities to benefit from plantation development.</td>
<td>Minor</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
</tr>
<tr>
<td>7.6.6</td>
<td>The process and outcome of any compensation claims should be documented and publicly available.</td>
<td>Minor</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
</tr>
<tr>
<td>7.7</td>
<td>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 practice.</td>
<td></td>
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<tr>
<td>7.7.1</td>
<td>Land preparation by burning should be avoided, however if used, under exceptional circumstances, evidence of controlled burning as specified in ASEA guidelines or other regional best practice</td>
<td>Major</td>
<td>Burning is not used. Not applicable</td>
<td></td>
</tr>
<tr>
<td>7.7.2</td>
<td>Documented explanation where fire has been used for preparing land for planting.</td>
<td>Major</td>
<td>Not applicable</td>
<td></td>
</tr>
<tr>
<td>7.7.3</td>
<td>This activity should be integrated with the SEIA required by 7.1</td>
<td>Major</td>
<td>Not applicable</td>
<td></td>
</tr>
<tr>
<td>8.1</td>
<td>Growers and millers regularly monitor and review their activities and develop and implement action plans that allow demonstrable continuous improvement in key operations.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.1.1</td>
<td>The action plan for continual improvement should be based on a consideration of the main social and environmental impacts and opportunities of the grower/mill, and should include a range of indicators covered by these principles and criteria. These must include:</td>
<td>Major</td>
<td>Compliant - no further action required</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Reduction in the use of certain pesticides (4.6)</td>
<td></td>
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<tr>
<td></td>
<td>- Environmental impacts (5.1)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>- Waste reduction (5.3)</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>- Pollution and emissions (5.6)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Social impacts (6.1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.1.2</td>
<td>Timely response to all RSPO audit findings</td>
<td>Major</td>
<td>Currently compliant, update as required</td>
<td>No further requirement</td>
</tr>
</tbody>
</table>
Appendix “D”

Nonconformities, Corrective Actions and Observations Summary
Nonconformities against Major Compliance Indicators
8 Nonconformities against Minor Compliance Indicators
12 Observations/Opportunities for Improvement

Major Nonconformities (Detail)

Nil raised

Minor Nonconformities (Detail)

8 Nonconformities against Minor Compliance Indicators

Minor Nonconformities (Detail)

<table>
<thead>
<tr>
<th>RSPO Indicator</th>
<th>NCR Ref</th>
<th>Details</th>
</tr>
</thead>
</table>
| 2.1.2          | 1       | Minor NCR 2.1.2 There is no documented procedure for updating of information on legal requirements and how changes to laws are tracked.  
Corrective Action Plan  
HOPL is member of following professional bodies from which updates of legal changes are tracked; Employers Federation of PNG, Relevant Government Depts, Agencies & Statutory Bodies PNG Growers Association, Palm Oil Producers Association, OPRA Board, OPIC Board, West New Britain Chamber of Commerce, PNG NIWG Working Group, Rural Industries Council, PNG Law Society, HOPL Legal Representatives etc. Sustainability staffs regularly access the Pacific Legal Gateway (http://www.pacili.org/gateway/) to review, update and track any legal changes.  
Locally HOPL is member of Local Planning Committee through which updates on legal changes are tracked.  
An SOP is being prepared to document procedures for updating information on legal changes. |
| 4.3.5          | 2       | Minor NCR 4.3.5 There is no current Roading Maintenance programme in place for 2010 for either Ibana or Nava estates. The roading programme for Hargy Estates is not dated indicating programme year  
Corrective Action Plan  
1. Road work program for Navo Estate is in place as per budget allocation for 2010 with major work plan to commence at replanting fields upon completion of planting activity while other mature areas are programmed for periodic maintenance.  
2. For Ibana Plantation as per budget road work plan is to be carried out in March 2010 and July 2010. Continuous rains since December 2009 and first quarter of 2010 created wet conditions leading to deteriorating roads and attention given to repair roads as and when required.  
3. Similarly for Hargy Plantation, a progressive plan is in place with budget allocation, revised and updated in April 2010. With more road damage reappearing due to heavy down pour since January 2010. The road |
work repairs & maintenance is an on going exercise and subject to weather condition.

4. Maps and road design and specifications are in place with the Head of Estates.

| 4.5.2 | 3 | Minor NCR 4.5.2 The IPM Programme is not being monitored for new techniques used to control pests including the use of pheromones in Iban and planting of Tunera in Navo and Iban.

**Corrective Action Plan**

Pheromone is applied as per company Pest Management Plan. Agronomy staff will check records and update all SOPs for pest management including the field application of synthetic pheromones and the planting/enhancement of beneficial plants such as Tunera and others.

| 4.7.2 | 4 | Minor NCR 4.7.2 The following unsafe conditions were observed during this audit:

1. Small number of missing guard rails (Navo Mill)
2. Some of Gary’s boys not wearing safety footwear
3. Some workers not using hearing protection provided
4. Access to Emergency shower blocked
5. Some trip hazards in mill
6. Crane operator on FFB truck not wearing boots
7. Tractor carrying passenger without seating
8. Some safety signs needed
9. Electrical safety issues (although greatly improved)
10. Tippler access door be restricted

**Corrective Action Plan**

1. Navo mill to submit request for repairs of missing guard rails and repairs will be done by the end of June 2010.
2. Contractor has purchased safety PPE including work boots and issued to workers. OHS Officer visited and conducted safety briefings to contractor supervisors in March 2010, and will continue this periodically to ensure all contractors comply with PPE requirements at their work sites.
3. Workers in high noise areas of Navo and Hargy mills have been issued hearing protection and supervisors will ensure hearing protection is worn at all times
4. Access to emergency shower has been cleared. It is to be moved to a new location with better access.
5. Hazard trips in the mill has been cleared and will be monitored during scheduled monthly inspections
6. USE of correct PPE has been communicated to workers via safety briefings, Toolbox meetings and musters point discussions. Further safety awareness will be continued as required
7. Instructions has been given by HOPL management and supervisors will strictly ensure no passengers ride on the mudguard of tractors
8. Routine monthly inspections will identify sites requiring safety signs and appropriate signs will be posted as necessary.
9. New Electrical Manager has been recently appointed and much improved electrical standards are now maintained for all work sites
10. Stiffeners to be welded on the bottom plate to add
| 5.1.2 | 5 | Minor NCR 5.1.2 The Environmental Improvement Plan does not appear to be specific and account for each specific area and activity. The impact assessment appears to be generic.  
**Corrective Action Plan**  
The Environment Improvement Plan will be reviewed and specific activities referenced in the plan. The Impact assessment report will be revised and referenced to activities and will be site specific including specific timeframes to address issues highlighted. |
| 5.5.3 | 6 | Minor NCR 5.5.3 There was evidence of an attempt to burn domestic waste at both the Executive Housing complex and at the Hargy Office complex  
**Corrective Action Plan**  
HOPL has strict “no burn policy” and those responsible have been reprimanded. Awareness will be conducted for HOPL workers in Toolbox meetings, OHS meetings, Muster Point talks and other avenues as required. |
| 6.2.2 | 7 | Minor NCR 6.2.2. The records of meeting with ILG’s are at times are incomplete and the timetable for action are not at times clearly stated  
**Corrective Action Plan**  
All files will be checked and updated to show all meetings with ILGs are on file and timetable and other actions tracked for completion |
| 6.6.3 | 8 | Minor NCR 6.6.3 There were no records available of the latest meetings between the West New Britain Workers Union and Management of Hargy Oil Palm limited  
**Corrective Action Plan**  
Minutes of the latest meeting on 28 April, 2010 between HR Manager and the President of Hargy Branch of West New Britain Oil Palm Workers Union (WNBOPWU) has been obtained and filed in the RSPO filing system of Sustainability Department. HR Department will send copies of all meetings and correspondence with West New Britain Oil Palm Workers Union in future to Sustainability Department for filing. |
1. Observation 2.2.2 The boundaries where a small encroachment was discovered on the recent survey is marked by a boundary peg however the last row of Hargy Land could also be more clearly identified.

2. Observation 4.1.4 It is suggested that from time to time management show evidence of reviewing log sheets by signing them appropriately.

3. Observation 4.2.3 At times nutrients in the form of EFB is not taking place regularly in some areas – Ibara for example – it is acknowledged that heavy abnormal rain fall (over 3.6 metres first 3 months of 2010) has hampered application. However effort needs to be made to apply the EFB once rain clears.

4. Observation 4.4.2 – Due to heavy rain the Barema River has changed course and therefore previous buffer zones have been encroached by the river. It is suggested that new course is mapped and that palms near this fast flowing river are not harvested due to OHS issues and that the buffer is re-established at re planting (that if the river does not change course again). The new course as now been mapped.

5. Observation 4.7.4 Each area requires a standardised Safety meeting agenda and meetings are to be conducted after workplace inspections if possible.

6. Observation: 5.3.2 It appears that green waste is being placed in land fills and this should be discontinued. A sign is required to mark old landfills to prevent re-use at a later date. Also should attempt to recycle metal such as vehicle radiators rather than place in land fill. This would all improve with more awareness of the need to segregate waste.

7. Observation 5.4.2 The calculations of fuel used from non renewable sources should include transport costs and an estimate of contractors resource use

8. Observation 5.6.2 At times there appears to be gaps in the records of smoke emission monitoring – if this is during repairs or maintenance this should be noted on the report to remove any confusion.

9. Observation 6.3.1 A number of small complaints were made by Small Holders with regards to the picking up of FFB and marking the owner of the FFB accurately – although most of these were followed up the action take and date of action was not recorded in the Small Holder grievance book on some occasions.

10. Observation 6.5.3 The wording of the employment agreements should be amended to include “understood” as well as read and aware and also where the agreements is with someone who does not read English there should be a sign of by the new employee and the person who has explained the agreement to them.

11. Observation 6.7.1: It was school holidays when this audit was conducted and some children were “hanging around” some housing construction for teacher housing near Ibara although not working at all any children should be moved from any work areas.

12. Observation 6.10. HOPL in association with OPIC needs to ensure that all small holders are aware of the grievance procedure with regards to gate prices of FFB.
### Major Nonconformities (Detail)

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| **1.2.7** Compulsory Indicator: Plans and impact assessments relating to environmental and social impacts | AT 17 | There is no improvement plans available based on a time bound plan or the results based on the assessment done (e.g. SIA). This was in relation to the SIA completed for Barema development  
**Corrective Action:** Information for improvement plan is being gathered and once collated will be included in HOPL long term plan.  
Recommendations in the SIA report are being implemented through HOPL and its stakeholders. More awareness is being conducted through OPIC extension officers and HOPL. |
| **4.7.7** Records should be kept of all accidents and periodically reviewed. Recording of occupational injuries. **Suggested calculation:** Lost Time Accident (LTA) rate (either specify acceptable maximum or demonstrate downward trend). | AT 18 | At this stage HOPL are not keeping LTI's. It is unsure if all accident records are being kept and reviewed due to the reports in clinics being mixed with medical condition reports. It is also unsure if all accidents are being reported. At this stage there is no single method to record Injuries or Illnesses that occur that are work related  
**Corrective Action:** As of 1st August 2008 started collecting and analysing data on lost time work related injuries. Accidents are reported on a daily basis on lost time work related injuries using company standardize form which is used in all company clinics.  
A data base has been established and managed by HOPL Administration department. Updated data is collected from all clinics. |
| **5.3.1** Compulsory Indicator: Do you have a waste management and disposal plan including pesticide contaminated waste (ISO 14001). | AT 19 | A Major Non Conformance was raised due to the fact that high levels of pollution in the form of E.Coli and Total Coli readings in excess of allowable limits were recorded at Kera kera and these recording were not analysed to reduce drinking water contamination  
**Corrective Action:** Plans are now in place to relocate water supply source from an open river (prone to contamination) to a well or bore system.  
HOPL is now looking at long-term plan to treat all its water supply using UV system |
| **5.6.1** Compulsory Indicator: Has an assessment of all polluting activities been conducted, including gaseous emissions, particulate/soot emissions and effluent | AT 20 | However neither mills is retaining meaningful records of either gaseous or particulate/soot emissions to demonstrate that they are complying with legal limits. Readings from opacity metres are retained but these cannot be interpreted to give appropriate data. Therefore an assessment of levels of stack emissions has not taken place  
**Corrective Action:** Manual recording is now taking place using Ringelmann Chart. Results are analysed and recorded on a daily basis |
| **6.3.1** A documented system open to all affected parties, which resolves disputes in an effective, timely and appropriate manner and records the outcome | AT 21 | People are not aware about the grievance procedure and how to deal with complaints. People are not aware about the existence of a grievance procedure. They can’t even respond or resolve it effectively if they are not aware.......e.g. housing committees  
**Corrective Action:** Grievance procedure and policy have been translated into pidgin and awareness will be conducted with all leaders of Compound Peace and Good Order Committees, DMs and supervisors who will in turn interpret it to their respective employees |
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<td>4.3.6 A Management Strategy should be in place for fragile and problem soils; this should include maps of these soils</td>
<td>AT 01</td>
<td>There is strategy in place with regards to the management of fragile soils – should ensure that all maps include the soil types and records are to be maintained of any actions taken to improve fragile or problem soils. If any areas are not to be planted if soils are too poor this should also be place on the maps. <strong>Corrective Action:</strong> Soil suitability and soil type maps for existing estates are available</td>
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<td>4.4.1 An implemented water management plan in compliance with PNG DEC water extraction and discharge permits and including but not limited to: the monitoring of effluent BOD (mg/L) trend for previous twelve months, mill water use per tonne of FFB trend for previous 5 years, storm water, drains, nursery and domestic usage</td>
<td>AT 02</td>
<td>May need to introduce a formal water management plan. There is no formal plan but environmental permits allow water extraction to an agreed amount - this needs to be recorded and tracked. Hargy need to ensure water use is being tracked and include a plan to reduce use by monitoring leaks and wasting of available water. <strong>Corrective Action:</strong> A formal water management plan has been formulated and implemented. The plan addresses the management of water use by HOPL including stormwater management. A formal water management plan as now been provided dated 8.12.2009 – latest issues</td>
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<td>4.6.6 No herbicide to be supplied by the plantation to out growers without prior training and certification through a registered out grower management organisation. A re-certification course to be held every two years (to be in place by November 07). Out grower management organisations to actively discourage out growers from using insecticides on oil palm.</td>
<td>AT 03</td>
<td>Training is carried out through field days. Records of attendance at field days are recorded by the OPIC Extension officers. It is unsure if records of training for all small holders are available and that certificates are being issued. <strong>Corrective Action:</strong> It is HOPL policy not to supply herbicide to smallholders. Unless they hold a training certificate provided by a HOPL. HOPL does not promote the use of Agrochemicals by smallholders and is working with OPIC to create awareness in educating smallholders on issues of working with smallholders. Awareness is being conducted via newsletter and weekly radio program. Training of smallholders is being organized by OPIC. Policy will be developed and implemented. HOPL are training out growers and providing a certificated course</td>
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<td>4.7.2 All operations where health and safety is an issue have been risk assessed and procedures and actions are documented and implemented to address the identified issues. All precautions attached to products should be properly observed and applied to the workers</td>
<td>AT 04</td>
<td>Minor Nonconformity was raised with regards to ensuring that level of implementation is monitored through regular scheduled work place inspections. <strong>Corrective Action:</strong> Standard OHS meeting schedule has been established. Respective committees of each work areas have been advised to carry out workplace inspections prior to meeting taking place to ensure safety issues identified during inspections are discussed and meeting minutes are maintained. Regular inspections are now taking place with regards to OHS matters in all areas</td>
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<td>4.7.2</td>
<td>AT 05</td>
<td>Central MVWS checks all plants items when received new into workshop and serviced or repaired plants items - do not always have records supporting this activity but do have job cards that indicate repairs undertaken and any services. <strong>Corrective Action:</strong> MSDS have been obtained for most chemicals and products. MSDS for all products in workshop have been obtained and are current. <strong>MSDS is available MVWS</strong>. All vehicles going into workshop are checked by supervisor with requisition provided by department. Job cards are raised by workshop to carry out work. Once complete, key return to VWS office. Supervisor checks and test and if OK release of vehicle</td>
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| 4.7.3 Are all workers adequately trained to carry out their duties in a safe manner | AT 06 | Areas noted where workers were not carrying out their duties in a safe manner included: Passengers been carried on tractors with no seating provided, not using screen to protect bystanders when welding, using damaged electrical leads, not hanging electrical leads up to prevent damage - Comment: Although there are a few issue to still be addressed this area has improved vastly since the pre-audit and improvement continues  
Corrective Action: Instructions have been issued to drivers regarding sitting on tractors and trucks and often machineries that do not have seats. Potable welding screens will be made and utilized. Inspection of electrical leads will be carried out and damaged ones will be replaced – closed |
| 4.7.5 Accident and emergency procedures should exist and be tested at six monthly intervals. Instructions should be clearly understood by all workers. Procedures should be available in the appropriate language of the workforce. | AT 07 | A Minor Nonconformity was raised due to the fact that estates do not appear to be conducting accident drills e.g. Tractor Rollover and that Hargy Mill did not keep records of the evacuation drills  
Corrective Action: Emergency drills have now been conducted and recorded in most areas. Evacuation plan (volcano) has been formulated and implemented at Navo. Drills are held and recorded – at mills, estates and volcano training at Navo |
| 4.8.1 Is there a formal training programme which includes a regular assessment of training needs. Is it documented | AT 08 | There does not appear to be a formal training plan for all staff. The training programme is not formally documented  
Corrective Action: HOPL’s long term training plan has been formulated and is now in place for implementation. 2010 training plan was sighted and HOPL have appointed a training manager from March 2009. Records of training were being constantly updated |
| 5.6.2 Have significant pollutants and emissions been identified and plans to reduce them implemented | AT 09 | However in the case of stack emissions the level of pollution cannot be determined through lack of meaningful records and therefore reduction plans in this case are not meaningful  
Corrective Action: Records of POME discharge & monitoring of stack emissions are being maintained. We are now using Ringelmann Chart for monitoring stack emission. Results of monitoring have been analysed and available – Improved however observation raised due to gaps in reporting emissions with no explanation. |
| 6.1.3 A timetable with responsibilities for mitigation and monitoring, reviewed and updated as necessary, in those cases where the assessment has concluded that changes should be made to current practices | AT 10 | There is an action plan suggested in the SIA but to ensure action is taken time frames and responsibilities are needed and records in relation to any changes to procedures or implementation should be kept. Need to ensure action is taken time frames and responsibilities are needed and records in relation to any changes to procedures or implementation should be kept  
Corrective Action: Recommendations in the SIA report is being implemented through HOPL and its stakeholders. More awareness is being conducted through OPIC extension officers and HOPL. – SEIA Action plan sighted for Hargy, Navo and Barema |
| 6.2.2 Evidence of the Policy being implemented - maintenance of a list of stakeholders, records of all communication and records of actions taken in response to input from stakeholders and under the control of a nominated management official. | AT 11 | The Communication policy has not been implemented fully and need further integration within the company (different levels e.g. committees, supervisors etc). No stakeholders list is available in relation to action taken in response to input from stakeholders  
Corrective Action: Communication policy is in place and implemented. External grievance resolution procedure is available including procedure for dealing with external complaints. Employee grievance and disciplinary procedures hand book is in place for dealing with employee’s complaints. Our stakeholders list has been approved by top management |
and is available. Communication and grievance policies are in place. Stakeholder list is now available.

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<td>6.2.3 For environmental issues – does a documented consultation and communication procedures exists with a nominated company representative</td>
<td>AT 12</td>
<td>Environmental issues are reported upon but no official communication procedure exists with regards to environmental issues – however at this stage the formalisation on how to consult with interested parties has not been determined. <strong>Corrective Action:</strong> There is a procedure for reporting environmental issues. Depending on the severity of the environmental aspects, if issue of a major concern, report directly to DEC, if minor; report to top management for action to be taken upon. Spill from Ship in Jan 2009 was report to DEC and investigated. Also at Ibana spill of CPO was reported to DEC who investigated the incidence and cleared the report.</td>
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<td>6.5.3 Labour laws, union agreements or direct contracts of employment detailing payments and conditions of employment (e.g. working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice, etc) are available in the languages understood by the workers or explained carefully to them by a management official.</td>
<td>AT 13</td>
<td>The laws in relation to employees are available but no conditions are explained to the workers (also not in Pidgin yet). The workers should get carefully explained their conditions etc in local language by a management official and have this explanation documented and recorded. <strong>Corrective Action:</strong> Respective HODs. DM’s and supervisors have been informed to discuss in pidgin and own languages for every employee to understand terms and conditions as stipulated under the Employment Act. The Administration Department does the same upon recruitment. – records are kept of any explanations – This will be included in employment form for workers where required – it is not required for Executive staff.</td>
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<td>6.5.4 Do you provide adequate housing, water supplies, medical, educational and welfare amenities to national standard or above</td>
<td>AT 14</td>
<td>A formal plan is required as to when housing will either be completed or upgraded is required. This also includes conditions such as drinking water, rubbish collection and disposal, septic etc. <strong>Corrective Action:</strong> Every compound has its own water supply, standby gensets. Camp sanitation (rubbish) collection for every compound is scheduled twice a week and taken to landfill site. Septic waste is pumped out and dispose at septic waste pit at landfill site – A formal plan is in place and sent to Sipef and approved in Ovember2009.</td>
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<td>6.5.6 Do Growers and millers demonstrate a suitable, adequate and effective systematic approach to the provision of adequate facilities</td>
<td>AT 15</td>
<td>The company is committed to control the issues mentioned in 6.5.4 but will need to develop a time bound plan in which is shows it way forward. <strong>Corrective Action:</strong> The company generally ensure that employees are provided with the necessary facilities. There have been improvements with regards to toilets and showers in a number of areas with more planned in a time bound plan.</td>
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<td>6.11.1 Demonstrable contributions to local development that are based on the results of consultation with local communities</td>
<td>AT 16</td>
<td>HOPL needs to canvas more openly local residents and records their responses to HOPL activities and attempt to address these concerns where possible and at least document the outcomes. <strong>Corrective Action:</strong> HOPL has a close relationship with local communities in organizing social, economic, religious and educational activities. Stakeholders and local communities have formed committees to collaborate well with HOPL in implementing issues affecting them. HOPL assist in maintaining schools, police, Bialla Hospital etc HOPL makes significant contributions to the community – e.g. 2009 – Tax Credit Scheme – 850,000 kina – plus intangibles such as road maintenance, rubbish control,</td>
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**OBSERVATIONS / OPPORTUNITIES FOR IMPROVEMENT**

2.1.2 It is suggested that a record is maintained of these instances when enquiries have been made to determine the position in relation to these new permits etc.

2.1.3 HOPL through the EMS/OHS ensures that any law changes are tracked. It is not clear how this is completed for other law changes in other areas and this methodology could be incorporated into one procedure for all changes if not already incorporated.

4.3.5 This action could be recorded showing progress made in stabilising these roads to prevent excess erosion. In can already be noticed that the amount of wash aways is reducing along the main Navo road.

4.4.1 An observation was made that Hargy Oil Palm could carry out a regular survey to ensure that water courses are not affected by operations by undertaking random samples of areas where operations interact with water sources. **SADP World Bank have employed environmental officers for small holder projects to monitor the health of streams and water ways.**

4.5.2 It is unsure if a regular report is submitted by OPRA on status of all pest and disease on a regular basis – this could be followed up. **There is regular pest monitoring committee meeting held to discuss pests and diseases**

4.7.3 The main issue with regards to PPE remains the use of hearing protection in the loud mill areas – there are still times when hearing protection is not being used – but these instances are reducing.

4.8.3 Ensure names of smallholders who undertake training are recorded and a register is kept - **There is a register of attendees at field days and copies of training certs are kept**

5.3.1 There is a waste management plan in place and it is current. In estates there is a formal rubbish pick up at least weekly. This needs to be monitored to make sure it happens.

6.5.2 Pay Terms and Conditions are not available in the local language.

6.6.2 This is yet to be formalised and will be included in the employment for each employee and will be explained in the local language.