



PUBLIC SUMMARY REPORT

THIRD ANNUAL SURVEILLANCE ASSESSMENT (ASA3)

RAMU AGRI INDUSTRIES LTD (RAIL)

Lae, Morobe Province, Papua New Guinea

Report Author

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TABLE of CONTENTS

Page N^o

SUMMARY	1
Abbreviations USED	1
1.0 Scope of Certification Assessment	1
1.1 National Interpretation Used	1
1.2 Certification Scope	1
1.3 Location and Maps	1
1.4 Description of Supply Base	4
1.5 Date of Plantings and Cycle	4
1.6 Other Certifications Held	4
1.7 Organisational Information / Contact Person	4
1.8 Time Bound Plan for Other Management Units	5
1.9 Area of Plantation	5
1.10 Approximate Tonnages Certified	5
1.11 Date Certificate Issued and Scope of Certificate	5
2.0 ASSESSMENT PROCESS	6
2.1 Certification Body	6
2.2 Qualifications of the Lead Assessor and Assessment Team	6
2.3 Assessment Methodology, Programme,	7
2.4 Stakeholder Consultation and List of Stakeholders Contacted	7
3.0 ASSESSMENT FINDINGS	9
3.1 Summary of Findings	9
3.2 Detailed Identified Nonconformities, Corrective Actions and Auditor Conclusions (Also included as Appendix D)	29
3.3 Noteworthy Positive Components	29
3.4 Issues Raised By Stakeholders and Findings with Respect To Each Issue	30

LIST of TABLES

1. Mill GPS Locations	1
2. Plantation FFB Production	4
2A PK Production 2010 – 2011	4
3. Small holders and FFB Production	4
4. Age Profile of Company Estate Planted Palms	4
5. Estates Hectare Statement	5
6. Small holders Planted Area	5
7. Approximate Tonnages Certified	5

LIST of FIGURES

1 Location Maps	2-3
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List of Appendices

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

SUMMARY

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

Sustainable production of crude palm oil (36,577.2 tonnes CPO) and crude palm kernel oil (2,487.1 tonnes of CPKO).

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

ABBREVIATIONS USED

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

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

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

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

Supply chain module is SG.

1.2 Certification Scope

This certification assessment includes the production from ONE (1) Palm Oil Mill and 2 company owned plantations and Small holders.

1.3 Location and Maps

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

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

Table 1: Mill GPS Location

MILL	EASTINGS	NORTHINGS
Gusap	E 145° 59' 04.5"	S 06° 04' 23.5"

Figure 1 LOCATION MAP OF RAMU

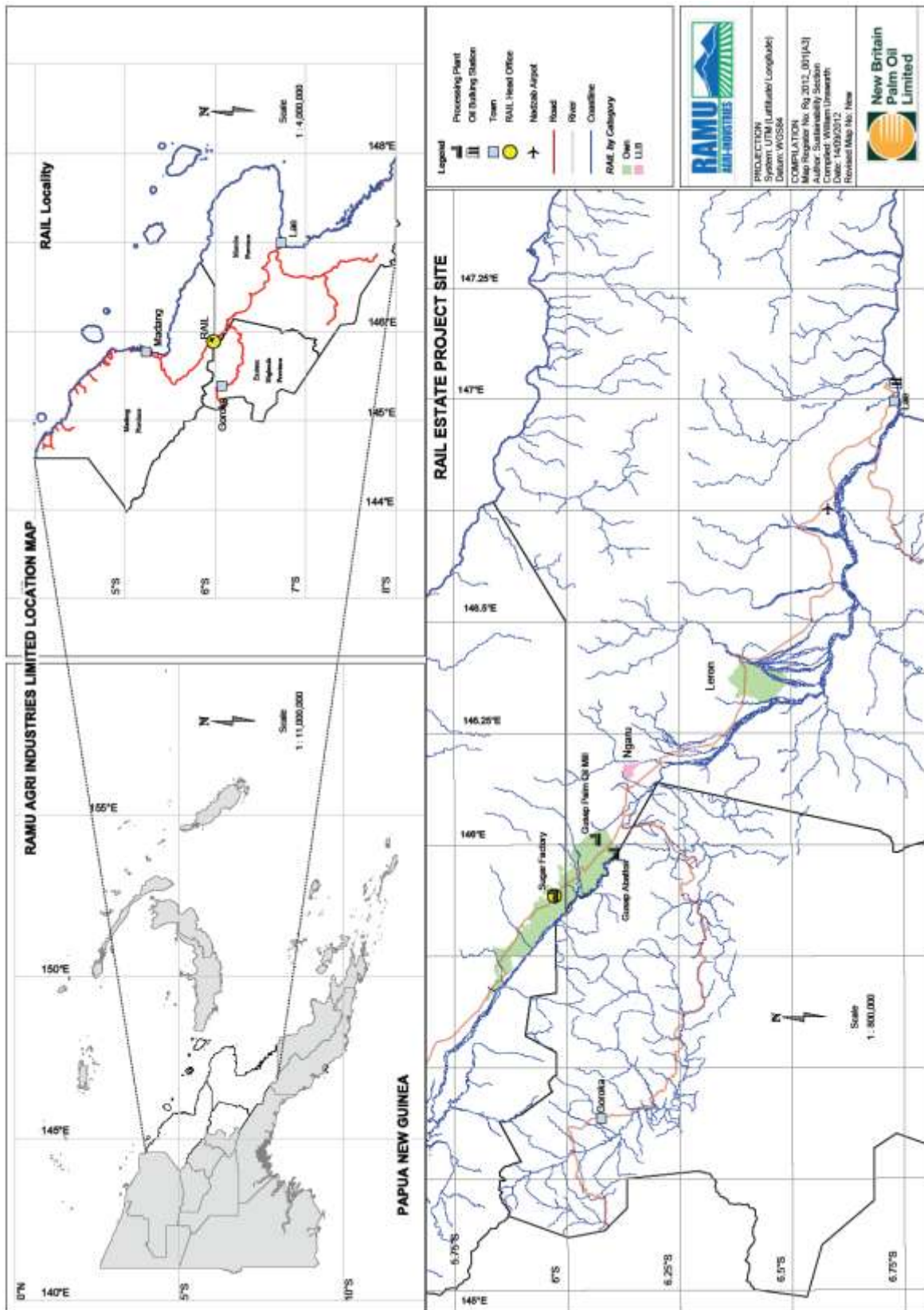
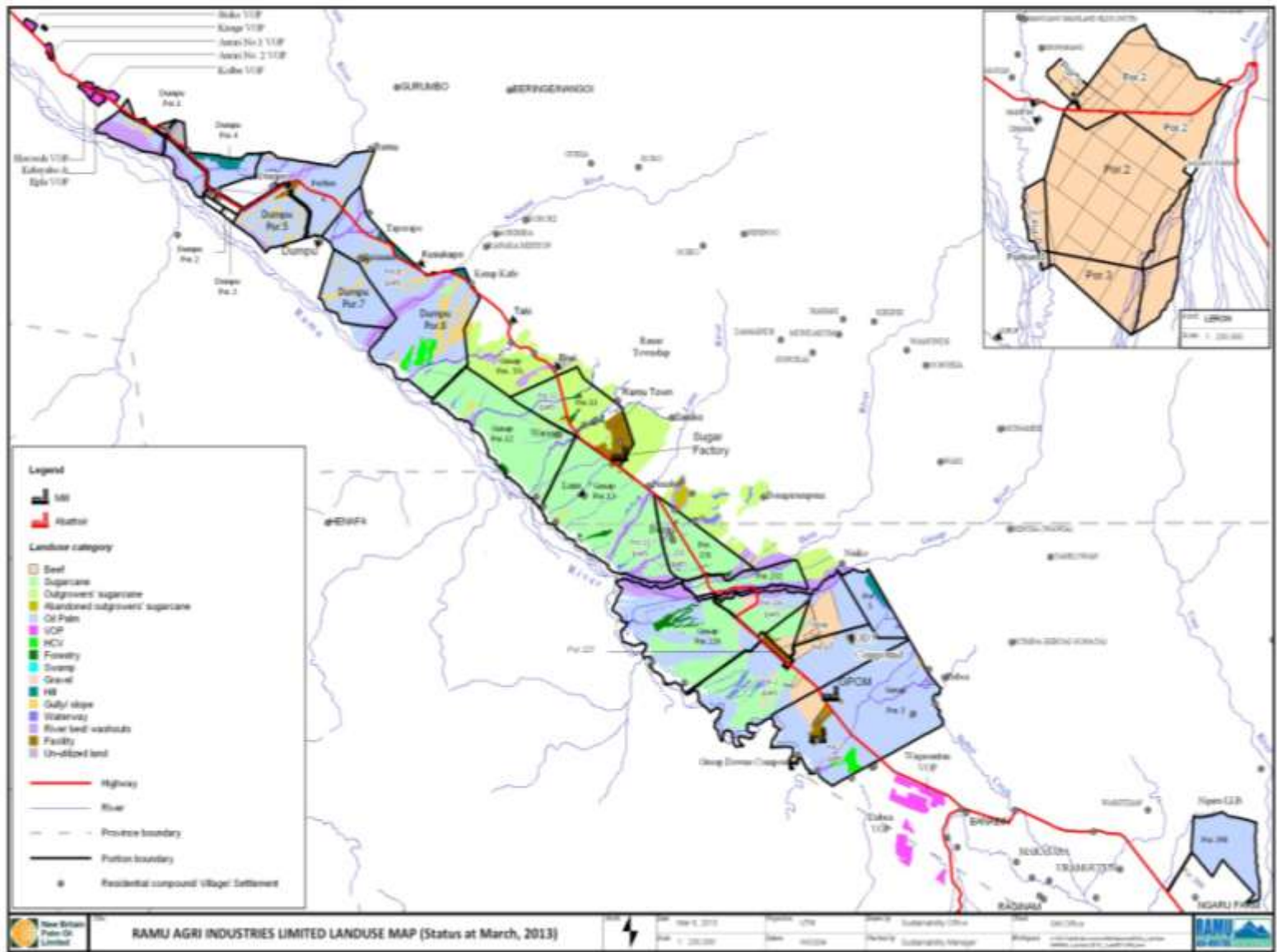


Figure 2 MAP OF RAMU LIMITS OF PLANTATION



1.4 Description of Supply Base

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

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

Table 2: Plantation FFB Production 2013

Plantation	FFB (tonnes) 2012	FFB (tonnes) Jan to 31 March 2013	FFB (tonnes) 2013 forecast
Gusap East	51777.7	15682	64805.4
Gusap West	27092.45	11494.72	40797.9
New Developments	0		0
Dumpu	10219.23	4956.96	17563.7
Surinam	10094.12	5073.46	19407.3
TOTAL	99183.55	37207.14	142,574

Table 2A PK Production 2010 - 2013

Year	Amount
2010	3,614
2011	4156
2012	4561
2013 As of March	1477

Table 2B PKO Production 2010 - 2013

Year	Amount
2010	1,111
2011	1,631
2012	1,716
2013 As of March	628

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

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

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

Table 3: Small holders and FFB Production 2012

Small holders (Total No)	FFB (tonnes) 2012	FFB (tonnes) Jan to 31 March 2013	FFB (tonnes) 2013 forecast
203	2522.50	1087.52	3396

1.5 Date of Plantings and Cycle

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

Table 4: Age Profile of Company Estate Planted Palms

Year	Age	Ha	%
2002	11	14	0.13%
2003	10	1064	9.59%
2004	9	995	8.97%
2005	8	146	1.31%
2006	7	1119	10.08%
2007	6	1344	12.12%
2008	5	1483	13.37%
2009	4	1167	10.52%
2010	3	2480	22.36%
2011	2	872	7.86%
2012	1	352	3.17%
2013	0	59	0.53%
Total		11093	100.00%

1.6 Other Certifications Held

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

1.7 Organisational Information / Contact Person

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

Contact Person: William Unsworth

Sustainability Manager
Phone: (675) 474 3236
Fax: (675) 474 3476

EMAIL: wunsworth@rai.com.pg

1.8 Time Bound Plan for Other Management Units

RAIL is part of a group owned by New Britain Palm Oil (NBPOL). NBPOL estates and mills in West New Britain were certified to PNG National Interpretation of the RSPO in 2008 and recertified in 2009 and 2010. RAIL has advised BSI that there are no land disputes, legal noncompliance's or litigations at its operations in PNG. In addition RAIL has not developed on HCVF as all the holdings are on previously existing Estates. RAIL has been assessed in using the PNG P & C March 2008.

Guadalcanal Plains Palm Oil Limited (GPPOL) comprises of a mill and approximately 6,000 ha planted to palms, in the Solomon Islands. This operation was certified in March 2011.

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

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

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

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

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

1.9 Area of Plantation

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

Table 5: Estates Hectare Statement

Plantations	Mature (ha)	Immature (ha)
Gusap East	2722.3	206
Gusap West	2226.44	393.81
New Developments (Ngaru)		898.86
Dumpu	2159.57	
Surinam	1573.87	912.62
TOTAL	8682.18	2411.29

The areas of Small holders planted palms listed in Table 6.

Table 6: Small holders Planted Area

Mature (ha)	Immature (ha)
260	122

1.10 Approximate Tonnages Certified

Table 7: Approximate Tonnages Certified 2012

MILL	CPO 2012	CPO 2013 Forecast	CPKO 2012	CPKO 2013 forecast
Gusap	26453.55	36577.2	1715.91	2487.1
TOTAL	26453.55	36577.2	1715.91	2487.1

1.11 Date Certificate Issued and Scope of Certificate

Scope

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

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

Inclusion of Small holders

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

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

Small holders

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

Small holders are not under any obligation or contract to supply to the mill but are associated to the company through geography and logistics. The Government National extension service is not yet present on Morobe Province in PNG. RAIL has therefore included Small

holders in the company wide awareness programs, compliance surveys and other RSPO related work

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

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

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

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

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

BSi examined in detail the smallholder survey database and concluded that the information showed the great majority of small holders met conformance with the relevant Indicators of the PNG NIWG (March, 2008). The validity of the smallholder survey results was tested by selecting a sample of 16 Small holders that were representative of a range of conditions and subjecting these to field audits. This figure is well in excess of the RSPO sampling guidelines and equates to 10% of small holders. BSi also interviewed Smallholder representatives who had been involved in the baseline survey and confirmed their knowledge of the relevant RSPO P&C's.

BSi concluded that the survey results for 130 Small holders plus the 16 physical audits and the interviews of the smallholder representatives provided substantive evidence of continued conformance with the RSPO P&C.

2.0 ASSESSMENT PROCESS

2.1 Certification Body

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

2.2 Qualifications of the Lead Assessor and Assessment Team

Allan Thomas Lead Assessor

Allan Thomas holds a tertiary qualification in commerce and accounting from Wollongong University in 1973 and has more than 22 years' experience in systems management and auditing of large organisations in construction, forestry, agriculture, manufacturing and in private and Government sectors both in Australia, South East Asia and the South Pacific. During the past 15 years, he has been the Manager of a large certification body based in Australia with responsibilities throughout SE Asia. He has performed over 160 comprehensive audits of management systems throughout the Palm Oil industry including Occupational Health and Safety, Environmental and Quality Management Systems. He has worked in Indonesia, Malaysia, Solomon Islands and PNG in the Oil Palm industry and performed RSPO audits in all 4 countries Allan has conducted over 3200 system audits in the last 16 years and controlled over 50 auditors when Certification Manager of SGS-ICS.

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

He has conducted Integrated Management assessments of a large number of palm and kernel oil mills and many

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

Mike Finlayson - Technical Expert Social

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

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

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

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

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

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

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

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

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

2.3 Assessment Methodology, Programme, Site Visits

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

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

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

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

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

Small holders were also included in this audit. A total of 16 blocks were audited out of the 130 smallholder blocks. This equates to a sample size of 10%. They were all Village Oil Palm (VOP).

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

2.4 Stakeholder Consultation and List of Stakeholders Contacted

Stakeholder consultation involved external and internal stakeholders.

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

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

A specific point was made to interview representatives of

the RAIL Oil Palm Workers Union during the course of this assessment as well as those representing the Sugar workers union.

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

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

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

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

List of Stakeholders Contacted

Company employees:

- **Jamie Graham, General Manager, RAIL**
- **Lastus Kuniata, Head of Research & Development, RAIL**
- **William Unsworth, Sustainability Manager, RAIL**
- **Ruari Macwilliam, Head of Oil Palm, RAIL**
- **Yongue Kambue, Medical Officer, RAIL**
- **Rebecca Minne, Training Officer, RAIL**
- **Phillip Young, HOD Administration**
- **Don Shipman, HOD CWS**
- **Greg Kirkpatrick, Stores Manager**
- **Ian Ellery, Community Relations Manager**
- **Ignis Ajaka, Industrial Relations Officer and Acting HR Manager**
- **Claire August, Welfare Officer**
- **John Komni, Smallholder Affairs Manager**
- **Alex Orme, Lands Officer**

- **Arjun Sanadi, Gusap Estate Manager**
- **Chris Smith, Head of Security**
- **Gusap Estate Management and staff**
- **Dumpu Estate Management and staff**
- **Surinam Estate Management and staff**
- **CWS Management and staff**
- **Central Stores Management and staff**
- **Thomas Bib, Division of Agriculture, Madang Provincial Administration**

Compound residents (names withheld):

- **Village 2, Ramu Compound (selected residents)**
- **Dumpu Compound (selected residents)**
- **Elizabeth Wangu, Haus Mama Representative**
- **Magdeline Klomes, Sports Representative**
- **Nancy Muliap, Mari Women's Representative**
- **Union:**
- **Jeffrey Gundu, President, Ramu Agri-Industries National Employees Union**
- **Hoffin Quenza, Treasurer, Ramu Agri-Industries National Employees Union**
- **Ae Novi, Vice President, Ramu Agri-Industries National Employees Union**
- **Vavine Ipi, Secretary, Ramu Agri-Industries**

National Employees Union/Community leaders/others:

- **Johanes Namele, Secretary – Dumpu Resource Owners Association**
- **ILG Ngaru 1**
- **Paul Pekorifa, Manager – Private Contractor**
- **Nabura Morisa, Local Leader**

Polou Sangi, Community Representative

- **Meetings were also held with:**
- **The Aridagin ILG executive and village leaders;**
- **The Dumpu Community, including counsellors, teachers, the DPI Officer and other community leaders;**
- **The Yaru Clan members, at Gusap, which included counsellors and other community leaders; and**
- **VOP growers and families in the Dumpu & Gusap areas.**

Other Local Government

- **Felix Icarpai, OIC - Gusap Health Centre, Madang Provincial Administration**
- **Provincial Division of Lands**
- **Department of Environment & Conservation**
- **Provincial Division of Health**
- **Provincial Division of Labour**
- **Provincial Division of Primary Industry**
- **Provincial Education Office**
- **Provincial Planning Office**

2.5 **Date of Next Surveillance Visit**

April 2014

3.0 **ASSESSMENT FINDINGS**

3.1 **Summary of Findings**

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

There were no further Nonconformities raised in during this assessment. 011.

Two (2) Observations were identified. Details of the Nonconformities and Observations are given in Section 3.2 (Page 30-31).

Six (6) Opportunities for Improvement were also identified.

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

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

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

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

RAIL ensures that any requests for information are recorded and makes records of any informal requests

and telephone enquiries. There is a procedure for dealing with all requests for information.(1.1.1)

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

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

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

There have been very few formal requests for information received since the recent assessment in August 2011.

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

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

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

All block holders hold relevant CLUAs.

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

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

1.2.1 Observation: The company list of publicly available documents has not been updated since October 2010 and is therefore not current.

Action: The company list of publicly available documents has now been updated as of February 2013 and is now available in many areas throughout the estate and mill areas.

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

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

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

The list of documents that can be made available on request includes but is not limited to:

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

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

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

Group Policies such as OHS, Environmental, HIV-Aids, Equal Employment Opportunities (1.2.2) and Sexual Harassment Policies are all available. RAIL has separate policies for the following: Health and Safety (1.2.6), HIV/AIDS, Sexual Harassment, Whistle Blower, Malaria and Domestic violence amongst others. These are also widely available in all operational areas. They are attached to notice boards throughout the operations of RAIL. The areas inspected all had in place current policies and they were on display.

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

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

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

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

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

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

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

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

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

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

Examples of methods of ensuring laws are being implemented include external re-conformation with such agencies as the Department of Conservation (DEC), Dept. of Labour, and Dept. of Health (DOH). This is further supported by internal physical inspections to ensure that certificates, permits etc. are current.

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

2.1.2 Minor Non Conformity The documented system which includes written information on legal requirements does not include information on the submission on Water Permit Environmental reporting.

Action: Minor NC closed. The documented system now includes information on submission of water permit reporting. The company has applied to DEC for umbrella permits which would restrict the number to 8 and therefore making this area much easier to manager. The PNG Government has agreed to this move and written evidence is available.

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

There is evidence that Permits, Licences and Certificates have been obtained and are up to date. RAIL has applied to DEC PNG for umbrella permits restricting this to 8 permits which would make it much easier to manage overall. The PNG government has agreed in writing to this move. All permits and fees have in been paid and receipts are available as proof.

There was also evidence available that Boiler Operators certificates were available at this assessment. There is evidence in place that all fees were paid on time and the no issue of current certificates is out of the control of RAIL.

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

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

Out growers are aware of the relevant customary, local and national laws. In many instances clan leaders have signed their family members as VOP block holders using the appropriate CLUA. The relevant CLUA's were available for all the small holders interviewed as part of this assessment.

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

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

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

Boundaries are normally landmarks (2.2.2) such as Roads and Rivers which have been identified through participatory means with the customary landowners. RAIL engaged a registered independent surveyor to identify the legal boundaries of its estates (Gusap, Dumpu and more recently Gnaru) in the last two years.

Boundary pegs also identify these boundaries and in addition they are located and marked via GPS and included in Satellite Imaging of all RAIL estates. During this assessment boundary pegs and other means of identification such as natural markers such as streams were sighted. Also sighted the recording of the GPS position of boundaries.

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

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

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

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

Records of any resolutions are maintained with Sustainability Manager.

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

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

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

See 1.1, there are no disputes on current smallholder blocks

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

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

All Land Titles are in place and current.

There are copies of negotiated agreements available detailing processes of consent - Copies of negotiated

agreements are available in Land Title Officer Office and with company lawyer. (2.3.5)

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

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

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

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

See 1.1 and 2.2

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

All small holders interviewed had in place and available the CLUA regarding each block respectively (2.3.7).

The smallholders associated with RAIL have proven that if given the correct training and information, and fertilisers, they can produce as well as the estates and are already around 20 tonnes per hectare.

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

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

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

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

There were also plans in place for extension of the estates via new lease – lease back arrangements and further developing small holder blocks.

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

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

The Five Year plan is reviewed on, at least, a yearly basis with the CEO of the Group. The latest review and update was completed in May 2012 and is due for further review in May 2013. This 5 year plan is already available in draft format awaiting review and approval.

The plan for oil palm continuity is very detailed.

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

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

These documents are available for Mill, Estates, Lae Bulk Terminal (LBT), Transport, Buildings departments, Clinics and all operational areas. Standard Operating Procedures (SOP) are in place for each station in the processing of palm oil production from weighbridge to storage.

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

A new Reverse Osmosis Plant has been constructed which has replaced the demin plant. A work instruction has been prepared for this operation. This reverse osmosis plant has less reliance on chemicals and as less bi-products and any residues are effectively dealt with.

For the mill there is in place a mechanism for monitoring (4.1.2) effectiveness of procedures. The shift supervisors check that all log books are completed for all SOP's and operations when required. This is done by completing each required inspection and signing the log book, a copy of which is kept by mill management and also includes planned scheduled inspections. The operators at the mill had completed the required log sheets at each station on the required timetable from the areas sampled. These log sheets are collected and reviewed on a daily basis. The log sheets are used to identify breakdowns and cases of wear and tear where breakdowns may be imminent. Any potential problems are also reported to prevent further breakdowns. Records of any service or repairs are also documented.

The recently constructed Palm Kernel Mill (2010) has in place SOP's. The production from this mill in Crude Palm Kernel Oil is recorded under CPKO. The SOP's are further

supported by routine regular scheduled preventive maintenance. This is planned and carried out under the Mechanical and Electrical Engineering divisions to ensure ongoing production capability is maintained and that operating machinery is safe. Any deviation from standard procedures is reported and followed up to ensure documented practices are being followed.

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

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

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

The 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 Head of Oil Palm who carries out regular extensive field inspections which are further supported by the issuing and circulating of an inspection report to the relevant sections. Any non-conformances are recorded and followed up in a specified time frame. These inspections occur monthly and include each division in each estate. The inspections are scored to indicate areas for improvement and record if improvements have been made since the previous inspection. Further inspections are also completed by the Plantation Inspector based in West New Britain at least quarterly. This is a more far reaching inspection to ensure product quality is maintained and correct practices are being followed.

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

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

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

RAIL has current soil maps in place. Soil sampling was completed by R&D Dept. during 2008-9 and reports are available which includes outcomes and

recommendations. This soil sampling also included maps of areas under planting. Evidence of soil sampling was available and was reviewed during the certification assessment. There is a further Soil sampling scheduled for completion later in 2013.

There is evidence of regular periodic tissue analysis (4.2.2) – the latest tissue analysis is being completed. This commenced with samples being collected in February 2013 and will be completed by the end of April 2013. These samples when collected will be sent to a certified lab in New Zealand for analysis.

Tissue analysis interpretation will then be available from the R&D Dept. which works closely with Hills Laboratory, New Zealand.

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

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

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

Maps are available of where by-products are applied.

Most of the smallholder blocks visited showed excellent agronomic management. All block holders were recycling palm fronds by laying them between rows of palms to allow for composting, household vegetable waste was also used to improve fertility. They were all applying fertiliser appropriately under the guidance of small holder affairs. All small holders interviewed were very aware of the use of cover crops to also maintain soil fertility. RAIL has continued to provide training to Small holders in these and a number of other areas through the small holders affairs department.

All small holders questioned were receiving fertiliser from the company including guidance of what to apply, when and where and how much on each occasion.

The end result is an equivalent yield to that achieved by the company estates.

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

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

There are maps produced from soil surveys done in 2003 and 2008 indicating different soil types for assisting in developing soil management strategies. A further soil survey is due for later this year to determine if there are any major changes to soils.

There are no known fragile or problem soils at RAIL (4.3.6).

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

There is no planting on the gentler slopes over 9° (4.3.2).

There is no peat at RAIL (4.3.4).

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

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

A plan for road maintenance including roads, blocks and time frames as well as budgets has been produced for 2013 for Gusap, Dumpu and the new area of Ngaru (4.3.5). This includes management of rainfall run off the plan is separated into two areas road maintenance and road surfacing.

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

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

4.3.1 Observation; There were 32 new VOP blocks planted since the 2011 audit and there was some concern about the adequacy of block preparation and training of new growers. The plantings were six months old and had received most had received no fertiliser to date. The palms were growing well and there is still time for further training “on the blocks” but fire protection remains a serious concern for the auditor.

Action: This area has now been improved and blocks cannot now be planted until blocks are adequately prepared and new small holders have received adequate training and demonstrate this competency. These are inspected by small holder’s affairs officers. There was no evidence of fire use by any small holders.

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

RAIL has issued a Water Management Plan which was updated in March 2013 (4.4.1).

The updated Water Management Plan has now been issued and is current and includes all water management strategies.

The General Manager has approved this revised water management plan.

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

The plan includes testing regimes and schedules for all water types. The plan identifies how the quality of domestic water is to be monitored in all areas and referenced the Department of Environment and conservation water quality criteria for PNG. Monitoring of water quality is now completed by an independent NATA accredited organisation that at this stage appear to provide records of samples much more readily.

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

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

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

RAIL monitors the water flow in the mill as a number of flow meters have been installed (records started. March 2009). Water usage is recorded and reported daily.

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

Hazardous Chemical residues prevented from entering water courses. Of particular note are the CWS, Buildings and Central Stores where management practices are in place to prevent chemicals and hydrocarbons from entering water course and drains – New drains have been constructed to improve these areas and these have proved to be very effective. There are no longer any reported occurrences during heavy rains of the CWS being flooded. All the drains now connect to a large

triple interceptor and control is much improved. Ongoing improvements are taking place in a number of areas to better control hydrocarbon and pesticide run off from taking place including completing construction of new drainage system in the workshop – stores areas which is now concreted and much more effective. These improvements have provided much improved protection for both ground water and surface water from possible contamination. A number of triple interceptors and sediment traps have now been completed and are proving to be effective in preventing pollution of storm water.

The riparian buffer zones are maintained in good condition (4.4.2). The buffers in existing plantations were inspected and found to be within the limits as prescribed by the environmental permits and logging code of practice for each estate. All permanent water courses have buffers in place and with signage indicating the location and extent. These are actually developing quite well and the Camp Sek sek area now looks to be flourishing. This is also true of the Arifaga Creek running through Gusap West estate. This has very steep banks however they appear to be quite stable. The planning does not encroach the buffer zone which is outside the limits set depending on the size of the water way.

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

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

Small Holders interviewed show clear understanding of these requirements. In fact the growers association is concerned that proposed large scale mini-estates may cause water quality problems.

Growers interviewed show clear understanding of the requirements and the techniques required to maintain the quality however more awareness on buffer zone requirements recommended particular for new growers.

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

There is an Integrated Pest Management Programme (IPM)(4.5.2) for specific pests which include at the time white grubs and broomstick. The Programme includes the following techniques – pest monitoring, selective use of chemical treatment, and encourage establishment of bio-control agents. This was recently reviewed and updated in January 2013. This included the status of all possible pests and included information on whether pests were present and in what numbers. None were seen to be in epidemic proportions.

Records of locations (4.5.3) and application timeframes for all chemicals used are kept as well as the a.i. x LD 50

of all chemicals used (4.5.1). There is a measurement of the amount of each pesticide used and type for each specific pest e.g. for White Grub - use confidor.

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

There is a twice yearly survey of oil palm pests which extends as far as Lae (well outside the estate boundaries). This was most recently completed in January 2013 and was available for review.

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

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

There was also a recent Ganaderma survey completed which showed there was no ganaderma in the immediate area.

The Intergrated Pest Management Programme (IMP) has been recently updated and includes the control of all pesticides and the methodology for both reducing use of pesticides and / or changing to less toxic chemicals. All pests and diseases which are identified are monitored constantly. The use of pesticides is being monitored and use is being reduced and data is kept.

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

All growers have recently received additional training in pesticide use. All "pesticide" use is by growers who have been trained in the application of herbicides and there was ample evidence of RSPO requirements and PPE. Pesticide is provided to trained (certificated) small holders in limited controlled amounts (5 litres every 3 months). All containers have in place correct labels and training is use storage and application of glyphosate – the only chemical supplied to small holders by RAIL.

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

There is a formal justification (4.6.1) for agro chemical use and this is documented within the management guideline specific for pesticide usage (MG6) which ensures that the most effective and least harmful

chemicals are always first choice and there is avoidance prophylactic and indiscriminate spraying. The justification includes what each pesticide is used for such as path and circle spraying or selective weed control.

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

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

No suitable alternative to paraquat has been identified by the RSPO at this time however it is not being used at RAIL.

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

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

Usage of pesticides is compared with records of previous year and this information is used to monitor and plan reduction in use. The records for 2012/13 so far indicate a reduction in the use of some pesticides on a pro rata basis.

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

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

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

- Pesticide Mixers
- Pesticide Sprayers

All mixers and sprayers interviewed for this assessment indicated that training was adequate (4.6.8). All were very aware of requirements for the use of pesticide and handling.

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

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

Action: Training material has now been amended gramoxone used has been deleted from all such training materials.

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

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

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

Where required MSDS are translated into the local language.

All areas where chemicals are stored (4.6.10) are adequately ventilated through cross flow ventilation. All chemicals containers are triple rinsed and pierced prior to being placed in the designated pesticide waste pit (landfill). Records of containers disposed are kept including numbers sent to landfill. These records all appeared to be kept up to date.

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

A number of recently constructed pesticide storage facilities which were built are providing better storage facilities for storage of chemicals in a secure locked area. All planned pesticide facilities have now been constructed and are now in use.

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

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

Health checks are conducted for pesticide operators. This is carried out by a medical officer on a twice yearly basis and records of these checks are kept in the relevant clinic. All pesticide operators/handlers had been screened between January and March 2013, and the company doctor maintains records of screening and schedule.

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

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

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

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

Small holders demonstrated that they use appropriate safety equipment and observe the precautions attached to products. They also demonstrated that they store chemicals away from children and other vulnerable people and dispose of waste material and containers safely.

There are no National regulations for disposal of chemical containers and the Small holders adopt the best practices introduced by RAIL.

Small Holders satisfy these criteria, where there is chemical use all standard operation procedures are instigated. Many growers abhor the use of “poison chemicals” and RAIL should encourage this non – use where there is sufficient labour.

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

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

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

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

RAIL has in place a health and safety policy (4.7.1) which has been implemented and is being monitored. The policy is widely available to all workers, visitors and contractors. The policy is publically displayed on notice boards and within documentation.

The plan was recently updated and issues in March 2013 and all areas visited have implemented and monitored this plan and this appears to be consistent in each place visited. The situation with regards to OHS has continued to improve steadily in the last 12 month.

Hazards and Risks have been identified for all operations and in all areas (4.7.2). This also includes the degree of risk as well as the controls in place. Procedures and plans are in place to address all operations. These have been distributed to all areas and to the respective managers and supervisors. This has recently been reviewed and a very comprehensive risk assessment has been published including all areas of operations with site specific hazards being identified whenever relevant.

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

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

4.7.2 Observation: Although overall management of Occupational health and Safety has improved there is an issue with regards to working at heights particularly with ladders use and fall protection. Ladders are being used as working platforms and are sometimes used unsafely.

Action: There is now a procedure in place which requires a work permit for all high risk activities and this includes working at heights over 1.5 metres for which a permit to work is used.

4.7.3 OFI. Although a permit to work at heights is now used there is an opportunity to include the use of mobile scaffold which has inherent hazards which require control.

RAIL has provided the required PPE appropriate to the task after the hazard has been identified and the risk assessed (4.7.3). The level of proper use of PPE remains at high levels for both workers and contractors in all areas including mill, workshops, estates etc. with very little evidence of non-use by anyone on site noted during this inspection.

Regular work place inspections now take place to ensure that the Health and Safety plan is being properly implemented in most places

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

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

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

4.7.5 Observation: There is regular testing of emergency procedures however this is largely restricted to fire drills. Other emergency situations such as vehicle accidents, chemical spills could also be tested.

Action: A number of emergency drills have been conducted in all areas visited with adequate records in place of the results of the drills. Even though some areas are now conducting drills other than fire there is still an opportunity to conduct drill in other work place emergencies.

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

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

All areas visited have regular meetings (at least bi-monthly and sometimes more often) to discuss OHS matters. Each area now has a standardised agenda and meetings are conducted after workplace inspections. All areas are now holding Tool Box talks to disperse current or topical information or to reinforce safety issues such as use of PPE. All these department meetings observations and issues feed into a combined meeting which covers all operations for RAIL which is chaired by the General Manager.

There are company clinics (4.7.6) on all plantation divisions and a centralised clinic at the Head Office compound. All are staffed by trained health workers and/or Registered Nurses who are on call 24 hours a day. The clinics are regularly checked to ensure they are hygienic and that sharps and medical waste is handled correctly.

The company also has Red Cross trained first aiders and uniform first aid kits in all field and mill work areas. The kits are checked and restocked regularly. A number of First Aiders are available in all work areas at all times including day and afternoon shifts. First aiders are named wherever possible on notice boards and also in each operational areas Emergency Response plan.

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

4.7.6 Observation: There are not enough first aiders in the mill to adequately cover all shifts and others needs to be trained to address this shortfall.

Action: There are now at least 3 trained first aiders in the mill which is an improvement on previous years and training of more first aiders is encouraged.

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

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

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

There are records in place for all incidents (4.7.7), injuries and also near misses (see observation above). There is consistency in the completion of the injury forms and this has been standardised throughout the company.

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

Growers who established their blocks in 2007 are aware of the potential for increased safety and injury issues as their palms grow to a height that requires sickles and poles. The small holders reviewed indicated that they had not received any serious injuries since they begin working on their blocks.

They are also aware that block hygiene is a critical safety issue.

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

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

Technical training needs are identified by Department Heads (4.8.1). This focuses on basic skills. The Training Officer prepares an annual training program that includes some specialised training and more generic training (e.g. health and safety, company policies). The annual training program is prepared on advice from Department Heads and the results of annual staff appraisals.

The majority of training is in the form of short courses, most often conducted by RAIL staff and to a lesser extent by external specialists. Training records are maintained by the Department Heads and Training Officer. Health staff participates in training provided by the Department of Health, and the two doctors at the Gusap Clinic provide in-service training to other officers.

RAIL also has 34 apprentices and 4 graduate development officers and provides work placements for vocational students from nearby training institutions.

A check-list is used when providing induction training, which is provided by the HR and Sustainability Sections and the relevant Department. Inductions cover payments and conditions of employment. Records of induction training are maintained.

Opportunity for improvement: The induction checklist might usefully include reference to (i) superannuation and (ii) the 'housing gap' entitlement (which is a payment for those employees not provided housing), although there does not seem to be any problem relating to either superannuation or 'housing gap' payments at present.

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.

There are formal training records (4.8.2) 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 Administration department.

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

Training records are therefore kept for all employees.

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

Each local office also has records of formal training.

Training of small holders is being implemented by RAIL and all new small holders are being included and certificate issued once training is complete (4.8.3). This training is done through field days, awareness sessions

and the company newsletter. The names of all Small holders who undertake training are recorded and a register is kept by RAIL.

All block holders interviewed responded that they passed on any training to their families and any other workers who would be mostly of the extended family. Most block holders work their own blocks. In the absence of OPIC and a reliable DAL extension service the company has undertaken to train small holders.

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

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

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

Environmental Impacts are being continually reviewed as techniques or operations change. This is completed at least bi-annually.

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

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

5.1.2 Minor NCR. The environmental improvement plan is not being monitored to show implementation of measures that improve performance and is not always updated to show any progress which has been made by the nominated date – this Minor NCR was not addressed and items in the improvement plan from

2010 do not appear to have been addressed at the time of the assessment however action has been taken and therefore this was not be elevated to a Major NC

Action: The Environmental Improvement Plan is now regularly updated in all areas. The plan indicated aim and objectives and the amount that has been achieved and also includes a follow up date where required for all items in the plan. The latest update was in March 2013 with further reviews planned throughout the year.

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

The new small holder blocks have been designed to avoid HCV areas and buffer zones along small watercourses and the growers demonstrated awareness of the value of conserving and improving natural ecosystems.

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

This audit showed improving awareness by growers in the requirements for environmental impact reduction and maintenance or re-establishment of buffer zones along water courses.

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

There was an assessment of the presence of HCVs within and adjacent to the RAIL plantations prior to the initial assessment in 2010 (5.2.1). The PNG National Interpretation of the HCV Toolkit was used. All of the land within the plantations has previously been used for other agricultural purposes and had previously been extensively logged.

The HCV studies include details on the status of endangered, rare and threatened species (5.2.2). The conservation assessments did not identify any rare, threatened or endangered species of fauna within the plantations or adjacent areas (5.2.3).

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

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

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

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

Signage has been improved and where available in all areas indicating the status of each area and discouraging hunter, fishing burning and other activities.

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

Company employees are prohibited from the hunting and taking of fauna from the plantation and adjacent land. Sign boards (5.2.5) have been posted adjacent to buffer zones and other conservation set aside advising of the protected area. Any legal requirements within any areas are applied and enforced by RAIL management.

The signs which have been erected to discourage illegal activities such as hunting, gardening and burning do now recognise RAIL as the authority of issue.

RAIL requires employees and the employees of contractors have signed an agreement that they will not hunt fish or utilise other subsistence resources.

Inspection during this assessment indicated there was no inappropriate hunting, fishing or collecting activities in the RAIL areas noted. RAIL is discouraging people to encroach into the buffers.

Some of the identified areas e.g. the remnant rainforest known as Kam Sek Sek and the Sasip wetlands continue to be good sources for tree seeds and seedlings for transplanting into the extended areas of buffers around refugia and along the watercourses.

Wildings showing signs of recent germination, such as the presence of cotyledons are ideal for transplanting into buffer zones either under current weed species are being gradually removed.

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

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

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

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

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

This has been further emphasised through the planting approval process (controlled by RAIL) where the requirements for independent small holders have been explained as well as through repeated RSPO awareness sessions.

The new block owners have established Oil Palm on degraded areas and growers expressed the availability of other areas for their food growing and conservation.

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

The waste management plan is presented in a separate management guideline (5.3.2). (MG 8) and includes pesticide contaminated waste. The waste management plan is up to date and in place at all operations.

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

The company's aspects register formally identifies all sources of pollution and waste and states their impacts and required mitigation measures. This register is updated at least bi-annually or when new waste sources become apparent. The most recent update was in March 2013 when the Waste Management Plan was updated following review.

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

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

- Mill Effluent – through effluent ponds and land application.
- EFB other by products – Recycled to the field
- Fibre by-product – Fuel for furnace.

- Oils and Hydrocarbons (including containers) to Hydrocarbon pit or recycled
- Hydrocarbon spills treated with sawdust then Burnt in boiler.
- Used oil – recycled, burnt in boiler.
- Pesticides (including containers which are triple rinsed, punctured and to pesticide pit. There no regulations in PNG with regards to the disposal of pesticide containers and RAIL therefore adopt company best practice)
- Pesticide spills – cleaned with spill kits used kits sent to pesticide pit.
- Office Waste – segregated, recycled where possible with rest to the landfill.
- Household waste – segregated, recycled where possible with the rest to the landfill.
- Human waste – Septic and soak a-ways.

Landfill sites are in place for all areas. All landfill sites are now well managed and sign posted. A caretaker has been appointed for both areas. These land fill sites are now a credit to all at RAIL. There is no wind-blown rubbish and very little odour – all are a substantial distance away from any residential areas. The efforts at segregation are improving and in land fill areas there is little evidence of mixed waste. In the company compounds houses are provided with two bins one for land fill waste and other for recyclable material. The land fill at Surinam Estate is especially effective and techniques for managing the land fill continue to improve to the extent that areas are now covered and compacted as they progress.

The garbage collection system in each staffing compound includes separate bins for green waste and other household garbage. The green waste is recycled and utilised for agriculture. The remaining household garbage is buried in land fill sites which are adequately fenced and managed. Septic systems at Ramu are pumped into tankers and disposed of in a marsh area, well away from residential areas, and the area has had earthworks to prevent runoff occurring.

The collection of household waste is well controlled. There are formal rubbish collections in all areas at least twice weekly in the compounds. This is monitored regularly. The green waste is recycled and utilised for agriculture. There is very little evidence of any littering in any of the compound areas.

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

Separate Pesticide, Hydrocarbon and General waste areas are provided for each estate including Surinam, Gusap and the main compound.

Pesticides are a source of pollution and ground and surface water contamination. The control of their disposal has been stated previously in this summary. The control of hydrocarbons has also been addressed elsewhere in this report.

Medical waste from RAIL's three field clinics are separated (general waste, medical waste and sharps), stored in appropriate containers and brought to the main clinic at Gusap Downs for disposal. The main clinic has an incinerator and has plans to construct a second as a back-up. Appropriate documentation is maintained.

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

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

Small holders do not live on their blocks so domestic waste is minimal. RAIL discourages (emphatically) the use of fire on the smallholder blocks and provides training in the safe disposal of waste materials and containers. Wildfires occasionally damage blocks and the use of green cover crop and firebreaks should be further encouraged (particularly at Isitin). New growers are now provided with green cover crops to decrease the growth of grasses and prevent erosion. Currently many new blocks do not have relevant cover crops however this is quickly being addressed by RAIL small holder affairs.

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

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

RAIL provides records of both monitoring of kilowatt hours per tonne of palm product and Kilogram of steam per tonne FFB (5.4.1).

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

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

At present steam is around 80% of energy provided in the processing of the oil palm.

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

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

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

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

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

Burning of domestic waste is against company policy and has been mostly eradicated. It is very rare to sight evidence of the burning of domestic waste by workers and families of RAIL. There was no evidence of domestic burning sighted at any time during this inspection (5.5.3).

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

The small holders are disposing of their waste in a responsible manner by mixing the organic waste with the pruned fronds and using a pit disposal method for other household waste. RAIL has a strong "No Fire" Policy throughout its operations and those of Small holders.

New growers have manually established fire breaks around their blocks and did not use fire in the preparation of the blocks before planting. There was no evidence of fire being used by small holders for block clearing.

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

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

RAIL is keeping adequate records of mill emissions and effluent including critical data such as Smoke emissions, BOD levels, Total Suspended Solids and Oil & grease as required by the relevant environmental permits. They are all below allowable limits and RAIL has aims which they have set themselves which are below the limits set by the relevant government entity.

Significant pollutants and emissions have been identified within the Environmental Impacts register and plans are

in place to reduce impacts via the Environmental Improvement Plan.

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

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

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

Records are now in place for over twelve months of these readings.

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

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

RAIL has a social impacts register (indicator 6.1.1) that includes a timetable with responsibilities for mitigation and monitoring (indicator 6.1.3). The register is also used to demonstrate continuous improvement (indicator 8.1.1).

The register is updated on a regular basis.

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

Both initiatives continue to provide background data to develop strategies to guide the Company in the

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

It should also be noted that some social impacts will not be the responsibility of RAIL. While the main social impacts should be identified, some mitigation strategies may be the responsibility of external stakeholders (such as provincial government). While RAIL should not be held responsible for any such impacts, RAIL (or the liaison committee) may need to engage with external stakeholders and encourage their involvement in addressing local issues.

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

6.1.3 Minor NCR Although progress has been made since the previous audit, further work is required in the preparation of mitigation strategies that address key social impacts, including establishing a baseline and nominating targets and a timeframe, so mitigation strategies can be monitored and assessed on a periodic basis. The social action plan (required as part of the overall continuous improvement plan), dated August 2011, must be updated on a periodic basis to (i) include new or emerging social impacts/issues, (ii) include new or revised mitigation strategies, and (iii) reflect progress in implementing mitigation strategies. Progress has been noted in the development of mitigation strategies for housing, domestic violence and local recruitment, but the mitigation strategies and/or progress in implementing these mitigation strategies have not been reflected in the plan. [Nor does the plan contain baseline data for indicators that shall be used to monitor progress in implementing mitigation strategies, as discussed further under Indicator 8.1.1]. at the time of the assessment however action has been taken and therefore this was not be elevated to a Major NC.

Action: The social impact register was not up-to-date during the 2012 assessment. Since the assessment the register has been updated periodically and includes (i) new or emerging social impacts/issues, (ii) new or revised mitigation strategies, and (iii) progress in implementing mitigation strategies.

The Company has responded adequately and the non-compliance has been closed out.

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

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.

Since the 2012 assessment RAIL has updated the list of stakeholders and prepared a Community Engagement Framework. The Community Relations Manager has a calendar of engagement events (with external stakeholders), and is engaging with a wide range of external stakeholders on a regular basis. The appointment of a Community Relations Manager, which is focusing on external stakeholders, is proving to be an effective approach to more effective communication and building stronger relationships.

There is also extensive communication between:

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

RSPO highlights the need for effective communication with all affected parties (indicator 6.2.1). There may be an opportunity for improvement through the preparation of 'tok pisin' versions of Company policies that focus specifically on the key points (rather than a word for word translation of policies that can be exceedingly long for people with relatively limited literacy). Each major stakeholder groups have been identified and specific communication strategies are to be articulated.

6.2.2 Minor NCR. Although a list of stakeholders and guidelines for communication have been prepared, further work is required in actually conveying information to key stakeholders and ensuring this information is disseminated broadly within each stakeholder group. Various attempts have been made to quantify the main stakeholders. Further work is required to summarise whom in the Company is responsible for communicating with different stakeholders and how/how often this communication is undertaken. This should include, for example, the meetings between the Lands Section and ILGs/landowners, and the Smallholder Affairs Section and VOP growers. Providing a summary of the key issues for each stakeholder may help in developing an appropriate communication strategy. In addition, someone within RAIL must be identified as managing the communication strategy, which should include reviewing and updating the strategy on a periodic basis, and ensuring adequate records of communication with stakeholders are maintained. This was not adequately addressed at the time of the

assessment however action has been taken and therefore this was not be elevated to a Major NC.

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

Action: There was inadequate evidence of effective communication with key stakeholders during the 2012 assessment. The newly appointed Community Relations Manager has updated the list of stakeholders, prepared a Community Engagement Framework, prepared a calendar of engagement events, and is improving the engagement with a wide range of external stakeholders.

The Company has responded adequately and the non-compliance has been closed out.

Much of the initial information that is being conveyed, in particular to external stakeholders, relates to the Company's proposed expansion (area and location of oil palm to be developed, and plans for lease-lease back and VOP expansion, the location of housing compounds, roads, and estimates of the increase in employees); the positive and negative social and environmental impacts expected (which should include population estimates and projections); and the strategies/interventions to deal with these impacts.

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 formal grievance process has been established. However, it was noted in the 2011 surveillance audit that further work could be required to help clarify what should be noted in the grievance books, and what should not. This work has now been completed. (6.1.3)

A separate grievance mechanism has been established for domestic violence (refer Criterion 6.9). This needs to be highlighted in the guidelines and included in training for the grievance mechanism.

The grievance mechanism has been changed since the 2012 assessment. A new Standard Operating Procedure (SOP) has been prepared and implemented, including a new form to record grievances. The new procedure provides more privacy than the old system of grievance registers, which were kept by each department. The new system is managed by senior personnel and is centralised, providing more assurance that adequate information is documented and grievances are dealt with appropriately. Training has been provided in the new grievance mechanism.

Opportunity for improvement: The new SOP for the grievance mechanism should include a statement relating to the time taken to deal with grievances, and some indication as to whether the person raising the grievance is satisfied with the manner in which the grievance has been dealt with. This information could be added to the new grievance form.

6.3.1 Minor NC - The existing grievance mechanism has been used to record police issues (e.g. attempted rape, assault, sexual harassment), requests for assistance (e.g. use of Company tractor, request for sponsorship), housing issues (e.g. maintenance requests) and grievances. In addition, it is unclear from the grievance records what the results of some grievances are, and whether the person raising the grievance has been satisfied with the outcome. The documentation needs to be reviewed, clear guidelines prepared, and training provided to ensure the guidelines are clearly understood and adhered to. This was not adequately addressed at the time of the assessment however action has been taken and therefore this was not be elevated to a Major NC.

Action: Prior to the 2012 assessment the grievance mechanism was used for a wide range of issues and the outcomes were not clear. A new Standard Operating Procedure has been prepared and implemented, including a new form to record grievances. The new procedure provides more information and appears to be a more effective approach.

The Company has responded adequately and the non-compliance has been closed out.

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

A separate grievance mechanism has been set up for small holders, with resolution made clear, currently the grievance book at Gusap contains smallholder requests and all other issues raised. During VOP farmer training sessions conducted prior to the RSPO audit, procedures for handling small holder grievances were discussed but this needs to be followed through to make sure farmers understand the process. This is the first time the Markham VOP farmers are involved in oil palm growing and there will be a lot more to learn in a short space of time. And so the awareness on small-holder grievance process/resolution will form part of the CIP which RAIL will carry-out.

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

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

The majority of oil palm grown and managed by RAIL is on land leased from the State. However, RAIL has entered a lease-lease back agreement at Ngaru, with the Aridagin ILG, and is having discussions with other groups (6.4.1). The procedures and processes for identifying customary owners, calculating compensation and

discussing the entire process are documented in Management Guideline #21 (6.4.3). The Guideline was updated in 2012. The Lands Officer provides awareness to the ILG and other local communities on the amendments to the Incorporated Land Act and Customary Land Registration Act, and is the key person within the Company for raising awareness on the benefits and costs associated with oil palm development on customary land (6.4.2).

A Lands Forum will be conducted at RAIL in June 2013 and involve representatives from other NBPOL operations in PNG. The Forum will review Management Guideline #21 and will provide an opportunity to share experiences. RAIL has invited representatives from the Aridagin ILG to the Forum. This is an excellent idea and should help raise awareness of potential problems and promote opportunities for the effective and transparent management of ILG revenue.

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

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

All RAIL small holders are clan members and the growers have a policy of not permitting “outsiders” to establish VOP blocks.

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.

RAIL increased pay rates in line with NBPOL rates across PNG on 1 June 2012. The minimum wage increased to K189.20/fortnight. When including a cost for housing, medical and education support the pay rates are equivalent to or exceed the minimum rural wage. Employees not currently provided with housing receive a ‘housing gap’ payment equivalent to K2.20/day of work, which raises their income levels above the minimum wage (6.5.1 & 2)

6.5.4 Observation: Research should be undertaken to assess the costs of living for typical families employed by RAIL, to provide reasonable indication that the wages paid to employees are sufficient to provide a decent living.

There is evidence in place that all contractors have agreed to meet minimum terms and conditions. This was confirmed by examining a number of contracts and they have agreed to meeting minimum requirements (6.5.3).

RAIL completed a detailed analysis of its housing requirements in August 2011. The shortfall was included in the Capex Budget for 2012. Many houses have been constructed, although additional houses will be required as the area of oil palm expands in coming years. As noted in the 2012 assessments, the design of the houses has been improved. Several supportive comments were received during the assessment in support of the Company's efforts to build more houses and in regard to the design of the houses (6.5.4).

RAIL provides health services through its main clinic and five field clinics. RAIL provides a high quality of service to employees and dependents. However, additional staff and resources will be required in coming years as the size of the workforce increases.

Opportunity for improvement: The clinics at Dumpu and Surinam are manned by Community Health Workers (CHWs) who are currently residing at Gusap, and who are required to travel to Dumpu/Surinam and back each day. The HR Section provides inductions to all new employees. Inductions cover payments and conditions of employment.

RAIL completed a detailed analysis of its housing requirements in August 2011. The shortfall was included in the Capex Budget for 2012 and the majority of houses are now under construction with over 180 houses completed in 2012 (6.5.6) – an excellent achievement. Not only has RAIL responded to the housing shortage through a very large construction program, but the design of the houses has been improved. There are more houses being completed in Gusap and therefore the housing programme is substantial. The response to housing needs by RAIL is impressive.

RAIL provides health services through its main clinic and three field clinics (Dumpu, Surinam and Gusap). A fourth has now been constructed at Gusap 3/4. RAIL has around 33 health staff and provides a high quality of service to employees and dependents.

A clinic is likely to be required at Ngaru in the future and the number of health staff increased in line with the expansion of oil palm and number of employees required. A formal in-service training program may also be warranted for health staff to ensure they remain up-to-date with current medicines and practices.

Housing for health staff – particularly on the oil palm estates – is limited. At present some medical staff are required to travel to the estate each day, which also means that an experienced medical officer is not immediately on hand after hours. This situation may be rectified once the current houses under construction are finalised.

At present the children of employees are transported to Gusap Downs to attend school. The Company is providing support to these schools. Smallholder plantings are new and those interviewed stated that they or their family work on the Blocks, this could become an issue when the palms grow and harvesting with poles is required; this will need further awareness and training.

Current Small Holders are compliant but with the potential expansion of smallholder blocks this criterion requires a more formalised approach.

Once again emphasis is on increasing the support to the Smallholder Affairs Department of RAIL which now has 2 full time staff.

All growers interviewed expressed knowledge of relevant minimum wage legislation but also claimed that most work on blocks was done by family members.

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

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

The Ramu Agri-Industries National Employees Union has approximately 1,275 members, which represents around 40% of the workforce. A Joint Industrial Consultative Council Committee, comprising Union and Company representatives, meets on a monthly basis, or as required (6.6.1). Minutes are circulated and held by both parties (6.6.3). RAIL has a policy recognising freedom of association and Union officials are involved in employee inductions(6.6.2).

RAIL and the Union signed a Collective Bargaining Agreement in June 2012, which extends for a two-year period. The MOA includes pay rates, entitlements and other employment conditions. Pay rates are due to be reviewed in June 2013.

A series of strikes were held on 22 and 23 April. These strikes were not organised or supported by the Union. However the Union played a role in managing the strikes and having employees return to work. This provided an opportunity for the Union to promote the agreed process for raising issues and negotiating with RAIL management.

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

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

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

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

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

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

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

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

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

Since the 2012 assessment RAIL has prepared and implemented a new procedure for dealing with domestic violence. The approach gives responsibility for managers to take a greater responsibility for dealing with domestic violence and ensuring that victims/survivors are provided first with medical treatment and/or protection, if required, and subsequently with the awareness and opportunities to take the course of action they desire, which may include counselling, disciplinary or legal action. Training has been provided to managers, and progress made in identifying and training volunteer counsellors to help raise awareness and assist in the management of incidents. Although more training and awareness is required before the new approach is widely recognised and understood, the initial response is positive.

Opportunity for improvement: Given the seriousness of domestic violence problems at RAIL (and throughout PNG), and the demands of counselling (and supervising volunteer counsellors), the Welfare Officer will require an assistant, and preferably, a safe house for victims/survivors.

RAIL has a policy against sexual harassment and domestic violence, and a specific grievance mechanism (6.9.1 & 3).

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

RAIL appointed a Welfare Officer and assistant, and renovated a building that has been transferred into a working office and emergency shelter for women, as part of an approach to combat domestic violence before the assessment in 2012. The approach continues to focus on protecting and providing support for the victim in the first instance, and then the provision of counselling for both partners (male and female) as the preferred method of resolution. This is a more proactive approach than provided by many organisations in PNG.

A challenge for the Welfare Officer is to continue to extend the services provided to women across all compounds and in nearby communities. RAIL follows the PNG regulations for breast feeding mothers as per the PNG Labour Act in which breast feeding mothers are able to take two breaks every day each of 30 minutes duration which are in addition to the standard 1 hour lunch break.

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

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

RAIL provides good technical and financial support to outgrowers, allowing all inputs (seedlings, tools, fertiliser and weedicide) to be repaid over a period of several years following the commencement of production. Outgrowers therefore are not required to outlay any financial contribution during the establishment of oil palm on their land. This greatly reduces financial risk to outgrowers. Outgrowers commented favourably on the Smallholder Affairs team, and the financial arrangement with RAIL, during the assessment.

Current and past prices of FFB are publicly available with the latest being on noticeboards etc. All small holders interviewed were aware of the latest price (6.10.1, 2 & 3).

The Aridagin ILG commented that one land rental payment had been made a week later than the agreement stated, but this was not seen as a major problem.

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

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

recruitment RAIL has therefore demonstrated its support for local businesses, for example, the support provided to a local company engaged to construct houses, offices and other facilities. RAIL is to be commended for this.

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

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

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

RAIL provides considerable support to local communities (6.11.1) and local service providers, including:

- Assistance to the Gusap Health Centre;
- Assistance to local police officers (including vehicles, vehicle maintenance and operational expenses);
- Assistance to local schools, including vocational schools, including support in terms of checking the school's account details and advising the authorities of any errors, so they can receive payments from the National Government;
- Training and educational assistance:
 - o 11 tertiary scholarships in 2013 for students from local villages ('as ples' scholarship scheme);
 - o 20 placements in RAIL for students from the Ramu Sugar Vocational Training Centre and 1 for a student from Umi Technical College (4 weeks each);
 - o RAIL provides funding for secondary education expenses for the children of its employees;
- Encouraging the growth of town facilities (e.g. three supermarkets and a bank), and maintaining and providing security for the area; and
- Grants to various sporting bodies and other local organisations.

RAIL is also supporting local development through use of the Tax Credit Scheme (6.11.2) and is promoting local employment through the as ples recruitment drive and the use of local people, whenever possible, in any new contracts.

Criterion 7.1 A comprehensive and participatory social and environmental impact assessment is undertaken prior to establishing new plantings or operations, or expanding existing ones, and the results incorporated into planning, management and operations.

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

No new planting was undertaken since the June 2012 assessment.

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.

The procedures and processes for identifying customary owners, calculating compensation and discussing the entire process are documented in Management Guideline #21. The Guideline was updated in 2012. The Lands Officer provides awareness to local communities who are interested in having oil palm grown on their land. Discussions are occurring in accordance with the Guideline.

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

No new planting was undertaken since the June 2012 assessment.

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

No new planting was undertaken since the June 2012 assessment.

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.

No new planting was undertaken since the June 2012 assessment.

7.5.2 Minor NC -An agreement was signed between RAIL and the Aridagin Incorporated Land Group (ILG) for the lease of approximately 880 hectares of customary land for the development of oil palm under a LLB agreement. Although production estimates were provided to the original ILG executive, the current executive do not have the estimates, and it appears that the information was not therefore conveyed to the broader community represented by the Aridagin ILG. Production estimates and financial projections are fundamental parts of a LLB agreement, and the Company should ensure that new ILG executives are provided with this information, and the broader community (some 700 people) are also aware of this and other commitments that underscore the contractual agreement entered into.

Action: During the 2012 assessment current executives of the Aridagin Incorporated Land Group (ILG) requested production and financial estimates for the

lease-lease back (LLB) agreement. This is clearly required as part of the free, prior and informed consent prior to entering an agreement for oil palm production. Immediately after the 2012 assessment the Company provided detailed production and financial forecasts and good communication between RAIL and the ILG continues.

The Company has responded adequately and the non-compliance has been closed out.

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.

No new planting was undertaken since the June 2012 assessment.

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 new planting was undertaken since the June 2012 assessment.

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

Continuous improvement is a key requirement and a particular strength of the RSPO Principles and Criteria. RAIL has prepared a Continuous Improvement Plan, based primarily on observations from the 2012 audit. The Plan indicates substantial improvement in the majority of issues identified.

It may be appropriate to include a sub-heading titled 'Social Improvement Plan' and group the social issues together. Furthermore, it is recommended that a Social Improvement Plan (summarising the main social impacts, the proposed mitigation strategies, the implementation strategy, timeframe, responsibility and targets), in accordance with that required under Criterion 6.1.3, be the primary document for demonstrating continuous improvement in regard to social impacts.

Indicator 8.1.2: Timely response to RSPO audit findings

Three Minor NC which were raised during the First Annual Surveillance Assessment at RAIL were not acted upon effectively to allow us to close each of the NC and therefore the Major NC raised with regards to the timely response to RSPO findings. This was not adequately addressed at the time of the assessment however action has been taken and therefore this was not be elevated to a Major NC.

Action: Timely response to matters raised at assessments is now occurring and action is being taken on any issues raised in a timely manner.

A Continuous Improvement Plan is attached. Appendix C.

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

PREVIOUS MINOR NONCONFORMITIES

There were Five (5) previous minor non conformities raised as a result of the previous assessments.

These have all been closed and actions taken are in the body of this report.

MINOR NONCONFORMITIES

No Nonconformities were assigned against Minor Compliance Indicator during this assessment.

OBSERVATIONS / OPPORTUNITIES FOR IMPROVEMENT

The assessment identified two (2) Observations/ Opportunities for Improvement. The progress with the Observations/Opportunities for Improvement will be checked during the next Surveillance Assessment visit scheduled for twelve months after certification date.

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

6.5.4 Observation: Research should be undertaken to assess the costs of living for typical families employed by RAIL, to provide reasonable indication that the wages paid to employees are sufficient to provide a decent living.

3.3 Noteworthy Positive Components

Good progress is noted since the surveillance assessment in June 2012, including:

The appointment of the Community Relations Manager and replacement Welfare Officer.

House construction.

Approval for the construction of classrooms and teacher's houses and a new police station under the Tax Credit Scheme.

Progress in the establishment of commercial services at Gusap (supermarkets, bank).

Progress in the plans to provide management support for the public Health Centre at Gusap.

A new approach for dealing with domestic violence.

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

1. There have been many improvements since the last audit with the opening up of the road to the Dabua VOP Blocks resolving the double handling of the FFB pick up. However there were still three areas where there was unsatisfactory small holder pick up, these were at Isitin, Brubri and Ntseri

The auditor reiterated that the problem with access to the small holder blocks was a legacy of the failure of the Morobe Provincial Government, but undertook to inspect the situation in the field during block inspections.

RM explained that funding for the roads into these areas was part of 2013 CAPEX request. This is further discussed in the Summary of this report.

2. The executives explained that some growers don't have adequate knowledge about their Bank loans even though many growers had completely paid off their loans within a few years of harvest. The growers at Ramu had started planting in 2007, started harvesting in 2009 and had been producing at a very high yield compared to small holders from other areas. This was partly due to the fertility of the soils at Gusap, but also because of the growers hard work and application of all the relevant fertilisers required (and paid for by the growers)

The new VOP Manager will undertake a review of the funding arrangements of the Bank Loans, and provide awareness to smallholders on the arrangements.

3. Growers requested that they be allowed to be part of the Palm Super Fund.

RM explained that the Palm Super Fund was only available to RAIL employees. The auditor explained that there were other super funds such as Nasfund available to growers.

The new VOP manager will provide awareness on these options to smallholders

4. The Growers association expressed concern that the agreement to deduct membership fees directly

from fortnight harvests had not progressed to fruition since the last audit. Consent forms had been signed by growers but the association could not open a bank account without a letter of support from the company.

Currently growers pay cash to the treasurer who is unable to open a bank account for the association, so keeps the cash at his house.

RM agreed to expedite the letter of agreement as a matter of urgency.

5. Growers have expressed the desire to have regular deductions from their fortnightly payments paid into various accounts to ensure that growers were saving for their and their family's future. The whole question of financial literacy was discussed with the growers association and later with Ruari, he was pleased to support the concept.

The growers at Ramu have a good chance to establish the best record to date in PNG concerning loan repayments and enhancing their family's future financial security. One point raised by the auditor was that the PNGSDP Micro Finance Limited had an account whereby people could invest anything above K300.00 in term deposits at a rate of interest of 6%. These sorts of investments should be part of the training for small holders in financial literacy.

The new VOP Manager will provide awareness on these options to smallholders (together with superannuation contribution options above)

6. FFB price review was raised again The very positive development on the FFB price for small holders was that RAIL senior management had translated the small holder price hand out given to small holders into Tok Pisin and the Growers Association executives claimed to have a much better understanding of the deductions etc. for transport and levies (very few levies at Ramu). However the 57% ratio paid to farmers requires further explanation and will be explained in more detail when the price review is conducted (after the current elections).

Further awareness will be conducted with the association chairman, and smallholders on the payment ratio

7. The association requested that the company should look into supporting surrounding villages with water supplies, a special request was made by the people of Wankon Village who expressed fear of contamination of their water once the nearby mini estate had been planted. This indicates one effect of the "anti-oil palm campaign" which has been promulgated by the Bismarck Ramu Group (BRG) and these issues such as community improvements and needs should be incorporated into the companies community relations programme.

RAIL, through the VSO partnership, and ongoing work in social impact mitigation and benefit maximisation, will continue to review worthy projects for tax credit spending, and attracting potential donor funding into the valley

9. Growers further requested that they should be able to attend the company's clinics for treatment – especially if they are injured on their blocks.

This request was brought up in the last audit report and the senior management are reluctant to comply except that RM stated categorically that no small holder who was injured on their block would be left without assistance.

Ruari Macwilliam explained that there were government clinics near the small holder blocks but government clinics are notorious for being underfunded and lacking medical supplies.

The association offered further reductions from their fortnightly FFB payouts to fund clinics near the smallholders. This is another aspect that should be considered in the companies community relations programme.

Auditors comment: The above issues will be followed up to determine action taken in these cases was effective..

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

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

Signed for on behalf of
RAIL



.....
Mr Jamie Graham
General Manager

Date: 3.05.13

Signed for on behalf of
BSi Management Systems Singapore Pte Ltd



.....
Mr Allan Thomas
Lead Auditor

Date: 03.05.13

Appendix “A”

RSPO Certificate Details

Website:

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

Name	Gusap Mill & Supply Base
Location	Ramu Oil Palm Plantations, Morobe and Madang Provinces, Papua New Guinea
Address	Ramu Agri-Industries, Gusap, P.O. Box 2183, Lae 411, Morobe Province, PNG.
GPS	South 06° 04' 23.5", East 145° 59' 4.5"
CPO Tonnage	36,577.2
PKO Tonnage	2487.1
Plantations FFB Tonnage	Gusap 105,603 Dumpu 36,971 (Total = 142,574)
Small holders FFB Tonnage	3,396

Appendix “B”

Third Annual Surveillance Audit Programme

RSPO/EMS Audit Plan 22-26 April 2013

(Note: Subject to revision at Lead Auditor's discretion)

Monday 22 nd

- Allan and Mike arrive from Port Moresby at Lae Airport at 16.00 on PX106 – meet and pick up at airport

Tuesday 23rd

Time	Activity	Allan	Mike
8:00 am	Opening Meeting – Check on issues raised at EMS Stage 1 Audit/NC at Previous RSPO audit	X X	X
8:30am – 11:00	Gusap West (Office, Workshop, Clinic, Landfill, Chemical store and mixing, Fertiliser, field spraying & harvesting) – some small holders – visit water supply plant	X	
8:30am – 12:00	Inspect area to east of Gusap incl. villages & environment	X	
8:30am – 12:00	Inspect Housing , Temp Housing, New Housing	X	
11:00am – 12:00noon	– Meet with Growers Association representatives?		X
	Objectives and Targets		
12:00noon – 1:00pm	Lunch	X	
1:00pm – 4.30pm	Inspect area around New Development . VOP/smallholders? Review records of land title, leases, etc ?	X	X
1.00pm – 4.30 pm			X

Wednesday 24th

Time	Activity	Allan	Mike
8:00am – 11:00	Inspect Gusap mill, laboratory and effluent ponds	X	
8:00am – 9:00am	Inspect Gusap Compound, Landfill (Stephen)		
9:00am – 12:00noon	Review Environmental and Social Reports		X
11:00am – 12:00noon	– Inspect water irrigation project – Gusup 3 Housing	X	
12:00noon – 1:00pm	Lunch	X	
1:00pm – 2:45pm	Inspect area around Dumpu	X	X
1:00pm – 3:45pm	Buffer, wetlands		
1:00pm – 3:45pm	Inspect Dumpu Estates incl. office, landfill, housing and clinic – including new housing, temp housing and existing housing – Including Sugar	X X	
3:45pm – 4:30pm	Legal and Other requirements		X
3:45pm – 4:30pm	Titles etc	X	

Thursday 25th

Time	Activity	Allan	Mike
8:00am – 10:00noon	Check workshop and central stores – harvesting workshop	X	

8:00am – 12 noon	EMS Docs – Non Conformances, Corrective Action, Doc Control		
8:00am – 10:00noon	Meet with pay office/ discuss contractor matters		X
10:00 am – 12:00	Check new Plantings	X	
10:00am 12:00noon	– Small Holders		
12:00noon – 1:00pm	Buildings and construction	X	
1:00pm – 3:00pm	Other issues	X	X
1:00pm – 2:00pm	Lunch – Guest House	X	
2:00pm –4:00pm	Auditors forum	X	X
4.00 pm	Exit Meeting		

Friday 26th Depart – PX 101

Appendix “C”

CONTINUOUS IMPROVEMENT PLAN

RAMU AGRI-INDUSTRIES LTD

2012-2013

Action Plan for Continual Improvement in Sustainable Performance 2013-2014

Introduction

This Action Plan for Continual Improvement identifies the planned actions that RAIL will undertake in order to further improve its performance in the key areas of:

- [Minimising the use of Certain Pesticides;](#)
- [Reducing negative and enhancing positive Environmental Impacts;](#)
- [Waste reduction;](#)
- [Pollution and emissions](#)
- [Social Impacts](#)
- [OHS](#)
- [Legal and Transparency](#)
- [Forward Planning](#)

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

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

These sustainability principles are defined in the following locations:

- RSPO Principles and Criteria (PNG NIWG 2008)
- The Company Sustainability Handbook
- OHSAS 18001 Occupational Health and Safety Management Systems - Requirements

Aim

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

Objectives

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

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

The medium term objectives bring greater returns but are harder to achieve and are likely to require revision and modification along the way. The long term objectives are those that will really shape the Company's

sustainable future. They require vision and strategic thinking and a long term commitment to bring them into reality.

Scope

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

Overview

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

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

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

Each activity will be monitored on an ongoing basis by the person responsible for its implementation and reported, where significant events have occurred, at regular management meetings. Periodically the Company will prepare and publish as Sustainability Report that will report on progress in the implementation of this plan for improvement.

Implementation

The start date of this plan is July 2011. It endeavours to cover a time span of 25 years as that is approximately the re-plant cycle of Oil Palm Plantations and some environmental improvements will only be implemented at the time of re-planting.

Having said that though, it must be recognised that this plan will not identify all sustainability initiatives to be actioned over the 25 year period to 2036 and it is expected that many additional sustainability improvements will be identified and actioned within that period. For that reason, the plan is reviewed annually.

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

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

RAIL CONTINUOUS IMPROVEMENT PLAN

2013-14

(REVISED May 2013)

1. Pesticides

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

			reduce pesticide use		treatment selection, application	
1.6	System for regular monitoring and reporting of pest and disease issues to be established on site		Demonstrate active monitoring of pest and disease issues to raise awareness of common problems and solutions	December 2013	Pest and disease monitoring scheduled and carried out	Head of R&D, Head of OP, Head of Beef and Head of Sugar
1.7	Expand pesticide toxicity monitoring to Beef, Sugar, Forestry, Estates, R&D, etc.		Long term goal to reduce pesticide use through awareness of rates applied	August 2013	Pesticide usage tracked and reported internally	Sustainability Manager

2. Environment

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

No.	Improvement Action	Reference	Expected Outcome	Timeframe	Indicators	Responsibility
2.1	Improve culvert designs and installation methods to reduce drainage problems		Reduced erosion of roads and reduced siltation of water courses.	Ongoing	Absence of evidence of erosion.	Estate Managers (damage assessment and monitoring) Transport and Infrastructure (for implementation)
2.2	Progressive removal of unharvestable palms overhanging watercourses to reduce the quantity of fruit and fronds that cause pollution.		Fewer harvester accidents, reduced pollution of waterways.	Ongoing	Harvesters working on even ground, fruit and fronds kept out of drains and waterways.	Estate Managers
2.3	Monitor and report on water use to raise awareness of water use		Reduced water consumption, reduced mosquito population with resultant malaria reduction.	June 2012 for installation of meters (DELAYED – JUNE 2014)	Absence of leaks and water logging in compounds	Construction Manager
2.4	Reduce mosquito breeding sites <ul style="list-style-type: none"> a) By reporting and promptly addressing potential breeding areas b) Ensure housing and workplace inspections include assessing the presence of mosquito breeding areas c) Ensure internal audits include assessing the presence of mosquito breeding areas 		Reduce mosquito breeding sites Reduce malaria infection rates Increased profile of monitoring and reporting to HoDs	December 2013 Long term goal December 2013	Records of inspections show reduced incidence Malaria infection rates falling Monthly reporting mechanism in place	Sustainability Manager CMO to monitor and report CMO / Sustainability Manager

2.5	Reinstate buffer zones along waterways in accordance with the Logging Code of Practice. RAIL will progressively re-establish buffer zones along river banks and areas unsuitable for oil palm if resources permit.	4.4.2	Less riverine erosion, creation of wildlife corridors, trapping and filtering of plantation run-off.	Progressive to 2020 Planting Plan March 2012 COMPLETE	Established buffer zones along all waterways within and alongside plantation areas.	Sustainability manager/ Head of Oil Palm / Head of Beef / Head of Sugar
2.6	Document and socialise definition of Riparian Buffer and HCV through awareness training to executives		Improved understanding and compassion for riparian buffers and HCV areas	August 2013	Training provided	Sustainability Manager
2.7	Prepare HCV and Biodiversity Management Plans for all areas of RAIL that define HCVs, monitor HCVs, and report on the level of protection provided		Enhanced landscape for biodiversity and aesthetics	March 2014	Plans complete and communicated to sites Monitoring commenced	Sustainability Manager
2.8	Planting of trees on unsuitable grasslands.		Enhanced landscape for biodiversity and fire management	Planting on hold for budgetary reasons	Planting carried out as per plan and monitored	Sustainability Manager
2.9	Document soil conservation measures		Enhanced soil management through good agricultural practice	November 2013	Agricultural SOPs reflect good soil management practices	Sustainability Manager/ Head of Oil Palm
2.10	Review WQ parameters testing in-line with DEC permits Implement monthly internal reporting on borehole water quality, river water quality, and effluent quality		Ensure responsive management to WQ issues identified Ensure awareness amongst executives on compliance to DEC requirements	July 2013	WQ monitoring in progress WQ results reported internally	Sustainability Manager
2.11	Prepare chemical registers for ALL chemicals at RAIL with central MSDS catalogue available to all sites Prepare summary of MSDS where beneficial		Improved awareness of chemicals stored Improved access to MSDS and safety information	July 2013	Chemical register and MSDS checking process in place Summary of MSDS prepared	Sustainability Manager

3. Waste Reduction

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

Refer also to the Waste Management plan for further details.

No.	Improvement Action	Reference	Expected Outcome	Timeframe	Indicators	Responsibility
3.1	Monitoring of Waste flows to roll out to all locations		Record volumes and types of waste	July 2013 to commence	Waste monitoring records are kept	Sustainability Manager
3.2	Waste Disposal long term planning		Better long term planning for waste disposal options	September 2013	Long term plan for waste disposal is prepared	Sustainability Manager/Facilities Services

4. Pollution and Emissions

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

No.	Improvement Action	Reference	Expected Outcome	Timeframe	Indicators	Responsibility
4.1	Review Central Stores Chemical Shed for space and pollution control		GIFAP compliant storage of chemicals	August 2013	Facility assessed and alternatives drawn up	SPL Manager & Sustainability Manager
4.2	Develop standard designs for drainage and pollution prevention infrastructure		Improved implementation of pollution control measures in all construction projects	July 2013	Preparation of standard designs	Sustainability Manager/Buildings Manager
4.3	Improvement to undersized and non-functioning Triple Interceptors at Gusap Workshop and Surinam Genset		Improved pollution control at outlying centres	October 2014	Facilities constructed	Buildings Manager
4.4	Develop Methodology for desilting POME ponds at Gusap Palm Oil Mill		Improved methodology for desilting ponds	December 2013	Methodology documented	Mill Manager / Sustainability Manager
4.5	Review and streamline data collection and reporting for smoke density data. Implement at GPOM and RSF		Increase awareness of NBPOL performance targets, and monitor achievement	August 2013	Procedure established and implemented	Sustainability Manager
4.6	Review Environment Aspect Register and include washbays as source of sediment		More complete assessment of pollution sources for control	November 2013	Register updated	Sustainability Manager
4.7	Prepare PCD Register including monitoring and maintenance schedule and recording forms		Better management and effectiveness of PCDs	September 2013	Register prepared Monitoring and maintenance ongoing as scheduled	Sustainability Manager
4.8	Fertiliser storage requirements to be reviewed and addressed to better avoid pollution		Improved controls over fertiliser storage	December 2013 April 2014	Requirements and options for design reviewed Included in 2014-2018 5 year Plans	

5. Social Impacts

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

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

The Social Register provides greater detail on the programs underway.

No.	Improvement Action	Reference	Expected Outcome	Timeframe	Indicators	Responsibility
5.1	Review design and costing of haus kuks that provide greater space and privacy		Improve hygiene and reduced sharing	July 2013	Improved design and number of cook houses	Head of Oil Palm/Buildings Manager
5.2	Roll out regular sporting activities to all housing compounds	6.5.6	Increase in healthy activities Reduced social problems	Ongoing		Sports coordinator
5.3	Improved access to education for children of Company employees	6.5.6	Increased attendance and achievement for school aged dependents of employees	Ongoing	Improvements at St. Lukes School	Community Engagement Manager
5.4	NBPOL foundation/VSO Community Baseline Assessment for identification of 'development' needs in areas of Health and Education		More targeted understanding of infrastructure and assistance requirements in surrounding communities	July 2013	CBA completed and documented	NBPOLF / Head of Administration
5.5	Clearer documentation on past and present land disputes for resolution		Improved understanding of any land disputes and communication within the company	September 2013 December 2013	All present land disputes documented All past land disputes documented	Lands Coordinator
5.6	Review of Social Register process		Improved process for receiving and processing input into the Social Register from affected stakeholders	July 2013 to commence	Process documented and commenced	Community Engagement Manager
5.7	Review process for ILG's; including level of support and guidance for financial planning, community development funds, education scholarships, etc.		Improved financial responsibility and community benefit from ILGs	Awaiting delayed NBPOL Lands Forum	Process under discussion	Lands Coordinator (and NBPOL Lands Forum)

5.8	Identify sources of HR data for monitoring social impacts a) Employee turnover b) District of Origin		Improved reporting of employee point of origin (for monitoring 'as-ple's' recruitment efforts)	September 2013	Data available and reported internally	Head of Finance
5.9	Identify means of collecting data to better assess compliance to ILO requirements of overtime and rest days		Improved reporting of compliance to ILO requirements (NBPOL sustainability targets)	September 2013	Data available and reported internally	Head of Finance
5.10	Develop a simplified Bilum Index for RAIL		Clarification of a 'liveable wage' for employees at RAIL	September 2013	Data available and reported internally	Community Engagement Manager
5.11	Housing for community Health workers to be available at Gusap, Surinam and Dumpu		Improved access to health services in estates	September 2013	CHWs housed on site at each estate	CMO

6. Health and Safety

No.	Improvement Action	Reference	Expected Outcome	Timeframe	Indicators	Responsibility
6.1	Review and strengthen Safe Permit to Work Procedures to include mobile scaffolding, lock-out/tag-out, high voltage area access		Improved safety controls on potentially hazardous tasks	September 2013	Procedures in place and in use	Sustainability Manager
6.2	Work more closely with Government medical staff to improve the level of care to Company employees, their dependants and members of neighbouring communities		Improved healthcare for surrounding communities	Commenced	Improvements in healthcare from government clinic at Gusap	GM/ Head of Personnel
6.3	Development of a formalised program for emergency drills.		Increased awareness of drills Avoidance of potential incidents through improved safety procedures	December 2013	Emergency drill records	Sustainability Manager
6.4	Develop standard pre-start-up checklists for pumps etc. (including wheel nuts on vehicles)		Controlled risk of vehicle failure	August 2013	Checklists in use and documented	Head of Workshops / Sustainability Manager
6.5	Ensure that there are sufficient first aiders on each shift, and that first aid kits are well stocked		Improved first aid provision within the workplace to reduce requirement for clinic to attend to minor injuries	August 2013 August 2013 June 2013	Monitoring of first aiders Safety reps to conduct monthly check of first aid kits Training for clinics in stock control for essential items	Sustainability Manager Sustainability Manager SPL Manager

7. Legal Compliance and Transparency

No.	Improvement Action	Reference	Expected Outcome	Timeframe	Indicators	Responsibility
7.1	Visible Estate Land boundary Markings		Clearer extent of land holdings Reduced land disputes	2013 2014 2015	Ngaru surveyed East boundary of Gusap (River to irrigation site) surveyed Dumpu land Boundary surveyed	Lands Coordinator
7.2	Review and socialise the Legal Register to HoDs and Executives		Legal compliance (especially to DEC and DLIR permits) to be more clearly stated and understood by all	October 2013	Legal Register completed HoD training held	Legal Officer

8. General (Forward Planning and other issues)

No.	Improvement Action	Reference	Expected Outcome	Timeframe	Indicators	Responsibility
8.1	Review Fire Fighting Capacity		Increased fire capacity for domestic, industrial and field fires	August 2013	Documentation and justification of levels of fire control	Sustainability Manager
8.2	Review existing operational control procedures, and formalise and implement RAIL specific SOPs to run parallel with the MGs		Wider consensus and implementation of agreed safe and environmentally responsible working practices	December 2013	RAIL SOPs in place and implemented	Sustainability Manager and all HoDs
8.3	Strengthen Workplace Inspections to monitor and enforce adherence to SOPs and MGs - Site Workplace Inspections - HoD inspections - GM Inspections		Better implementation of agreed work practices	March 2014	Workplace Inspections implemented and documented. Recommendations followed through and improvements noted	Sustainability Manager and all HoDs
8.4	Standardise operational filing systems in line with SOP Index for ease of referencing, and ensure that documents are available for internal and external audit at the locations they are used		Improved implementation of documentation and management systems	September 2013	Filing systems throughout RAIL standardised	Sustainability Manager and all HoDs
8.5	Define documents to be available at estate level (e.g. foliar sampling results)		Document filing prioritised based on need for reference	September 2013	Filing system documented	Sustainability Manager
8.6	Training Needs Analysis to be prepared for RAIL as the basis of the Training Plan		Strategic approach to training and staff development	November 2013	Training Plan prepared and in use	Training Officer (appointment pending)
8.7	Soil sampling for nutrient levels to be undertaken in 2013		Assess nutrient status of soils	December 2013	Soil sampling undertaken and reported internally	Head of R&D
8.8	Monthly internal		Increased	September	Reports prepared,	Sustainability

	reporting of sustainability Data		awareness amongst HoDs of Sustainability performance and areas for improvement	2013	circulated and discussed	Manager
8.9	Formalised requirement for regular muster / toolbox meetings / briefings / etc. to be documented and indicate review of recent accidents, near misses,		Improved communication and learning from incident reporting data	August 2013	Toolbox meetings formally required and documented	Sustainability Manager and HoDs with Safety Committee
8.10	Exit procedures prepared for departing executives to ensure clean handover; including complete handover of electronic and paper files		Improvements in business continuity between personnel changes	December 2013	Exit procedures documented	Personnel and Training Manager
8.11	Induction process to be overhauled and more rigorously implemented		Make the induction process more beneficial and relevant to the inductee	August 2013	New induction procedure documented and implemented	Sustainability Manager

Appendix “D”

Nonconformities, Corrective Actions and Observations Summary

2013 Assessment

0 Non Conformities--

2 Observations

6 Opportunities for Improvement

Observations 2013

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

Appendix E
Supply Chain RAIL

Annex 6: RAIL Supply Chain 24.4.13

Requirements	SG
1. Documented procedures	
1.1 The facility shall have written procedures and/or work instructions to ensure implementation of all the elements specified in these requirements.	At this stage there are written/documented procedures for the chain of custody for Gusap Mill
2. Purchasing and goods in	
<p>2.1 The facility must operate a system to ensure that RSPO certified inputs of raw materials and products are identified. The system must include the following:</p> <p>a) A mechanism which ensures that when the company orders RSPO material from its suppliers it specifies this requirement within purchase orders and ensures that the origin of the material until the previous permanent processing facility in the supply chain can be verified as such;</p> <p>b) A mechanism which ensures that when the company receives RSPO material it confirms that the RSPO raw materials delivered are the same as those specified in the purchase order and the accompanying documentation from the supplier;</p>	<p>Around 98% of material comes from RAIL Estates therefore is no PO. With Small Holders RAIL use a Docket system which indicate weight (quality of product is checked in the field and rejected if rotten) and source of materials. This indicates which small holder block this came from. Purchase orders are not used.</p> <p>Yes this is done by weighbridge docket indicate weight and source of RSPO material. In this case PO is not used because internal supplier. All Small Holder RSPO Material is identified by docket system as to source including small holder block location</p> <p>Purchase orders are not used.</p>

<p>c) A mechanism which ensures that if the validity of accompanying documentation is in doubt, the validity is checked prior to accepting the material;</p> <p>d) A mechanism for handling non-conforming material.</p>	<p>This is RAIL material and all validation can be checked through the docket system– the same can be said of all RSPO material The quality of the RSPO and non RSPO Materials can be rejected by the Mill if it is unacceptable with regards to FFA level. This action has to be passed over to the GM for final rejection. This is documented and small holders are trained in harvesting only mature FFB</p>
<p>3. Sales and goods out</p>	
<p>3.1 The facility must operate a system to ensure that all sales invoices issued for RSPO delivered material includes the following information:</p> <p>a) The name and address of the buyer;</p> <p>b) The date on which the invoice was issued;</p> <p>c) A description of the product ;</p> <p>d) The quantity of the products delivered;</p> <p>e) Reference to related transport documentation.</p>	<p>The company is able to issue an invoice which will allow them under the segregation scheme to include amount of RSPO materials. Yes – this is completed</p> <p>This is already in place</p> <p>Yes</p> <p>Yes in place</p> <p>Yes via alert that client has received product</p>
<p>4. Processing</p>	
<p>4.1 The facility can only choose a supply chain option in cases where the RSPO materials have been verified to meet at least the supply chain option requirements in the previous stage of the supply chain.</p>	<p>Segregation – All material is RSPO</p>
<p>4.2 The facility must assure that the RSPO-certified material is uniquely identifiable to the mill and its supply base and is kept physically isolated from all other oil palm sources in its facility</p>	<p>Yes - All material is RSPO</p>
<p>4.3 The facility must assure that the RSPO-certified material is kept segregated from non-certified material</p>	<p>Segregation – All material is RSPO</p>
<p>5. Record keeping</p>	
<p>5.1 The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of these requirements.</p>	<p>Yes – records are in place and accessible</p>
<p>5.2 Retention times for all records and reports shall be specified by the facility and shall be at least five (5) years.</p>	<p>This is part of the company record keeping requirements</p>
<p>5.3 The facility shall record the volume of RSPO certified material on a three-monthly basis:</p> <p>a) Ordered and received from suppliers;</p> <p>b) Used in processing;</p> <p>c) Retained in storage;</p>	<p>All RSPO material</p> <p>All RSPO material</p> <p>All RSPO material</p>

d) Despatched as RSPO palm oil or derived product.	All RSPO material
5.4 The following trade names should be used and specified in purchase and sales contracts:	Yes
5.5 The facility must provide documented proof that the certified material can be traced back entirely to the oil mill	All RSPO material – 1 oil mill only
5.6 The facility must provide documented proof that the certified material can be traced back to only certified segregated material	All RSPO material
5.7 The facility must:	
a) link sales with a MB-purchase from a certified permanently located processing unit	-
b) ensure that the output of RSPO material does not exceed the input of RSPO material on delivery basis	-All RSPO material
5.8 The facility must	
a) provide documents to prove that the BC certificates claimed, match the claimed quantity despatched	All RSPO material
b) provide a declaration from its suppliers with the % of palm products in their recipe	All RSPO material

6. Training	
6.1. The facility shall specify the training requirements for all staff as required to implement these requirements.	Staff in the weighbridge are already competent in separating the source of the material and this can be related to company & small holder material – all RSPO. There are records of competency of staff in weighbridge
6.2. Training shall be provided to all staff as specified.	Staff in the weighbridge are already competent in separating the source of the material and this can be related to company & small holder material – all RSPO. There are records of competency of staff in weighbridge
6.3. The facility shall keep records of the training provided to staff in relation to implementation of these requirements.	Records of all training are maintained as part of RSPO

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

Year	Volume
2011 (Feb to Nov)	13,719.97 mts
2012 (Jan – Aug)	7,250.06 mts

Allan Thomas' 04.08.12