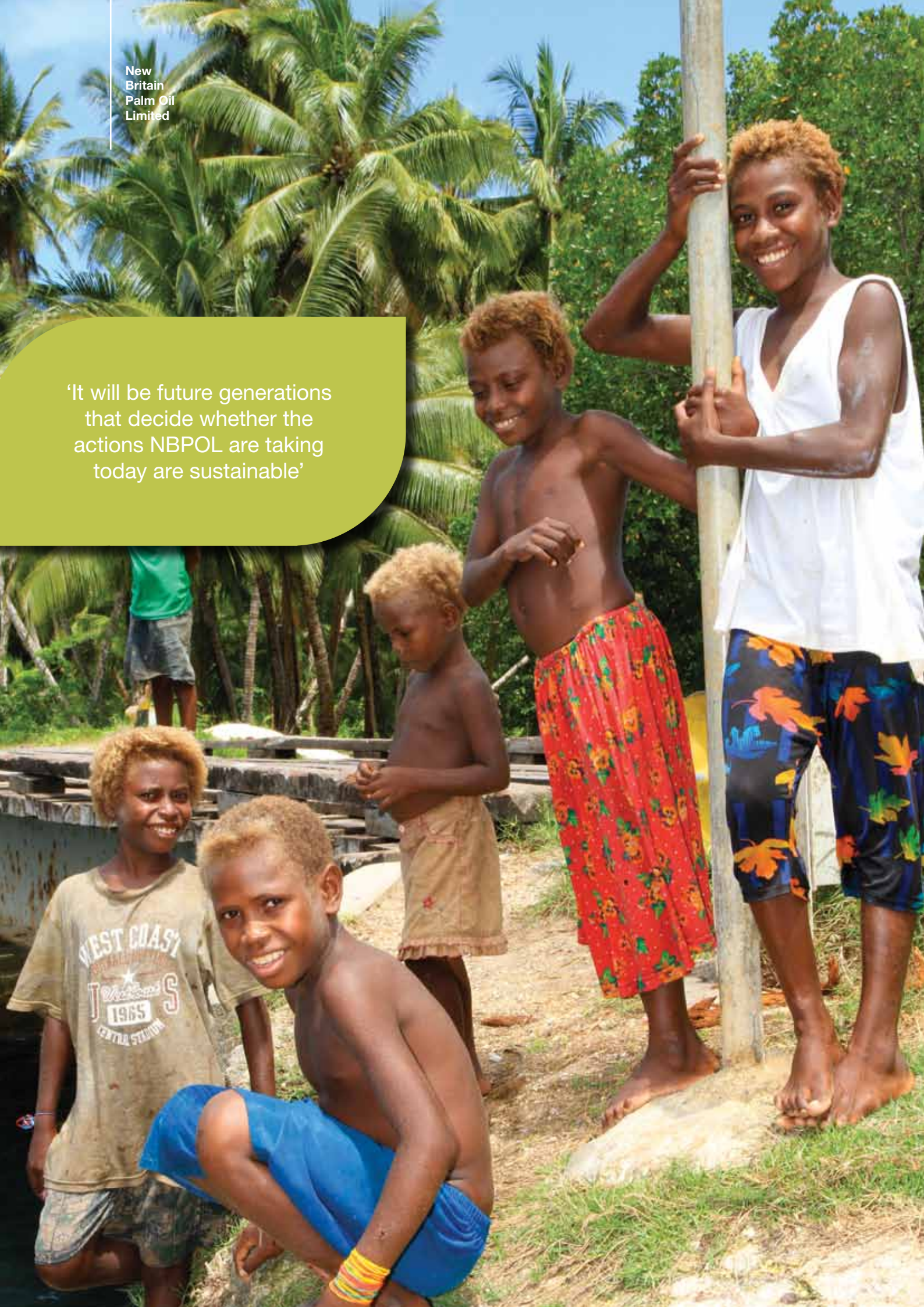


Sustainability Report 2012/13



'It will be future generations
that decide whether the
actions NBPOL are taking
today are sustainable'



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CEO Welcome

Welcome to our fourth Sustainability Report covering 2012 and 2013. This is my 30th year with the company and it is incredible to reflect on how far we have come in those years, from a relatively small operation with 6,000 hectares in West New Britain to six sites across two countries as well as a dedicated supply chain and refinery in Europe.

It has not always been an easy journey. The two past years have been particularly challenging on the commercial front: As a business we have had to cope with a combination of unprecedented rainfall, a sharp appreciation in the PNG currency against the US dollar and low Crude Palm Oil (CPO) prices at a time where we were working hard to integrate three new sites and thousands of smallholders into our operations. However, at the beginning of 2014, I believe we have weathered the worst of these adverse conditions and moved forward.

In such times of difficulty it is with pleasure I can report that we have continued our sustainability journey at an even faster rate than previously. Through perseverance and hard work our economic and social performance has been sustained and we have achieved most of our objectives:

As we set out to do, RSPO certification for all sites is now complete and our certificates include all smallholders. This means that more smallholders are now implementing better agricultural practices, which help to increase their yields, provide them with a cash sustainability premium and ensure that they can improve their livelihoods without harm to the natural environment.

I am also very happy to note that we have achieved a very significant reduction of around 40% in accidents since 2011. Of particular note is our largest site at West New Britain which has seen an 80% drop over five years. In light of such positive achievements overall, I am saddened to report that we had four fatalities on our sites in the past two years. We are investigating each case and seeking ways to avoid such tragedies in the future.



Beyond our own operations we have progressed work to support economic development on a wider scale. Our operations are based in countries where many still do not have access to basic needs such as education, healthcare and sanitation. In 2012 we therefore instigated a large-scale programme to understand where we can make a difference to the communities around our operations. We have recently finalised the initial assessment and I am excited that we can now move ahead with programmes to help these communities towards better living conditions and expanded opportunities.

We also continue to make headway in the marketplace. Through our New Britain Oils refinery in Liverpool and our supply agreement in Brake, Germany we remain the leading supplier of traceable, segregated sustainable palm oil in the world. With our new bakery fats plant recently commissioned we carry on our work to make sustainable palm oil products easily accessible to our customers.



I am very proud to see that our efforts are being recognised by a wide group of stakeholders. We have been named sector leader two years running in the CDP Forest Footprint benchmark, and were listed at the top of the Greenpeace 2012 Palm Oil Producer scorecard. I am encouraged by such recognition and I want us to carry on being the standard-bearer for responsible palm oil.

Last year, we signed up for our next challenge as part of the Palm Oil Innovation Group (POIG), which is an initiative supported by several prominent NGOs and includes only those palm oil companies with a proven track record in producing responsible palm oil to the highest standard. We do not see POIG as an alternative to the RSPO, but as an opportunity to evolve our practices in line with expectations of even the most prominent critics of palm oil production. This not only helps us move forward, but also ensures that we are at the cutting edge and are part of setting the sustainability agenda.

All of these achievements and challenges could not be overcome without the support of each of our 25,000 employees and our smallholders who work each day on the ground to bring about improvements, so I would like to extend a great thank you. Likewise, we owe our gratitude to customers, investors and NGOs who challenge us to never be complacent and to strive for excellence. This report is for all of you – I hope you will see how each of your actions and comments help us adjust, innovate and become a better palm oil producer.

Nick Thompson
Chief Executive Officer
New Britain Palm Oil Ltd

Report Review: Belinda Howell

NBPOL's fourth sustainability report provides a fair and balanced representation of the company's performance. This report aligns with the principal Global Reporting Initiative requirements of inclusiveness, context, materiality and completeness. NBPOL is commended for again publishing their biennial sustainability and annual reports simultaneously, linking accountability and sustainability.

NBPOL actively engages a wide range of stakeholders, including those who are potentially affected by their activities and experts in sustainability aspects.

The company's performance should be considered the context of the - often exceptional - limits and demands on resources in Papua New Guinea and the Solomon Islands, as well as the impacts of the palm oil sector globally. This report covers aspects that are material to their stakeholders and the company's significant economic, environmental and social impacts.

The Roundtable for Sustainable Palm Oil (RSPO) review of its Principles & Criteria failed to deliver a standard of sustainability for palm oil demanded by NGOs and the market. The Palm Oil Innovation Group (POIG) charter, launched in 2013, provides a market mechanism to recognise traceable, RSPO certified palm oil which has been produced to higher sustainability standards - deforestation, peat and exploitation free. This is NBPOL's first report based on the POIG charter and the company intends to audit its POIG commitments by the end of 2014.

NBPOL was the first producer to certify all its smallholders. The company pays a sustainability premium, which it has set higher than the (currently low) price for "Book & Claim" certificates. This sets an industry leading precedent for traceability and sustainability.

RSPO certifications were achieved in Poliamba, Higaturu and Milne Bay in 2012, acquired in 2010, and New Britain Oils achieved RSPO supply chain certification for its Liverpool refinery in UK, commissioned in 2010.

By acting responsibly, NBPOL has protected its reputation, despite controversy over companies who had abused the Special Agricultural Business Leases (SABLs) system in Papua New Guinea, which led to industrial scale land grabbing without landowner consent and eventual withdrawal of the SABL system.

This report highlights the extensive work undertaken to assess high carbon stock, social and environmental impacts and high conservation value areas (HCV) in Orangerie Bay, acquired in July 2012; landscape overview and habitat management plans in West New Britain; and HCV assessments and riparian buffer zone restoration in Milne Bay. As this work will set the direction for future NBPOL new developments, it will be important to monitor and report tangible insights as these assessments are concluded.

NBPOL's Carbon Report in February 2012 provided the basis for data and methodology towards delivering its "zero new carbon emissions" commitment. NBPOL reports GHG emissions across all its operations in this report. It does so both on an industry comparable basis (mills and their supply base) and extended (to terminals and refineries) to provide product carbon footprints. The major source of emissions from land clearing/replanting are offset by carbon sequestration by oil palm crops, after which the second source of net emissions is palm oil mill effluent. It is important therefore that NBPOL continues to invest in methane capture at its mills.

NBPOL has continued to reduce lost time accident rates. However, sadly, there were four fatalities over the two year period. It is helpful that this report provides some explanation of each incident. The company's phase out the use of Paraquat in May 2012 has led to a reduction in toxicity per hectare.

NBPOL has continued to lead the market taking an innovative approach to vertical integration. In 2013, New Britain Oils announced a significant investment to double their sustainable palm oil production capacity to 300,000 tonnes at their refinery in Liverpool, UK. The company also announced a deal to supply up to 300,000 tonnes sustainable palm oil to Wilmar's Brake processing facility in Germany. The retail, food service and bakeries sectors rely on a large number of small manufacturers and outlets to produce consumer end-products. Following the opening of the new bakery fats plant at Liverpool, NBO launched a range of packaged products for small users in the UK.



It is hoped that NBPOL's market leading efforts will be rewarded by increased share and more rapid uptake of physical supply chains, as target dates for sourcing certified sustainable palm oil by 2015 (and earlier) close.

This reporting period saw NBPOL facing a "perfect storm" of adverse conditions, which have had a detrimental effect on the company's production, revenue and profitability for 2012 and 2013. This included exceptionally heavy rainfall in West New Britain reducing production and extraction yields; lower crude palm oil (CPO) prices; and currency depreciation in the PNG Kina.

NBPOL's leadership position in sustainability has been further consolidated during the two year period, recognised externally by being awarded the global Carbon Disclosure Project agricultural sector leader in addressing deforestation risks in the supply chain.

All this has been achieved as a result of NBPOL's long standing commitment to sustainable development and to delivering affordable, traceable, certified sustainable palm oil products to market.

BASIS OF OPINION

Belinda Howell is the founder of Decarbonize, a consultancy, and has worked in sustainability in business for over 20 years, having started her career in scientific research for international development in Indonesia. She has led multi-year sustainability assurance programmes for several multinational companies, including Unilever. For the last five years, Belinda has been a Board member of the RSPO, representing a group of international retailers.

This review is compiled based on the principles of the Global Reporting Initiative, Palm Oil Innovation Group charter commitments, reviewing published information, and knowledge of NBPOL through RSPO activities. The reviewer has not undertaken field visits or verified data presented in this report.

Targets and Achievements

STATUS ON TARGETS FROM 2011 SUSTAINABILITY REPORT

Targets	Target dates (year end)	SR2012/13
No legal non compliances	2012	Achieved for WNB, GPP, RAI, HOP and MBE Not achieved POL
Reduce Group lost time accidents rates by 5% annually	2012	Achieved
No work related fatalities	2012	Not achieved – 1 fatality in 2012 and 3 fatalities in 2013
No land developed on peat	2012	Achieved
BOD levels below 90ppm for all existing mills	2012	Achieved at MBE, RAI, GPP and HOP
BOD levels below 20ppm for new mills	2012	Achieved
Reduce smoke density to less than 40% for 20% of the operating period for all mills	2012	Achieved
All employees paid above living wage	2012	Under review*
No employees work more than 12 hours overtime per week	2012	Not achieved
All employees have minimum 1 day off per 7 days	2012	Not achieved
No expansion without FPIC	2012	Achieved
No expansion into HCVF	2012	Achieved
All sites ISO14001 certified	2014	Achieved for WNB, NBO and GPP
100% of RSPO premium paid to smallholders	2012	Achieved
All sites RSPO certified (inclusive of smallholders)	2012	Achieved
Carbon footprint for all sites completed	2016	Achieved
CDM projects complete for HOP, MBE and WNB	2016	Target under review*
Cease use of Paraquat at all sites	2012	Achieved

WNB – West New Britain
 RAI – Ramu Agri-Industries
 MBE – Milne Bay Estates
 HOP – Higaturu
 POL – Poliamba
 GPP – Guadalcanal Oil Palm

NEW OR ONGOING TARGETS

Targets	Target dates (year end)
No legal non compliances	2015
Reduce Group lost time accidents rates by 5% annually	2015
No work related fatalities	2015
No land developed on peat	2015
BOD levels below 90ppm for all existing mills	2015
BOD levels below 20ppm for new mills	2015
Maintain smoke density to less than 40% for 20% of the operating period for all mills	2015
All employees paid above living wage	2015
No employees work more than 12 hours overtime per week	2015
All employees have minimum 1 day off per 7 days	2015
No expansion without FPIC	2015
No expansion into HCVF	2015
All sites ISO14001 certified	Under review**
100% of RSPO premium paid to smallholders	2015
Maintain RSPO certification for all sites (inclusive of smallholders)	2015
CDM projects complete for HOP, MBE and WNB	Under review**

* Living wage levels are being reviewed in light of PNG Minimum Wages Review Board recommendations.

** Due to budgetary constraints over the last two years, implementation of these projects has been delayed. New target completion dates will be agreed in Q1 2015.

The World of New Britain Palm Oil

New Britain Palm Oil Limited (NBPOL) is a large scale integrated, industrial producer of sustainable palm oil in Australasia. We have just under 80,000 hectares of planted oil palm plantations, over 7,700 hectares of sugar cane and a further 9,300 hectares of grazing pasture; twelve oil mills; two refineries, one in Papua New Guinea (PNG), and one in Liverpool, UK, as well as a seed production and plant breeding facility. NBPOL is fully vertically integrated, producing its own seed (which it also sells globally) and planting, cultivating and harvesting its own land and processing and refining palm oil, in both PNG and the UK. It also contracts directly with its end customers in the EU and arranges shipping of its products.

Our company headquarters are in West New Britain Province, PNG. We are listed on the Port Moresby Stock Exchange and on the London Stock Exchange. Kulim (Malaysia) Bhd holds the largest share at 48.97%, and the West New Britain Provincial Government is the company's second largest shareholder, holding an 8.00% interest.

For the financial year ending 31 December 2013, we reported revenues of USD 558.7 million, a reduction of 17.5% from USD 677 million in 2012. Our pre-tax profits were also significantly lower at USD 17.3 million (2012: USD 81.6 million). These disappointing results are primarily due to low palm oil prices, exacerbated by a sharp depreciation in the value of the PNG Kina.

TOTAL HECTARES OIL PALM



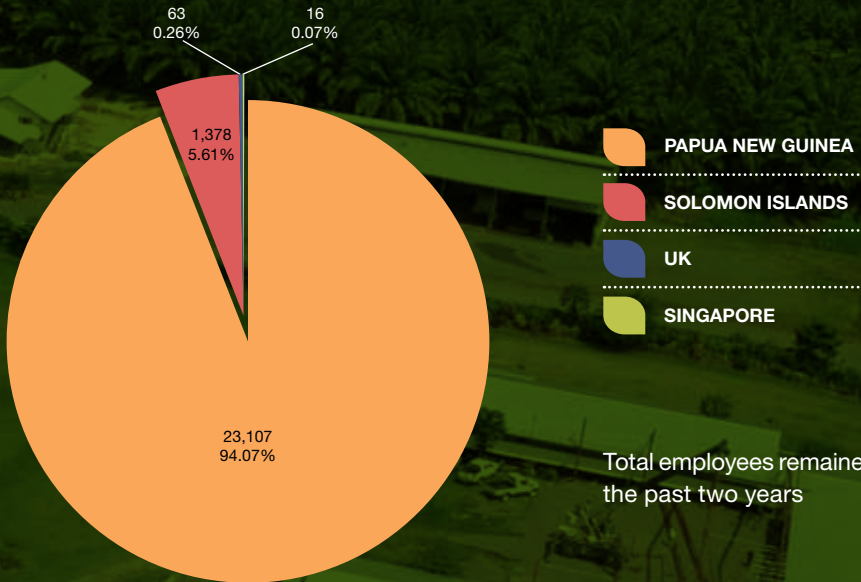
Our last big acquisition was in 2010 and our oil palm estate growth has been due to enhanced utilisation of our existing land bank.

SMALLHOLDER SUSTAINABILITY PREMIUM PER MT OF FFB (USD)



We are committed to sharing the premium we receive for sustainability certification with our smallholders. As more smallholders are now undergoing audits, we are able to share with a wider group.

EMPLOYEES BY REGION



Total employees remained stable over the past two years

TOWARDS 30:30



Our Group objective is to reach achieve a yield 30 of tonnes per hectare and a 30% extraction rate. The weather in PNG in 2012 and 2013 temporarily halted progress, but we expect better conditions in 2014

Map of Operations

WEST NEW BRITAIN (WNB), PAPUA NEW GUINEA

ISO14001 certified since 2004

RSPO certified since 2008
36,948 hectares oil palm
Five mills and one palm kernel crusher
258,534 tonnes of CPO produced in 2013
9,478 hectares set aside for conservation
Refinery
Bulking terminal
7,501 smallholder blocks produce 33.6% of
fresh fruit bunches
17.4 million seeds produced in 2013
3,627 head of cattle
394 hectares of pasture

Land is a combination of state-owned with a
direct lease as well as customary rights land,
cultivated under lease-leaseback

POLIAMBA (POL), PAPUA NEW GUINEA

Acquired by NBPOL in 2010

RSPO certified in 2012
5,623 hectares oil palm
One mill and one palm kernel crusher
24,939 tonnes of CPO produced in 2013
219 hectares set aside for conservation
1,561 smallholder blocks produce 18.7% of
fresh fruit bunches

Land is primarily customary rights land

HIGATURU OIL PALM (HOP), PAPUA NEW GUINEA

Acquired by NBPOL in 2010

RSPO certified since 2012
8,819 hectares oil palm
Three mills and one palm kernel crusher
2,905 hectares set aside for conservation
65,479 tonnes of CPO produced in 2013
5,707 smallholder blocks produce 47.7% of
fresh fruit bunches

Land is primarily customary rights land

Ramu Agri-Industries Ltd

PAPUA NEW
GUINEA

Higaturu

Milne Bay

New Ireland

Poliamba

West New
Britain

New Britain Oils refinery Specialised in certified sustainable and fully traceable palm-based food ingredients. Opened in May 2010.



UNITED KINGDOM

Liverpool

NEW BRITAIN OILS, LIVERPOOL, UNITED KINGDOM

Commissioned in 2010

RSPO SCC certified since 2012

100% dedicated to traceable, RSPO certified palm oil

137,500 tonnes of product processed in 2013

Products include 'New Britain Finest' RSPO-branded bakery fats as well as frying oils, margarines, shortening and palm-based bulk products for the food and personal care industry.

RAMU AGRICULTURAL INDUSTRIES LTD (RAI), PAPUA NEW GUINEA

Acquired by NBPOL in 2008

RSPO certified since 2010

11,490 hectares oil palm

One mill and one palm kernel crusher

35,673 tonnes of CPO produced in 2013

254 hectares set aside for conservation

220 smallholder blocks produce 2.7% of fresh fruit bunches

16,748 head of cattle

8,888 hectares of pasture

7,718 ha of sugar – 80% of commercial sugar in PNG

Land is primarily state-owned with a direct lease

MAIN AREA OF NBPOL OPERATION

MILNE BAY ESTATES (MBE), PAPUA NEW GUINEA

Acquired by NBPOL in 2010

RSPO certified since 2012

10,730 hectares oil palm

One mill and one palm kernel crusher

1,940 hectares set aside for conservation

45,280 tonnes of CPO produced in 2013

796 smallholder blocks produce 6.4% of fresh fruit bunches

Land is primarily customary rights land

SOLOMON ISLANDS

Guadalcanal
Plains Palm Oil Ltd

GUADALCANAL PLAINS PALM OIL LIMITED (GPP), SOLOMON ISLANDS

Acquired by NBPOL in 2005

RSPO certified since 2011

6,274 hectares oil palm

One mill and one palm kernel crusher

One effluent tertiary polishing plant

32,154 tonnes of CPO produced in 2013

2 hectares set aside for conservation

328 smallholder blocks produce 7.6% of fresh fruit bunches

Land is primarily customary rights land

Our Approach to Sustainability

Our work on responsible and sustainable palm oil has evolved tremendously over the years, starting with our zero-burn policy established in 1969 through our early involvement in the Roundtable on Sustainable Palm Oil (RSPO) in 2004 and culminating in the adoption of the Palm Oil Innovation Group (POIG) Charter, a new initiative which forms the current basis for our priorities.

RSPO CERTIFICATION

We know that the vigilance of third party audits together with robust standards help us to keep our focus on continuous improvement. We were the first palm oil company to have a no burn policy (1960) the first to achieve ISO14001 certification in the industry in 2004. We achieved another first in 2008 when we became the first company in the world to achieve RSPO certification for all of our estates and associated smallholders.

When we acquired three new sites in Milne Bay, Higaturu and Poliamba in 2010, we made it a priority to ensure that these were operating to the same sustainability standards, and in 2012 we completed RSPO certification of these companies, inclusive of smallholders.

Our supply chain is also certified by the RSPO for full segregation, so that our customers know that each drop of oil they buy from us originates from our RSPO certified estates in Solomon Islands and Papua New Guinea. In

fact we have always operated a segregated supply chain but prior to RSPO there was no certification standard.

In addition to certification, we continue to play an active role in the development of the RSPO. Our Group Sustainability Director represents Oil Palm Growers from 'the rest of the world' (ex. Indonesia and Malaysia), and our Group Sustainability Manager is a Co-Chair of the smallholder working group. We also played an active role in the 2013 review of the RSPO Principles and Criteria as well the GHG Working Group.

PALM OIL INNOVATION GROUP AND RESPONSIBLE PALM OIL

We are keenly aware that stakeholder concerns on palm oil production are evolving and that we need to keep improving and show responsiveness to both our commercial and NGO partners. In 2013, we entered into a new initiative with Greenpeace, WWF, Rainforest Action Network, Forest Peoples Programme as well as two Latin American palm oil producers. The Palm Oil Innovation Group (POIG) seeks to provide a space and guidance for progressive producers to improve sustainability performance. The basis of POIG is a Charter which raises the bar through a series of commitments on carbon, peat, community and worker rights, corporate integrity, transparency and product traceability.

POIG is not an alternative standard, but builds on the achievements of the RSPO to produce responsible palm oil. Grower members are required to have achieved at least 50% RSPO certification in order to join POIG and commit to 100% certification within two years of joining.

This report is structured in accordance with the POIG Charter. Each section outlines the POIG commitments and our performance and initiatives to comply with these.

OUR JOURNEY TOWARDS RESPONSIBLE PALM OIL



NEW CORPORATE POLICIES

Over the past five years, we have gradually enhanced and broadened our policy framework to ensure that all sites and operations adhere to the same basic principles. In 2008, we published our first sustainability handbook and in 2011 new policies on business ethics and human rights. To consolidate these initiatives into a robust framework, our Board of Directors approved an overall policy framework, which is now being translated into company regulations and standard operating procedures.

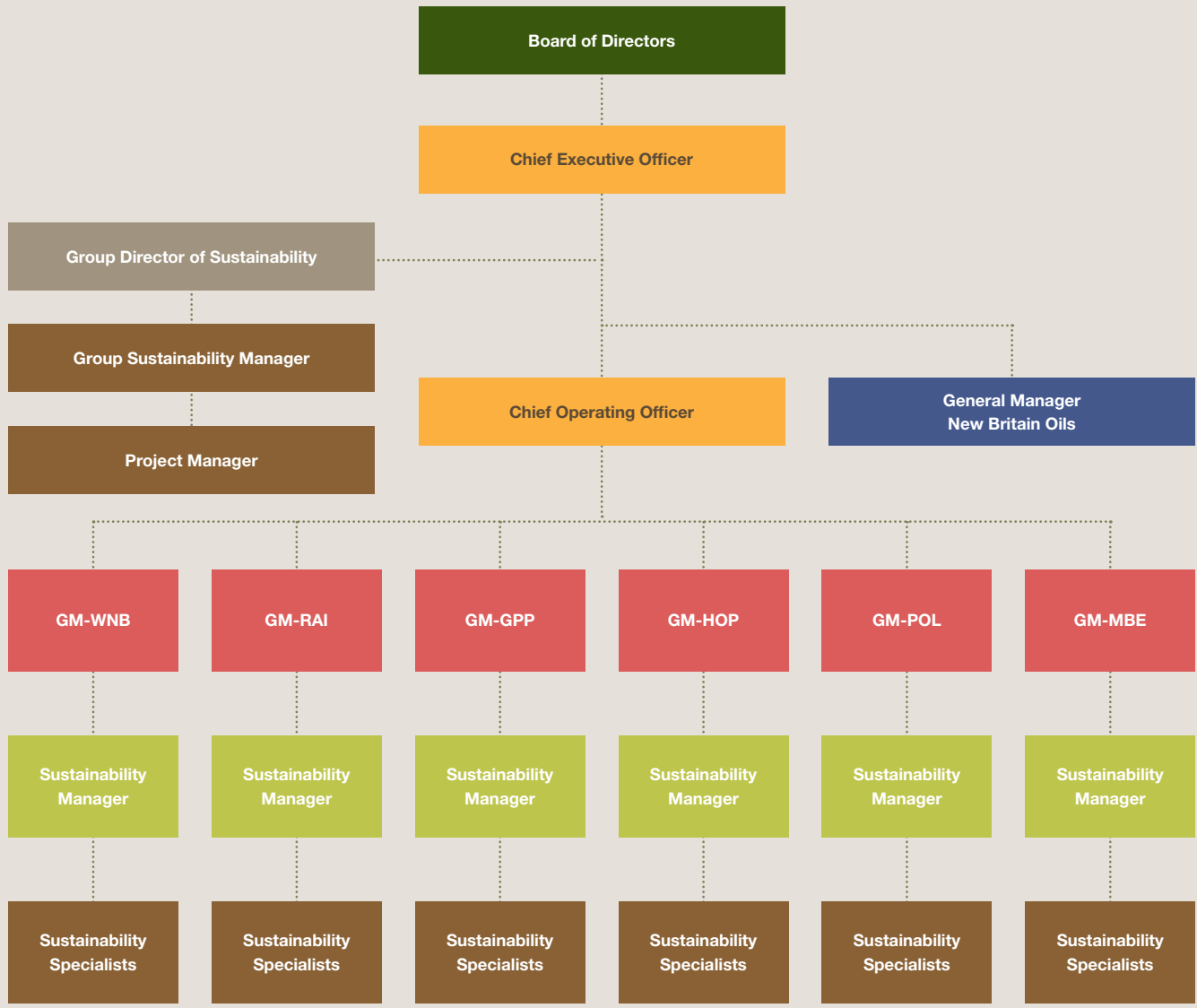
INTEGRATED SUSTAINABILITY MANAGEMENT

We manage sustainability as an integrated part of our operations, and all site general managers are measured on their sustainability performance, with an emphasis on RSPO compliance and OHS performance. However, as

sustainability initiatives can be highly complex, we know that sites should be provided with technical support to implement our sustainability policies. Overall strategic direction is determined by the Board of Directors, which reviews sustainability performance quarterly. Our Group Sustainability Director is responsible for the development of strategies and international stakeholder engagement and oversees the work of the Group Sustainability Manager. She leads a team of specialists based at our sites and is responsible for operational compliance and local stakeholder engagement.



MANAGEMENT STRUCTURE



Environmental Responsibility

BREAKING THE LINK BETWEEN PALM OIL EXPANSION AND DEFORESTATION

Forest Protection - Conserving and Restoring High Conservation Value (HCV) and High Carbon Stock (HCS) Areas

Since 2008, we have undertaken high conservation value (HCV) assessments of all new developments, as well as gradually mapping HCVs in and around existing estates. To strengthen our commitments to sustainable and responsible palm oil production, we became a member of global non-profit organisation The Forest Trust (TFT) in 2012. The focus of our initial work with TFT will be to assess and define High Carbon Stock forest areas within our concessions. This work will help us obtain a better understanding of land carbon values and create guidelines for responsible development.

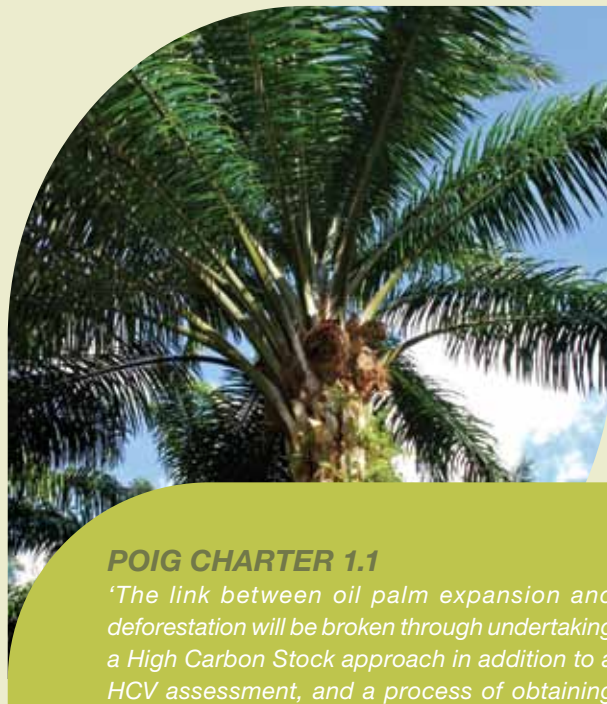
With the establishment of new oil palm plantations being the leading cause of forest conversion and carbon emissions, it matters to us that any development achieves an optimal balance between social development, conservation and agriculture. By excluding from conversion the areas that store large amounts of carbon, we will significantly reduce greenhouse gas emissions and preserve these vital lands.

HIGH CARBON STOCK, FPIC AND HCV IN ORANGERIE BAY

In July 2012 we purchased Vitroplant Orangerie Bay Ltd (now renamed Orangerie Bay Plantations Ltd), which consists of 5,350 hectares of state land with an estimated 6,000 hectares of adjacent customary land. There has been no new clearing or development since the original company was incorporated in August 2007 and no oil palm planted.

Orangerie Bay Plantations Ltd is part of our Milne Bay operations, but located in a remote area and current travel is by boat and foot only. There is no road access into the area and the logistics are challenging, so it has been a lengthy process to be able to start the outreach to the local communities and to include the customary land owners into the process of participatory mapping to understand the landscape. The process is still ongoing and has not been finalised. Currently, the HCV and FPIC (Free, Prior and Informed Consent) processes are underway.

As part of our partnership with TFT, we engaged the organisation to conduct a preliminary assessment of carbon stock in the proposed new development area. Once this initial assessment was completed, a draft methodology for a full High Carbon Stock (HCS) assessment was developed and implemented in the first part of 2013. To further



POIG CHARTER 1.1

'The link between oil palm expansion and deforestation will be broken through undertaking a High Carbon Stock approach in addition to a HCV assessment, and a process of obtaining Free, Prior and Informed Consent to use land. The approach combines biodiversity and carbon conservation, as well as social considerations (including community needs).'

reinforce NBPOL's commitment to environmentally and socially responsible palm oil production, our new Forest Policy was created to compliment the HCS process and ensure that all aspects of sustainable development are incorporated into new development areas.

The HCS process for this new development area has been extensive and has involved numerous field assessments lasting up to six weeks at a time. This involved taking random plot samples along various transects and measuring diameter at breast height of all trees within the plot area. From the data obtained and the information known regarding tree species, a carbon stock value can be allocated. The data that is obtained is critical in determining high carbon stock areas that will be avoided as well as identifying opportunities for carbon sequestration.

The final field assessment will be conducted early 2014 in conjunction with TFT, with the aim of having the process finalised by the end of the first quarter 2014. This particular case study is of vital significance as it will set the direction for all future NBPOL new developments and will play a big role in NBPOL achieving its zero net GHG emissions commitment.

Stakeholder comment: Greenpeace

The Palm Oil Innovation Group (POIG) grew out of a conversation between NBPOL, Rainforest Action Network and Greenpeace about what palm oil production would need to look like for it to really be considered as from responsible management and good oil. That was 5 years ago and the POIG is now the premium global standard for palm oil. The POIG Charter will be verified using indicators released April 2014 – we don't want any flakey declarations but rather independently verified on-the-ground performance. While requiring RSPO certification as a foundation, it goes further and addresses deforestation, peat land development, greenhouse gas emissions, pesticides, water accountability, comprehensive Free Prior and Informed Consent (FPIC) of indigenous peoples and local communities, food security of local communities, transparency and corruption, and traceability. A buyer preferencing supply from a POIG member is the simple way to have independently verified no deforestation palm oil.

The POIG has palm oil producer and NGO members as well as supporters from rest of the palm oil industry. However it is moving quickly to have additional Charter commitments that will allow retailers, traders, manufacturers and financial institutions to be able to be members. We are looking to welcome any innovators in the sector to create a combined effort for transformation.

Additionally the POIG has raised the bar on reporting and disclosure, and it is excellent to see NBPOL embracing the POIG framework to report on environmental and social performance here in this report. NBPOL has shown leadership in bringing forth the idea of the POIG as a vehicle and tool for demonstrating innovation and high-level performance in the palm oil sector.

ABOUT GREENPEACE AND GRANT ROSOMAN

Greenpeace is the leading independent campaigning organization that uses peaceful protest and creative communication to expose global environmental problems and to promote solutions that are essential to a green and peaceful future. [Greenpeace Mission Statement]

We have offices in 30 countries and a global membership of 2.8 million. We campaign to protect the worlds' forests, including exposing deforestation from palm oil development in the last 8 years. In exposing threats to the environment and finding solutions we have no permanent allies or adversaries. To maintain our independence we do not accept donations from companies or governments. We work with companies, communities, governments, and other NGOs and institutions to seek solutions to deforestation from palm oil expansion.

Grant Rosoman is Global Forest Solutions Project Coordinator for Greenpeace, a founder of the POIG, and actively working on High Carbon Stock Approach as a solution to implementing no deforestation.

POIG CHARTER 1.3

'Companies shall publicly report on annual GHG emissions from all sources and on the progress towards reaching targeted reductions of non-land use GHG emissions (per tonne of CPO).'

**GREENHOUSE GAS (GHG) ACCOUNTABILITY**

In 2012, we published our first comprehensive Carbon Report which reflected the data collected from NBPOL's West New Britain site and New Britain Oils refinery in Liverpool over the period of 2008 to 2010. In the report, we committed to a full Group Carbon Footprint, to a reduction

in net emissions of 70% by 2016 and to achieving no net carbon emissions on expansion.

The work to document our Group carbon footprint over 2012 and 2013 was completed at the beginning of 2014:

Operation	Phase	Hectares (Estate) 2012	Cumulative % of Group	Target Completion	Actual Completion	Status
West New Britain	1	36,819	47%	Dec-11	Dec-11	completed
Guadalcanal	2	6,114	55%	Jun-12	Jun-12	completed
Ramu Agri-Industries	2	11,035	69%	Jun-12	Jun-12	completed
Poliamba	3	5,659	76%	Dec-12	Dec-12	completed
Milne Bay	3	10,267	89%	Dec-12	Dec-12	completed
Higaturu	4	8,449	100%	Jun-13	Jan-14	completed

Table 1. Reflection of hectares per sites against total hectare statement of 78,343 hectares of mature and immature own plantings. This is exclusive of smallholders.



Whilst our first report was based on our own methodology – the NBPOL Carbon Calculator, the full Group footprint is calculated using the RSPO PalmGHG methodology. This enables us to benchmark our efforts with other producers (Please see Glossary for further description of the two frameworks).

The RSPO PalmGHG Calculator covers only data for the unit of certification which is the mill and its supply base. This is referred to as carbon emissions Ex-Mill. NBPOL has however extended the model to include from the mill to the bulking terminals on each site (Ex-Terminal). In addition a further extension of this work was needed to reflect the carbon emissions of our two refineries (Kumbango in West New Britain, PNG and Liverpool in the United Kingdom).

CARBON FOOTPRINT

The footprint covers all net emissions data for the NBPOL group estates including its 12 mills, two refineries and all 42,039 hectares cultivated by smallholders. All gross emissions are allocated to the individual mills and then aggregated to give final figures for crop products.

EMISSIONS

The GHG emissions from palm oil production in the calculations are expressed per tonne of Crude Palm Oil or Palm Kernel Oil for the mill. The GHG emissions related to the refinery process at WNB and products shipped to Liverpool from West New Britain are expressed per tonne of RBD (refined, bleached and deodorized CPO) or PFAD (Palm Fatty Acid Distillate).

The total net emissions for the whole group for 2011 were calculated at 447,495 MT CO₂e/year. The emissions cover the Group's production of 553,545 tonnes of CPO and 132,038 tonnes of PK per year.

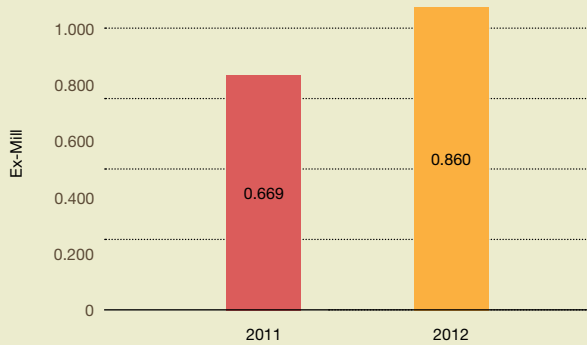
The total net emissions for the whole group for 2012 were calculated at net GHG emissions amounts to 606,613 MT CO₂e/year. The emissions cover CPO production of 512,626 MT CPO/year and PK production of 120,312 MT PK/year.

The increase in emissions reflected in 2012 is mainly contributed by the replanting programme in West New Britain which was increased by 289% against the previous year (633 ha in 2011 and 1829 ha in 2012. Emissions from cleared biomass at the beginning of the crop cycle increased from 250,906 MT CO₂e/planting year in 2011 to 417,334 in 2012).

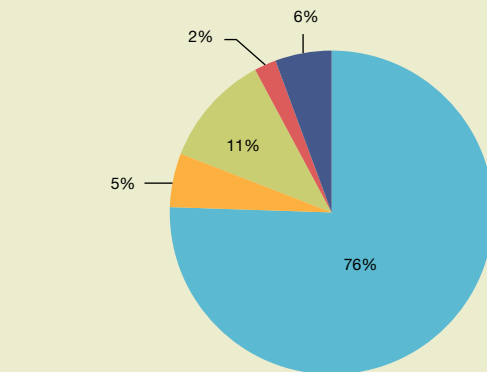
Also note that the total productivity declined and that the increased emissions were spread over fewer tonnes of CPO giving an even higher value on a per tonne of CPO basis and on a refinery product basis (see page 24).

Due to the much larger hectarage and scale, West New Britain is by far the largest contributor of carbon emissions in the Group.

NBPOL GROUP MT CO₂E/MTCPO



2012 MT CO₂E NET EMISSIONS BY MILL INCL FIELD



The emissions figures for Ramu are not included as most plantings are on grass land which is indicated as low-carbon stock vegetation. Planting oil palm on grass land has a net positive sequestration of 123,383 MT CO₂e .

MT CO ₂ e-MT product		
WNB – Product ex Kimbe	2011	2012
CPO	1.12	1.55
PKO	1.15	1.60
PKE	1.15	1.60
GPP – Product ex PCBT		
CPO	0.58	0.43
PKO	0.70	0.55
PKE	0.70	0.55
MBE – Product ex Alotau Bulking station		
CPO	1.12	1.24
PKO	N/A	N/A
PKE	N/A	N/A
POL – Product ex Wharf		
CPO	1.35	1.12
PKO	N/A	3.42
PKE	N/A	3.42
RAI – Product ex Lae Bulking station		
CPO	-5.55	-4.48
PKO	N/A	N/A
PKE	N/A	N/A
HOP – Product ex Oro Bulking station		
CPO	0.35	0.40
PKO	0.45	0.49
PKE	0.45	0.49

Table 3 Ex Terminal Emissions figure per tonne of product for each individual site by point of shipment

EMISSION SOURCES AND SINKS

The PalmGHG Carbon Calculator includes different sources of emissions and reflects the oil palm crop as a “sink” through sequestration of atmospheric carbon. The different emission sources can be ranked in order of importance in relation to their overall impact on total Group emissions; These are, in order of significance: land clearing, palm oil mill effluent (POME), nitrogenous fertilisers, fertiliser and fuel in other transport and mill diesel usage. Of the emissions the land use conversion and palm oil mill effluent contribute 90% of all the gross emissions.

In the calculations provision is made for separate budgets for each mill’s own crop and the smallholder crop (all part of the certified segregated supply chain of NBPOL). The PalmGHG model uses the annualised emissions and sequestration data to estimate the net GHG balance for the palm products from both own and out-grower crops at an individual mill and NBPOL combined the data according to their unit of certification requirements.

Emissions from the biomass cleared at the beginning of the crop cycle are averaged over the cycle. Emissions from the other sources are averaged over three years up to and including the reporting date, thus simplifying data collection and smoothing out short-term annual fluctuations.

By using the OPRODSIM (see base data notes) model for smallholders as well as for Guadalcanal and Poliamba the outcomes are more conservative as this data is not based on PNG growth conditions. In the future when data becomes available this might change the land use emissions.

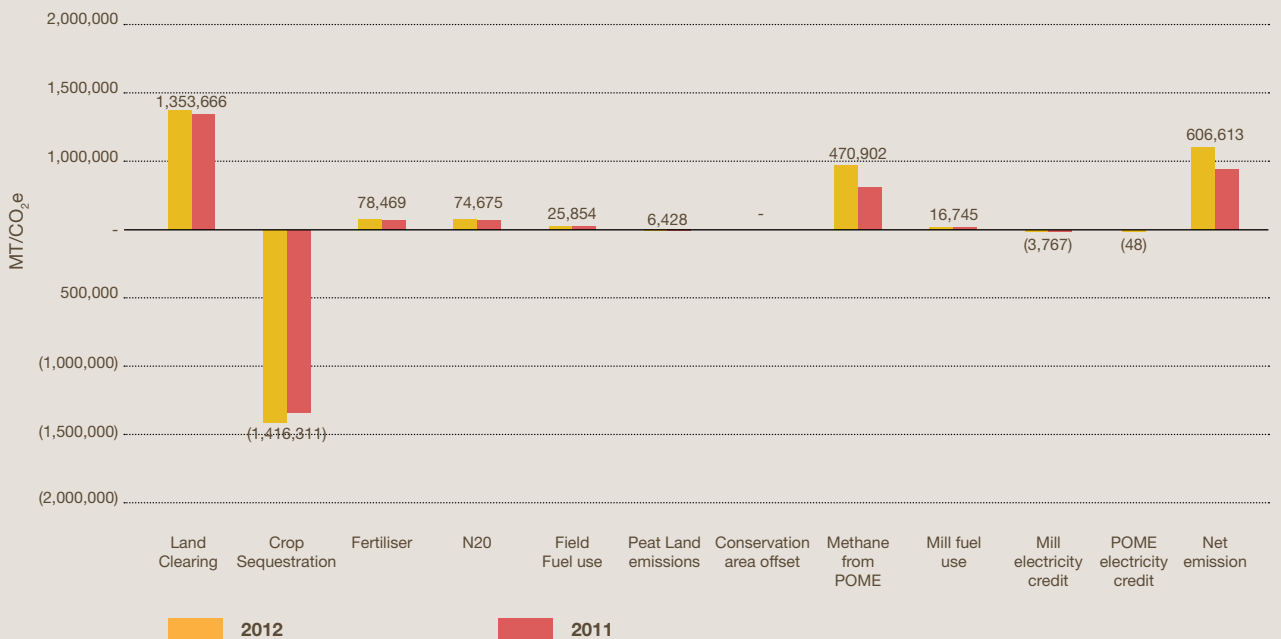
EMISSIONS FROM OIL PALM CULTIVATION

Land clearing is responsible for 67% of NBPOL carbon emissions and constitutes of a total of 976,001 MT CO₂e in 2011 and 1,035,522 of CO₂e in 2012. By far the biggest contribution comes from replanting of oil palm and a smaller amount from land conversion.

Comparing the 2011 with the 2012 figures there is an increase in emissions of 35%. This is caused by an increase in land clearing relating mainly to the replanting of areas and the reallocation of crop to different mills in West New Britain as the Warastone mill was fully commissioned in 2012.

The amount of carbon emissions from land clearing activity is offset by the carbon sequestration from the planting of oil palms which amounts to 1,011,498 MT CO₂e in 2011 and 1,081,836 MT CO₂e.

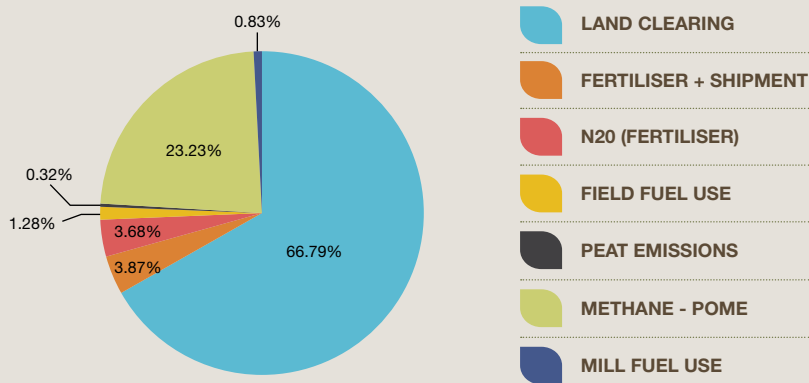
TOTAL GROUP EMISSION SOURCES/SINKS FOR 2011-12



Graph 5 The overview of the groups Emission Sinks and Sources 2012 Note: At current the figures used to calculate the emissions reduction of the two CDM projects at WNB are under review. The Group 2012 net emissions data will change as Mosa and Kumbango Net Emissions in this report is based on estimated calculation for methane assumption, the actual value will be updated after CDM verification from auditor at the end of February 2014.



2012 NBPOL'S GHG EMISSIONS ATTRIBUTABLE TO:



EMISSIONS FROM PALM OIL PRODUCTION

The emissions from the mill effluent digestion process represent the second most significant source of GHG. Palm Oil Mill Effluent (POME) represents the largest portion of GHG emissions from methane, totalling to 312,578 MT CO₂e in 2011 which contributes 70% of net emissions and 470,902 MT CO₂e in 2012 which contributes 78% of net emissions.

METHANE CAPTURE

In 2010, the two methane capture projects in West New Britain were predicted to commence operational commissioning as the start of the Clean Development Mechanism crediting period as of 1 January 2012. The project operational commissioning was delayed until 1 October 2012 as approved by UNFCCC.

GREENHOUSE GAS (GHG) ACCOUNTABILITY

Operation	Mosa (MT CO ₂ e)	Kumbango (MT CO ₂ e)
Projected monthly reduction (Estimated 2010)	4,141	4,530
Actual monthly reduction (Oct-Dec 2012)	1,296	2,177
Shortfall	-2,845	-2,353

The actual results from October to December 2012 are based on the Monitoring Report which was uploaded to the UNFCCC website for one month's public review in January 2014. The results might change after the verification by auditors at the end February 2014.

Different challenges with the implementation of these two projects delayed the actual start. The contributing factors to the delay were caused by technical problems with the grid connection as well as long travel distance involved in receiving spare parts and transporting technicians to site to verify conditions and repair generators. Our financial situation had an impact on the CDM projects and budget.

The estimates made in 2010, which were based on best available science at the time, were proven to be inaccurate. The company is still committed to the renewable energy initiatives and the work continues in spite of having to adjust the timelines for the implementation of the projects to a later date.

During 2011 and 2012 NBPOL did continue with the CDM registration and approval of two projects (Sangara and Hagita). These projects have been finalised and registered on the UNFCCC website.

REFINERY PRODUCTS

Whilst refined products are outside of the scope of the RSPO PalmGHG calculator, we have expanded the calculation to include our refineries in WNB and in Liverpool. This enables our customers to incorporate our products into their own product carbon footprints.

	Total MT CO ₂ e/MT product	
	2011	2012
WNB Refinery products	1.09	1.45
Liverpool Refinery – RBD	1.58	2.01
Liverpool Refinery – PFAD	1.58	2.01





PEAT LAND

We understand that the development of oil palm on peat can contribute greatly to the release of powerful greenhouse gases and we made a formal commitment to 'no planting on peat' in 2010, as part of our climate change strategy. We only have a small area (88 hectares) of peat in West New Britain, which is currently planted with oil palm and maintained through best practices in water table management. The area is part of a larger non-peat plantation development and is not considered a critical part of a wider peat land eco-system.

POIG CHARTER 1.2

'No peat clearance: All areas of undeveloped peat lands (peat of any depth) are protected and all drainage, fires or road building on peat soils is prohibited.

Maintenance of peat lands: Water tables are managed in existing plantations on peat in order to minimize both the subsidence of the peat and the release of GHG emissions. Strategies are employed to progressively restore critical peat land ecosystems, with a preference for replanting on mineral soils, including via 'land swaps'.



POIG CHARTER 1.8

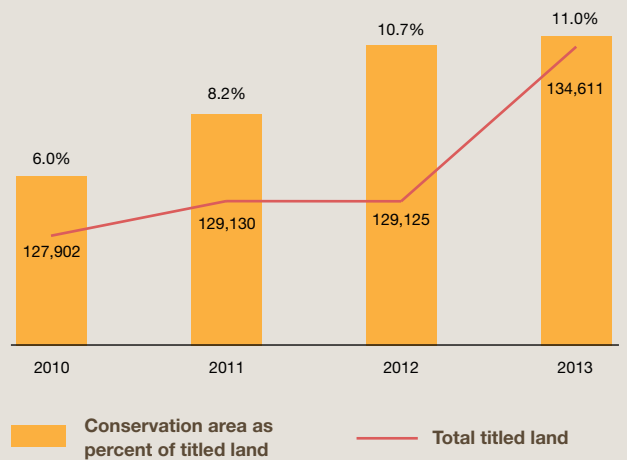
'Following comprehensive biodiversity surveys to identify HCV 1-3, in addition to ensuring the protection and survival of all rare, threatened or endangered species within their concession land, concession holders also make a positive contribution to their survival in the wild in areas beyond the concession.'

PROTECT AND CONSERVE WILDLIFE

We operate in one of the world's most biodiverse regions, and wish to contribute to the protection and preservation of wildlife and rare species in and around the areas where we operate. We have a long history of support for biodiversity projects – particularly in West New Britain where we have supported Mahonia Na Dari, a not-for-profit organisation focusing on the protection of marine life off the coast of West New Britain Province.

We first began undertaking structured biodiversity assessments in 2007, in connection with our initial RSPO certification, primarily as part of our HCV assessment. Over the past years, we have been developing and maintaining increasing areas for conservation and protection of local flora and fauna and over 10% of our titled land is now set aside for those purposes.

CONSERVATION AREA AS PERCENT OF TITLED LAND



As part of our POIG commitment, we intend to go a step further by not merely looking at our direct impact on wildlife in and around our plantations, but looking to assess how we can contribute to the protection of wildlife at a landscape level.



WEST NEW BRITAIN LANDSCAPE OVERVIEW AND HABITAT MANAGEMENT PLANS

In January 2013, we completed a comprehensive landscape overview of West New Britain to outline the habitats of the area and the components that comprise them: fauna, flora, vegetation and outstanding geographic features.

The landscape overview formed the basis of a contextual guide for habitat management plans that will prioritise specific habitat areas and identify strategies to abate threats effectively for the foreseeable future.

We completed five habitat management plans for priority areas aimed to improve and maintain the habitats that contain high conservation values. Habitats that were found to contain HCV features included ecological corridors as well as wildlife reserves and oxbow lakes. They are deemed so in accordance with the RSPO Criterion (5.3) providing rare, threatened or endangered species with habitats to live in. The plans cover 2013-2015 after which they will be reviewed is to facilitate the conservation of important representations of fauna and flora of WNB within our leased plantation areas whilst simultaneously proposing livelihood solutions for the plantation workers.

RIPARIAN BUFFER ZONE REGENERATION IN MILNE BAY

At Milne Bay, 2012 and 2013 saw the implementation of an extensive replant programme over a number of estates. In line with this programme was the further establishment and regeneration of riparian buffer zones along all creeks, rivers and swamps at various plantations throughout Milne Bay.

To support the riparian buffer zone expansion, a central 'buffer zone nursery' was developed in early 2012 and now has over 20,000 plants that are being cultivated to be transplanted into the buffer zone areas that require regeneration. At the end of 2013, approximately 12,000 plants had been transplanted from the nursery into the various buffer zones to provide rejuvenation and encourage natural growth. This consists of local tree species including rosewood, ebony, pandanus, acacia and a variety of smaller trees and palms that are found in the Milne Bay eco-region.

As the oil palm replant programme continues over the coming years, so will the buffer zone replant programme. Riparian buffer zone areas throughout Milne Bay Estates now total just under 1,000 hectares and continue to increase as the understanding and appreciation of the integral part that they play in protecting the environment also increases.

HCV PROGRAMS

Milne Bay conducted a number of HCV assessments in 2012-13. The first was an overall assessment of the current plantations. This was an extensive undertaking, covering over 11,000 hectares with the aim of identifying and managing HCVs that exist within or adjacent to existing plantations across Milne Bay's operational areas. One of the outcomes of this study was the declaration of an area as a protected HCV area. A particular cave of both cultural significance and biological diversity has been recognised and a commitment made by Milne Bay Estates to preserve this area. This area, previously planted with oil palm by the original plantation company, was declared a HCV site by NBPOL at the end of 2012 and has since been protected and natural vegetation re-established.

HCV assessments will continue to be conducted as another way of ensuring our commitment to environmental sustainability and social responsibility. Other HCV assessments that were conducted in 2013 included the potential development of 200 hectares at Padipadi and the new development area of Mamai and Baibara covering 5,350 hectares. These are just the first of many planned HCV assessments for Milne Bay Estates as we look towards potential expansion. Conducting HCV's is the initial step to ensuring that the potential impacts of oil palm development, both environmental and social, are identified and actions taken to minimise or mitigate any adverse effects.



ORANGUTAN LAND TRUST AND NEW BRITAIN PALM OIL

PNG and Solomon Islands is not home to any major flagship species, but we still want to do our part in contributing to the survival of threatened species such as the orangutan. We know that this is of concern to many of our customers, and we believe that our knowledge of palm oil and conservation measures can be valuable to the development of long-term plans for orang-utan protection. In 2011, we therefore entered into a strategic partnership with the Orangutan Land Trust (OLT), an NGO dedicated to safeguarding the habitats and population of orang-utans in Indonesia and Malaysia. We support the organisation through cash donations as well as strategic advisory. Our Director of Sustainability sits on OLT's Board of Trustees.



POIG CHARTER 1.5

'To reduce climate and environmental impacts producers shall strive to minimize chemical fertilizer use, and preferentially use 'precision agriculture', organic fertilizers, and where possible use waste as a source of phosphorus. Phosphorus and nitrogen levels in water courses are monitored and disclosed.'

POIG CHARTER 1.4

'Highly toxic, bio-accumulative and persistent pesticides shall not be used. These include chemicals on the FSC 'Highly Hazardous' list and SAN prohibited pesticide list. Producers shall by preference practice natural weed and pest control and IPM, and strive to avoid the use of toxic pesticides, only using them as an absolute last resort. There shall be full transparency of any pesticide use.'

**PESTICIDES USE MINIMISATION AND CHEMICAL FERTILISER**

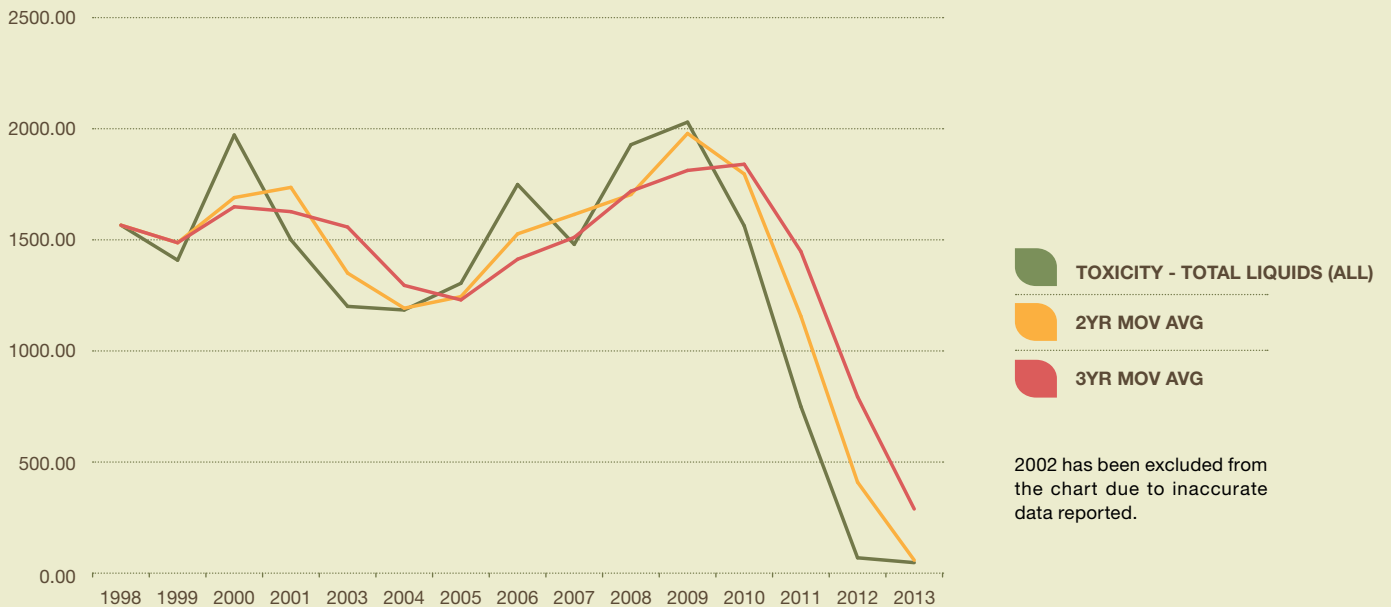
Over the past twenty years, we have made great strides in the reduction of chemicals use in our plantations. We have a robust integrated pesticide management system and have developed innovative composting solutions, both of which help us avoid chemicals.

We use biological controls combined with hand weeding to undertake much of our pest and weed control. We only use pesticides where absolutely necessary; primarily for young palms and in the case of major pest outbreaks. Where we do use chemicals, these are carefully measured and applied using precision tools.

In May 2012 we met our Group target to completely phase out the use of the herbicide Paraquat. This was a decision based on ongoing dialogue with stakeholders who were concerned about the hazards associated with mishandling. Whilst this had some cost implications, we believe that it was a necessary step to maintain the engagement and trust of many of our NGO partners and customers.

We are monitoring pesticide usage at all sites on a monthly basis, and 2013 saw a reduction in the overall toxicity burden of the land, on a per hectare basis, across our sites due to the 2012 phase-out of Paraquat.

**WEST NEW BRITAIN - TOXICITY PER HECTARE
(HERBICIDE LIQUIDS)**



The radical drop in herbicide toxicity in 2012-13 is largely caused by the phase-out of Paraquat. In addition, very high rainfall levels meant that very little herbicide application was possible. As a result, we expect to see an increase in herbicide usage in 2014-15, albeit far from pre-Paraquat phase-out levels.

We measure toxicity from purchased stock of pesticides. This is the cause of the low level in 2002, where too much surplus stock had been accumulated.

We recycle almost all by-products from our operations and generate very little waste as a result. In 1998, we were among the first companies to introduce extensive composting solutions, significantly reducing commercial fertiliser use whilst reducing waste. At some sites we also apply oil palm mill effluent (POME) to the field as this contains valuable nutrients.



POIG CHARTER 1.7

'The quality and quantity of water is maintained with responsible water management adopted including minimization and disclosure of water use, pollution elimination, equity with other users, and consideration of catchment level impacts of irrigation.'

WATER ACCOUNTABILITY

Most of our operations are based in areas with very high rainfall and with little need for irrigation or competition for water sources. We have always sought to protect critical water ways through ongoing monitoring of Biological Oxygen Demand (BOD) level as well as maintaining 30 metres of buffer zones throughout our operations. We have also worked closely with NGOs seeking to protect marine life in West New Britain where our plantations are close to some of the world's most impressive coral reefs.

We only release effluents to local waterways at our West New Britain and Poliamba sites. Other sites are applying treated effluents to the land as fertiliser or are not yet discharging as the effluent ponds have yet to be filled.

The legal limit in Papua New Guinea is 100ppm, and our group target is to stay below 90ppm. as we upgrade our effluent treatment, we are looking to reduce our target even further and eventually meet the ambitious World Bank recommendation of 50ppm. For the majority of our mills, this is highly achievable, as number are consistently below this limit. We are looking into only one of our older mills which appears to have higher BOD levels than other mills.

As part of our community engagement we are, however, becoming more aware of the social aspects associated with access to water. In rural Papua New Guinea, it is estimated that only 20% of people have access to enhanced water sources and sanitation, and we are therefore increasing our focus in this area as part of our 'one hour principle' policy. In Solomon Islands, conditions are less dire with 50-70% of the rural population with access to adequate water sources.

WEEKLY READINGS OF BIOLOGICAL OXYGEN DEMAND 2013

Mill	Above 100ppm (Legal limit)	Above 90ppm (Group target)	Above 50ppm (World Bank recommendation)
MOM (WNB)	1	1	8
KOM (WNB)	23	23	32
NOM (WNB)	0	0	1
KAPOM (WNB)	0	0	0
WOM (WNB)	0	0	0
POL	0	0	1



GMO PROHIBITION**POIG CHARTER 1.6**

'The cultivation of GMOs in the management area is prohibited.'

EXPANDING OUR RESEARCH EFFORTS WITHOUT GENETIC MODIFICATION

New Britain Palm oil has been a leader in palm oil research for the last 30 years. We have never used genetic modification in any of our breeding programmes and never intend to. We are committed to delivering higher yields per hectare, a principal that underpins the very notion of sustainable agriculture. Our Damu seed station and work on cloning are among the most respected facilities in the world.

In 2013, we expanded our innovation efforts through a long term venture with SIPEF N.V. and Biosing that will potentially deliver a quantum leap in palm oil yields through genetics research and development, without the use of genetic modification.

The joint venture takes the form of a wholly owned subsidiary, Ultra Oleum Pte Ltd, which will develop high yielding F1 hybrid oil palms along with other supporting technologies that underpin significant yield and productivity enhancements for the palm oil industry world-wide, and agriculture in general.

An F1 hybrid variety is the first generation offspring of two distinctly different and genetically uniform parents, each with identical sets of chromosomes. This breeding technology has the potential to at least double conventional palm oil yields per unit of area. This claim is based both on the historic yields achieved by other F1 hybrid crops such as corn (maize), and on oil palm's estimated physiological yield potential.



Partnerships with Communities

POIG CHARTER 2.2

'A balanced, accountable, mutually agreed and documented conflict resolution system is established that is accessible to smallholders, indigenous peoples, rural communities and other affected parties in order to deal with complaints, grievances and resolve conflicts to the mutual satisfaction of the party's. The system will include the option of access to independent legal and technical advice, the ability for complainants to choose individuals or groups to support them and/or act as observers, as well as the option of a third party mediator.'



POIG CHARTER 2.1

'Comprehensive FPIC is obtained for all oil palm development including in particular: full respect for their legal and customary rights to their territories, lands and resources via local communities own representative institutions, with all the relevant information and documents made available, with resourced access to independent advice, through a documented process, through a long-term two-way process of consultation and negotiation where the communities are informed and understand that saying no to development is an option, and not constrained by local legal frameworks. Newly acquired already planted plantation areas shall redress any lack of proper FPIC when the plantations were established. Lands will not be acquired through expropriations in the national interest ('eminent domain').'

FREE, PRIOR AND INFORMED CONSENT (FPIC) OF INDIGENOUS PEOPLES AND LOCAL COMMUNITIES AND EFFECTIVE CONFLICT RESOLUTION

In both PNG and Solomon Islands, we are heavily dependent on communities who control over 90% of land in both countries. We believe that communities have a right to determine how to use their land through free, prior and informed consent (FPIC), and this is highlighted in our 2011 Human Rights Policy.

As part of our RSPO commitment, we are required to ensure that the community really understand the implications and options of leasing their land to us and above all their ability to say “NO” to development. FPIC recognises indigenous peoples’ inherent and prior rights to their lands and resources and respects their legitimate authority to require that third parties enter into an equal and respectful relationship with them, based on the principle of informed consent. The underlying principles of FPIC ensure that indigenous peoples are informed and consulted on proposed initiatives, and participate meaningfully in discussions on likely impacts.

Discussions with communities are carried on an ongoing basis, and we do receive requests for renegotiations of lease agreements, as well as complaints through our formal complaint system. However, we do not consider any of these negotiations and discussions as conflicts, but part of an ongoing dialogue.

Implementing FPIC has proven to be one of the most complex issues in our sustainability journey. It is not always easy to determine which individuals are truly representative of the community. It becomes more complex when we have to consider whether the rights of community minorities should supersede those of the majority. There are no easy answers, but we believe that we are learning and continually improving our engagement and consultation.

SPECIAL AGRICULTURAL BUSINESS LEASES

The greatest challenge over the past years has been the public debate over the Special Agricultural Business Leases (SABL) system. The SABL system has been used for many years within NBPOL to lease land from customary

land owners under a scheme called Lease-Lease back. Correctly applied, the Lease-Lease back system includes establishing the rightful customary owners of the land, carrying out consultation and participatory mapping of the land.

While we believe that our own system has followed these steps, there have been numerous examples where other companies, particularly in the timber industry, have not implemented the scheme correctly. As a result of this, in 2011, there was a public outcry over the abuse of the SABL system, which prompted the PNG Government to set up a Commission of Inquiry.

The Commission was set the task of investigating how 11% of PNG’s land mass came to be leased for up to 99 years, often without permission of landowners. The Commission’s report outlined the process of different projects and the parties involved. NBPOL had one SABL under investigation by the Commission of Inquiry related to the Lolokoru estate in West New Britain (1750 hectare), and was recognised as having followed the correct procedures. However, due to a number of irregularities in the application by other companies as well as government agencies overseeing the system, the outcome of the inquiry was the recommendation of the Commission to cease the SABL system entirely.

During the debate around the SABL inquiry NBPOL engaged with NGOs to discuss options of strengthening regulations around the industry. It was indicated that there are options for national legislation to support and effect conduct and compliance in the industry. This would be applicable to all palm oil players. The Environment Act regulated by the Department of Environment can create such a platform for this work. Several workshops were held with different stakeholders to further review the possible options. This resulted in the processing Code of Practice developed by DEC in cooperation with the different stakeholders in 2013. The Code outlines good practices in processing and provides guidelines that will need to be followed for each operation regarding milling and refining. We are now working with stakeholders on a wider Code, which would include estate operations.

POIG CHARTER 2.2

'As part of the Free Prior Informed Consent process, participatory Social Impact Assessments and participatory land use planning with indigenous and local communities, food security is maintained or strengthened in order to maintain their land use choice and future food security options. This will include not undermining local control of and diversity of food production systems. There is transparency of the land allocation process.'

**FOOD SECURITY**

Food security is a relatively new concept for us and for the wider industry to address directly. We believe that palm oil itself is a critical crop for food security, due to its high productivity of calorific value per hectare. We have also undertaken to review how breeding programmes may enhance the nutritional value of palm oil for the millions relying on palm oil as a primary source of essential fat.

However, we also believe that we can contribute to food security beyond our products based on the definition from the Food and Agriculture Organization (FAO) that food security "exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life".

We look at food security at three levels: At the national landscape level, at the community level, and for our own employees.

THE FOOD SECURITY LANDSCAPE

At the macro level, we have to contribute to a national development which ensures that food availability of future generations is taken into account and accommodated. For us, this means a strengthened focus on regional planning and partnerships with the provincial governments, and taking food security into account when expanding or converting other crops. In PNG, we are the largest commercial sugar and beef producer and we believe these undertakings play a vital part in a diverse national food landscape.



THE COMMUNITY AND FOOD SECURITY

Many of the communities around our operation are growing at a fast pace. This has led to significant overcrowding in terms of the available garden land available to grow food. Many land settlement schemes established decades ago awarded families with 4-6 hectares, based on a family size of four. The latest PNG census found that the average family size is now 5.3, but in oil palm areas family sizes are often double or triple that size due to high birth-rates and/or migration of additional family members. This creates tremendous pressure on land, and in some areas leads to encroaching on HCV areas, buffer zones and poaching of vulnerable wildlife species. To help tackle this issue, we are working to identify areas with significant overcrowding issues and provide assistance and guidance on long-term food security plans.

EMPLOYEES AND FOOD SECURITY

We want to ensure that everyone has access to more variety without additional cost. In many of our housing areas we are providing garden plots, either communal or individual. We follow this up with guidance on new ways of gardening, composting and fertilising. We believe this not only enhances health and encourages an active lifestyle, but also frees up cash for discretionary spending or savings. However, as not all employees have access to garden space, this is an area we will prioritise and expand over the coming years.

POIG CHARTER 2.4

'A comprehensive social programme with regular monitoring is in operation to ensure palm oil production does not result in human rights violations, trigger social conflicts, or produce 'land grabbing', and addresses key social equity issues including housing, healthcare, education and empowerment of women.'

SOCIAL CONDITIONS

We operate in countries where infrastructure, sanitation, health and basic education is often out of the reach of communities. Solomon Islands and PNG ranks respectively 143 and 156 out of 187 countries listed in the 2012 UNDP Human Development Index. PNG has one of the lowest densities of physicians in the world: there are five doctors per 100,000 people. More than 60% of the population do not have access to safe water. Social indicators for women are particularly low: maternal mortality rates are very high and there are high levels of violence against women. Adult literacy is 64%, but only 57% of women are literate, compared with 71% of men. The proportion of Papua New Guineans living in extreme poverty is estimated to have risen from about 25% in 1999 to just below 40% in 2007.

We cannot solve these big challenges alone, but we seek to find ways to provide basic services and infrastructure to our employees, their families and through the NBPOL Foundation address these issues in the wider community in provinces where we operate.

**HOUSING**

We provide housing with running water, electricity and sanitation for approximately 25,000 employees and their families, a total of around 52,000 people across our six sites. Maintaining, upgrading and expanding the housing stock is one of our biggest challenges, as building materials and skills are limited in some of the remote areas where we operate. We find it challenging that a large number of extended family members join our employees, resulting in overcrowding and making it difficult to plan and allocate appropriate dwellings. Our policy is to provide families with single-family accommodation, whilst single employees are housed in gender-separated dormitories.

EDUCATION

We provide access to secondary schooling for all of our employees and run or support a small number of primary schools. In principle, PNG has universal education however, in reality, there is a lack of available education in many parts of the country. We find that there is a significant gap in access to school and a shortage of teachers. Barriers include the nominal school fees which many parents struggle to pay, as well as transportation because many communities live more than two hours walk from the nearest primary school. In addition, the lack of adequate census statistics make it extremely challenging to ensure that there are sufficient school places.

HEALTH

In many of the areas where we operate, we are the biggest provider of health services. We operate a total of 12 clinics and 44 aid posts. In 2013, these clinics had over 344,000 total visits, around half of which were non-employees. We provide services to treat a wide range of illnesses, with the vast majority of our services related to malaria and women's health, including child birth. Our ability to enhance quality of health care is sometimes very limited due to a lack of available medication as well as a lack of clinical staff willing to live and work in remote areas.

TACKLING GENDER ISSUES

Beyond our non-discrimination workplace policy, we have sought to address women's empowerment through a wide range of outreach and education activity. The biggest cause for concern, both for our employees and for the wider community is gender violence. We support women's groups at all of our sites, including some very successful initiatives in West New Britain where we have supported the training and hiring of female community police, and become a strategic partners in the local NGO, "Meri Strongim Meri", who provide support to women in the community.

NEW BRITAIN PALM OIL FOUNDATION – TARGETING BASIC NEEDS

The NBPOL Foundation, created in 1997, seeks to improve the health and education of people living in the immediate area of the NBPOL operations

The most prominent Foundation activity in 2012 and 2013 was the completion a Community Needs Assessment which focused on the predominant basic needs of communities in areas bordering NBPOL operations in PNG. The assessment was conducted by Voluntary Services Overseas (VSO), the world's largest independent international development organisation that works through volunteers.

The outcome of the research will assist the Foundation in establishing and implementing its long-term strategy to:

- Select and manage where and how funds are used;
- Align priorities with PNG government needs and Millennium Development Goals;
- Work with existing government and non-government efforts to increase likelihood of success, and provide greater access for additional funds; and
- Engage with the wider rural communities to ensure their social wellbeing, as a major component of NBPOL's sustainable business practice

The assessment, titled Harim Singaut Bilong Komuniti, was completed by VSO across three sites of NBPOL operations. The research took place in West New Britain, New Ireland and across the Ramu valley taking a 10km catchment area from NBPOL operations. The assessment triangulated information from community members, service providers, government and civil society representatives to review access to and quality of health and education

services in their locations. We believe this is the first such assessment of its kind in PNG. Over 650 community members were consulted representing a population of over 70,000 people.

The results of the assessment showed significant variance between the three sites regarding health and education. The research report was made available on both VSO and NBPOL websites. The full report and findings can be downloaded from our website (<http://www.nbpol.com.pg/wp-content/plugins/download-monitor/download.php?id=153>).

As a follow up, the findings of the community needs analysis will be used in a project starting in 2014, which will respond to the recommendations made within the report for an integrated, holistic approach to community development, putting communities and their service providers at the centre of all activities and interventions. This project aims to work in a participatory way with five communities in the Ramu valley responding to their identified needs and self-developed plans and priorities. This pilot will be guided by the One Hour Principle (see box on this page). At a more practical level, the focus areas will be working towards:

- Functional and resourced schools with universal access and community support that use child-centred teaching methodology to deliver the National curriculum.
- Functional and resourced primary healthcare facilities with universal access that meets the needs of the community.
- Sustained access to safe drinking water and basic sanitation at schools, primary healthcare facilities and households.

THE ONE-HOUR PRINCIPLE

In this approach, a Community Needs Assessment uses three pillars of socially responsible development, based on NBPOL's own research, highlighting what can be achieved with investment in rural development.

The three pillars are based on The One Hour Principle

- Access to 20 litres of tap fed potable water within one hour's walk
- Access to a medical health post within one hour's walk
- Access to a primary school within one hour's walk

The three pillars will be considered in the HCS land use decision making process for new developments, to ensure NBPOL is meeting community needs while not causing deforestation.

Stakeholder comment: VSO

Sometimes things are just meant to be; chance encounters and the discovering of shared values. And that's pretty much how it all started between New Britain Palm Oil and VSO; when Simon Lord (NBPOL's Group Sustainability Director) sought out VSO in London two or three years ago, after hearing about our work in PNG, our experience of working with other companies and our building of partnerships that make sense to both development and businesses. And from that we've built a tremendous partnership.

The New Britain Palm Oil Foundation exists to improve the lives of people in communities that surround the Company's plantations. Its focus is on access to and quality of health and education, particularly that of women and girls. VSO's focus in Papua New Guinea since 1960 is very similar, and for good reason.

Of all the countries where VSO works in Asia and the Pacific, PNG is the least advanced. With just 80% of children immunised against diphtheria and tetanus and just 55% against measles (the worst of any country in the world where VSO works). While better than all of the African countries we work in, still more mothers die giving birth to their children than in Myanmar or Nepal. And children in PNG, on average, receive less schooling than those in India, Bangladesh, Pakistan and Zimbabwe.

It's this that brings us together and has done for the last two years; a belief that every mother has a decent chance to give birth in a safe environment, surrounded by trained mid wives, doctors and nurses. That every child,



particularly girls, has an equal right and equal access to a full cycle of basic education. And where everyone one has the right to safe drinking water.

That's what this partnership is founded on; basic human rights and where a company and a social organisation can come together to realise those rights. We started that last year with the community research which identified barriers to access to quality of basic health care and education. And now we have a community action plan, facilitated by VSO volunteers and in which we have a shared ambition that everyone, particularly girls and women, have access to quality healthcare, basic education and safe drinking water within One Hour of their homes.

That does not take away the core responsibilities of the PNG government to provide reasonable basic services to all of the country's population. That's the capacity we, VSO, have been working on for the last 50+ years. But it is a demonstration of how community action, facilitated by a business-NGO partnership can contribute to it.

A hugely interesting eighteen months just starts; shared values; shared ambition. Pretty cool!

Simon Brown
Corporate Partnerships Manager
VSO Asia & Pacific

Michael Mapstone
Head of Corporate Partnerships
VSO UK



Michael Mapstone
**Head of Corporate Partnership
Development, VSO UK**

Michael joined VSO in 2008 and is Head of Corporate Partnership Development at VSO UK and leads on a number of partnerships with companies including Accenture, Mondelez International, Randstad, Barclays, BG Group and New Britain Palm Oil. Michael also represents VSO as an External Advisor on the Mondelez Cocoa Life Advisory Council.

Simon Brown
**Corporate Partnerships Manager, VSO
Asia-Pacific Group**

Simon has worked for VSO since 2009, more recently as interim Regional Director for Central & South Asia but more permanently as Corporate Partnerships Manager for VSO in Asia and the Pacific.

**POIG CHARTER 2.5**

'Palm Oil Producers shall respect worker's rights including the ILO requirements for 'decent work' and core conventions on child labour, forced or compulsory labour, freedom of association, and elimination of discrimination.'

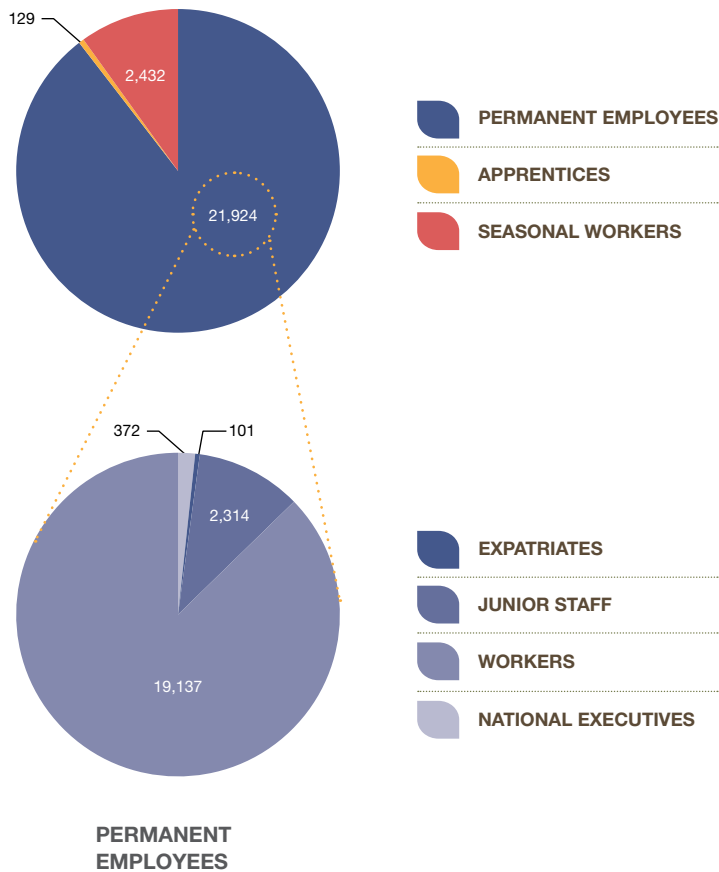
WORKERS RIGHTS

We believe that every employee has the right to a decent, fair, safe, healthy work environment, in line with the United Nation's Universal Declaration on Human Rights and the ILO's core conventions, whether or not these are ratified by the countries where we operate.

OUR EMPLOYEES

We employ almost 25,000 people across our operations and more than 99% are nationals of the country where we operate. The vast majority of our workers are employed on a permanent basis, with seasonal workers being employed only for specific new projects. All employees have the freedom to join trade unions of their choice and have access to collective bargaining. Around 13% of all employees are represented by a trade union.

EMPLOYEES BY CONTRACT TYPE



CHILD LABOUR AND BONDED LABOUR

New Britain Palm Oil has a strict policy to prevent and combat child labour and will not employ anyone under the age of 16. We make great efforts to verify the ages of all employees, including checking of birth certificates, school and church records, ID cards from previous employment, driving licenses and statutory declarations. A medical examination is mandatory before commencing employment for all potential employees. We have not recorded any instances of non-compliance with this policy in our RSPO audits or social impact assessments.

Children working on smallholder plots, picking loose fruit or weeding to help out the family, is not an unusual occurrence. Through our ongoing engagement with smallholders, we seek to raise awareness of potential hazards for these children and the need for them to attend school.

We uphold a complete ban on any form of coerced labour practices. We do not require bonds, deposits or the withholding of travel documents for any of our workers.





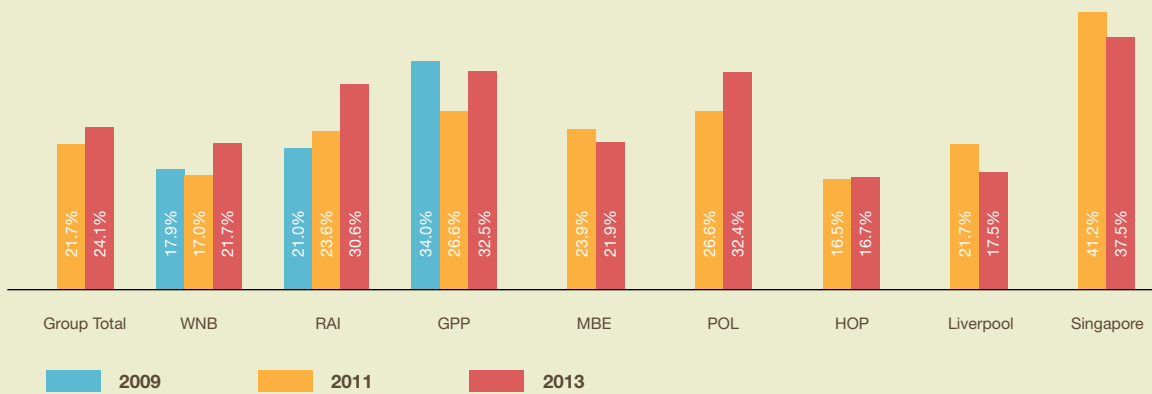
ANTI-DISCRIMINATION

In our main areas of operations, gender discrimination is the most significant issue. Whilst we have formal procedures to avoid discrimination in recruitment and employment practices, there are several structural and cultural barriers to women's empowerment. In a 2011 UN report¹, PNG ranked 140 of 187 in terms of gender equality. We therefore find it of critical importance to encourage and support women's groups at all of our sites, to allow a forum for grievances and suggestions for improvements. We adopt a strict zero-tolerance approach to sexual harassment and

workplace discrimination. We also encourage research work on women's issues. In 2012, one of our community engagement officers published a paper² on women and literacy in PNG, which was one of the most downloaded documents from our website in the latter half of 2013.

We are pleased to notice that our efforts may reflect itself in the growing number of women who work on our sites, and note that all sites in PNG and Solomon Islands saw significant increases in female employment compared to 2011.

FEMALE EMPLOYEES



1 http://hdr.undp.org/en/media/HDR_2011_EN_Table4.pdf 'Gender Inequality Index and related indicators' accessed 12.03.13; 'Social Institutions and Gender Index, Papua New Guinea 2012'

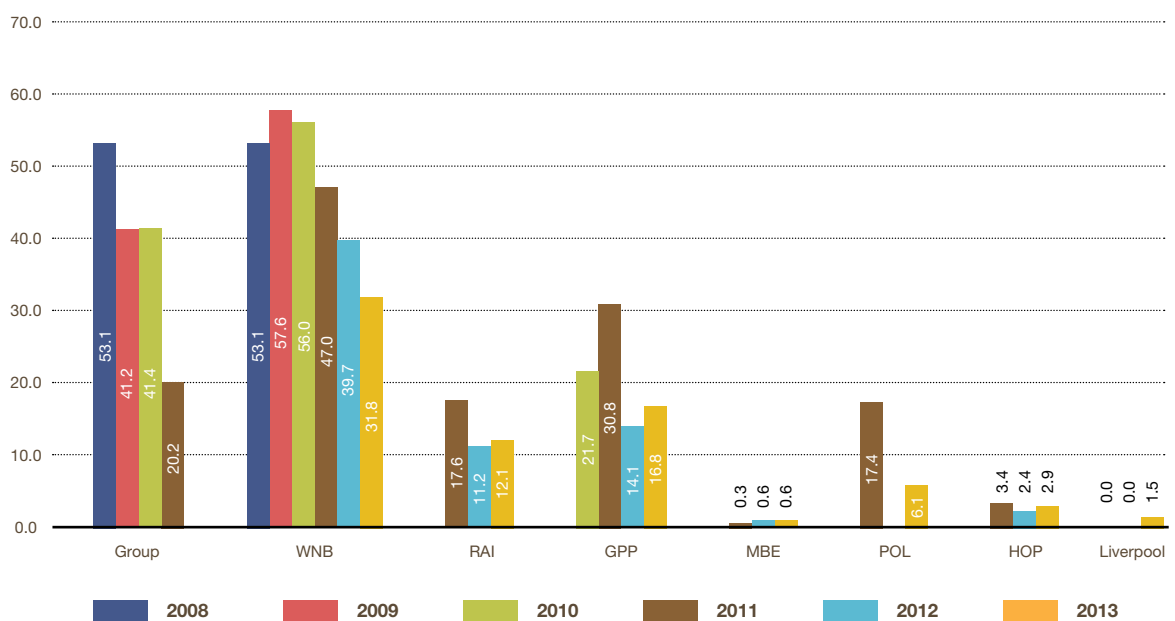
2 <http://www.nbpol.com.pg/wp-content/uploads/downloads/2013/08/Leadership-Women-and-Letracy-Final-Paper-27-03-13.pdf>



HEALTH AND SAFETY

We are continuously improving our health and safety procedures and have seen a significant reduction in accidents over the past years. Since our last Sustainability Report in 2011, our largest site in WNB has seen a reduction in lost time case rate of more than 47% and Poliamba achieving almost a 200% reduction. The only sites which have not seen reduced rates are Milne Bay and Liverpool. However, these sites have historically only a small handful of minor accidents, so even a few isolated incidents will skew the numbers considerably.

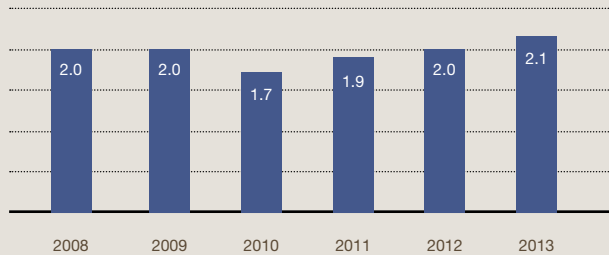
**ACCIDENT RATES
(LOST TIME ACCIDENTS PER 200,000 WORKING HOURS)**



Note: The figures for Poliamba may be subject to restatement, due to some inconsistencies discovered in reporting from external clinics.

Reductions since 2011:
WNB -47.7%
RAI -45%
HOP -16.7%
GPP -83%

**GROUP SEVERITY RATE
(AVERAGE LOST DAYS PER ACCIDENT)**



The vast majority of injuries are palm nail injuries and minor cuts sustained in the field, which is reflected in a consistently low severity rate.

FATALITIES

Although we have focused heavily on eliminating fatalities in our operations, we are sad to report that four of our sites reported fatalities in 2012-13. Each fatality is thoroughly investigated and an action plan is drawn up to prevent such occurrences.

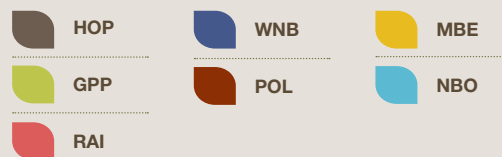
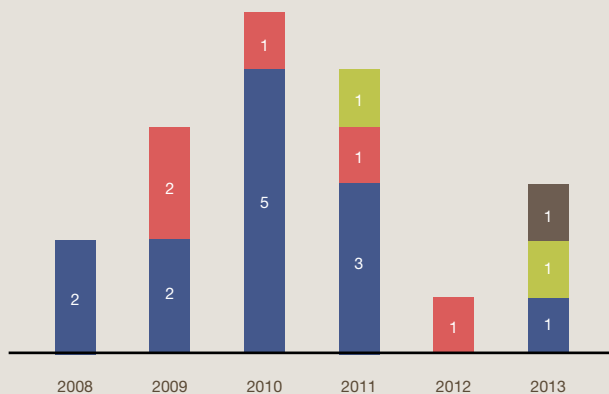
The fatality in 2012 at Ramu and was related to a fire incident where an employee had an asthma attack induced by smoke inhalation from a nearby fire. The employee was not involved with fire fighting activities; but the fire was close to our offices.

The 2013 GPP fatality was in the mill, where an employee died as a result of injuries suffered when he was entangled in the rope pulley system. There were no witnesses to the actual accident and the investigation team (involving the Department of Labour) had to piece together what most likely happened through reviewing the scene of the accident after the event and interviewing mill personnel. Adjustments were made to the process based on the investigation report. The company assisted the family with the burial and worker compensation assistance provided.

In WNB a driver lost control of his vehicle and drove off the road. The speed of the car made it overturn and the impact was direct.

The HOP fatality involved a worker who was killed during transportation to work. The truck that was used to transport workers to the field was on the way back from the field when the truck stalled when travelling up a hill. While the truck driver was trying to restart one worker panicked and jumped off the truck while the truck was still rolling backwards. The police were informed and an investigation started by the investigation team.

FATALITIES



SUPPORT PALM OIL SMALLHOLDERS

We buy almost 600,000 tonnes of fruit from 16,000 smallholder blocks. Smallholders are independent, but we consider them associated as geographical restrictions often mean that our mills are the only buyer available to them. To ensure that we can provide support, we have developed a number of partnerships with government bodies in PNG and Solomon Islands to provide extension services and advisory on good agricultural practice. We have supported RSPO certification for all smallholders, and this work was completed in 2012.

We continue to explore new ways to improve relations with smallholders and increase their incomes and productivity. In 2013, we started a pilot programme to reduce replanting costs and empower smallholders through better financial management. The programme runs over 28 months and is expected to be completed by the end of 2015.

SHARING THE SUSTAINABILITY PREMIUM

We have always held the belief that smallholders should receive a reward for their efforts in achieving RSPO certification and we therefore have a policy to share any sustainability premiums we receive. We start premium payouts in the year in which re-certification is achieved to ensure there is an incentive to maintain standards. We use a detailed formula which is based on FFB volumes,

extraction rate and market value of GreenPalm certificates. However, due to the low price of these certificates between 2011 and 2013, the Board approved a higher rate for the smallholders. For example, in 2013, the GreenPalm certificate value was USD 2.76 per tonne of CPO, but NBPOL awarded the equivalent of USD 8.72 per tonne of CPO.

HIGATURU SMALLHOLDER PROGRAMME

One of our most comprehensive programme is at the Higaturu site, where we work with 4,758 Small holders covering 14,285 hectares. Most of the smallholders have very low productivity with just over 10 tonnes of FFB per hectare and in fact more than 800 blocks produced nothing in 2013, due to poor access.

The main objective of the programme is to increase yields and improve incomes for growers, and involves taking over the management of selected blocks, rehabilitate and replant, as well as ensuring that good RSPO-compliant management practices are implemented. In addition, we are improving crop collection by setting up buying points and access to tractors for remote locations

It has been an important step to ensure that smallholders understand the arrangement, and we have gone through great efforts to ensure that accountability for FFB and financial transparency are improved.





POIG CHARTER 2.6

'Contracts with smallholders are based on a fair, transparent and accountable partnership. Small holders are supported to improve economic, social and environmental outcomes including: increase productivity to a comparable benchmark of productivity for the region and a target of having the same productivity as the company nucleus plantation. The productivity gains shall be achieved without expansion that threatens local community food security or additional environmental impact, and support should include financial management and budgeting, logistics and FFB processing, and improved market access such as through group certification. Companies shall report on the support they have provided to smallholders.'

We are also looking to leverage the programme to create better conditions for communities in general. For example, we employ the village youth which has proven to reduce the social unrest in the areas by installing discipline and some pride to the village communities.

We have already seen excellent results. Most prominently, we have seen an increase in block yield of 120.7% in the 10 months since implementation of the trial project. In addition, less tangible benefits have included better community and grower relations, improved law and order and a greater awareness of sustainable practices which will be of great value in the future.

There remains a lot of challenges, many linked to the volatility of the CPO price as well as issues around old

palms and replanting which brings with it low profitability and income for significant periods of time. However, we know that increased investment in these projects will secure the long-term outlooks for both our operations as well as livelihoods for smallholders.

SHARING OUR LEARNINGS

With decades of experience in smallholder relations, we wish to contribute to better practices both within our countries of operation and globally. Our Group Sustainability Manager is currently the co-chair of the RSPO Smallholder Working Group, and we have contributed extensively to the evolution of smallholder guidance and standards. Through NBPOL's consultancy arm Global Sustainability Associates we have also co-authored numerous publications on smallholders in the past years.

Corporate and Product Integrity

RSPO CERTIFICATION AND COMPANY OPERATIONS AND RESPONSIBLE SUPPLY CHAINS

POIG CHARTER 3.4

'Producers shall meet a minimum of 50% of their plantations being RSPO certified upon commitment to the Charter, and a commitment to achieve 100% by within 2 years. This shall cover all palm oil operations, subsidiaries, acquisitions of existing plantation and fresh fruit bunch purchases from third parties, with possible alternatives to full RSPO certification for small independent producers.'

'Producers shall independently verify and report on compliance with this charter within 12 months of commitment to the Charter, across their operations, subsidiaries and acquisitions of existing plantation including FFB from 3rd party suppliers.'

RSPO CERTIFICATION

We were among the first palm oil producers in the world to achieve RSPO certification in 2008 and we are pleased that we achieved full certification for all of our sites and associated smallholders in 2012.

	WNB	GPP	RAI	HOP	POL	MBE	NBO
RSPO	2008	2011	2010	2012	2012	2012	SCCS certified since 2011
RSPO smallholders	2008	2011	2010	2012	2012	2012	N/A
ISO14001	2004	2012	Target TBC	Target TBC	Target TBC	Target TBC	2010
POIG trial	2014	2014	2014	2014	2014	2014	N/A
HACCP	No plans	No plans	No plans	No plans	No plans	No plans	2011

POIG COMPLIANCE

As part of our commitment to POIG, we are planning to undertake a third party audit against the POIG Charter and its indicators by year-end 2014.

OTHER CERTIFICATIONS

Our refinery in Liverpool maintains HACCP certification – ensuring compliance to the highest international traceability and food standards.

ISO 14001 certification was targeted for completion in 2014 for all sites. WNB, NBO and GPP have achieved certification whilst certification for Ramu, Higaturu, Poliamba and Milne Bay has been delayed due to conflicting priorities and budget constraints. With a stronger outlook in 2014-15, we expect to develop a new implementation plan in Q1 2015.

TRANSPARENCY AND CORRUPTION

We believe that corruption is bad for business and corrodes trust and efficiency whether in day-to-day business transactions or in connection with major commercial ventures. We have always sought to inculcate this perspective in all employees and in 2011, we formalised these values and practices through the launch of a Business Ethics Policy aligned to the UK Bribery Act. We have a zero tolerance approach to corruption and believe we have fostered this as a corporate culture. We have not had any reported non-compliances over the reporting period. Operating as a major employer in a challenging business context

such as Papua New Guinea, we believe that we can set an example by refusing to engage in corrupt business practices.

While we cannot take credit for this, we are pleased to observe that Papua New Guinea has improved its ranking in Transparency International's Corruption Perception Index since our last report in 2011. The country improved its score from 22 to 25 (100=very clean) and now ranks 144 among countries – up from 154 in 2011. Solomon Islands were not included in the latest rankings, but previous rankings suggested similar improvements.

POIG CHARTER 3.1

'Producer companies shall publicize a commitment to prohibit any form of corruption including during the concession acquisition process and within their operations, and support efforts to establish and comply with anti-corruption legislation where this exists. In the absence of anti-corruption law, the producer company shall implement other anti-corruption measures proportionate to scale and intensity of management activities and the risk of corruption.'



Investor perspective: Portfolio 21



PORTFOLIO 21

With over 52 million tons consumed in 2012, palm oil is the world's most popular vegetable oil. The increase in use and application has built an attractive global market, but has also precipitated widespread environmental and social damage.

In 2009, the World Bank ranked Indonesia as the third-largest greenhouse gas emitter globally due to high levels of deforestation and conversion of carbon-rich peatlands, which was largely undertaken to expand palm oil production. The palm oil industry is also listed as one of the most notorious for using child and forced labor.

The Roundtable on Sustainable Palm Oil (RSPO) was formed in 2004 in an effort to address the associated environmental and social issues. To date it has grown its membership to almost 900 member organizations, which

represents 40% of global production. Yet, in Portfolio 21's opinion, the RSPO fails to sufficiently address a number of sustainability-related issues that may pose risk to investors. A recent industry effort to further improve sustainable practices led to the 2013 formation of the Palm Oil Innovations Group (POIG), of which New Britain Palm Oil is a founding member. The POIG Charter expands upon RSPO's principles and certification to include: forest protection through conserving and restoring lands with high conservation value, greenhouse gas accountability, pesticides use minimization, GMO prohibition, comprehensive use of free, prior, and informed consent in local communities, and commitment to report on social, labor, and environmental performance.

As a long term investor, Portfolio 21 looks for companies that recognize the world's rapidly diminishing resources and respond strategically. For companies operating in resource intensive industries, like palm oil, this is of particular importance.

New Britain has demonstrated environmental and social leadership in a number of areas, such as co-founding the POIG, publication of a full carbon footprint report (an industry first), commitment to generating some of its own electricity through Carbon Development Mechanism certified methane projects, and adherence to the Precautionary Principle. Portfolio 21 views these initiatives as positive indicators in the progress toward sustainable palm oil production.

As of March 20, 2014, New Britain Palm Oil represented 0.81% of current holdings in all client accounts. The commentary on the company should not be considered as a recommendation or an offer, or a solicitation of an offer, to buy or sell the security. Portfolio holdings are subject to change, as well as market risk. The company profile is not intended to be directed to investors as a basis for making an investment decision.

- 1 Buttler, R. (2010) "Indonesia is the 3rd largest GHG emitter but reducing deforestation offers big opportunity" Mongabay.com, San Francisco. http://news.mongabay.com/2010/0927-indonesia_abatement.html
- 2 Green Century Funds, "Institutional Investors Press Palm Oil Industry to Stop Burning Rainforests and Driving Climate Change." (2013) Green Century Capital Management, Boston. <http://greencentury.com/institutional-investors-palm-oil-industry-burning-rainforest-climate/>



ABOUT BETH WILLIAMSON AND PORTFOLIO 21:

Beth Williamson is a Senior Research Analyst at Portfolio 21, a U.S. based global equity investor and leader in environmentally and socially responsible investing. Beth has helped build and manage Portfolio 21's environmental, social and governance research discipline over the last eight years. Through a proprietary research process, Portfolio 21 seeks to identify companies that are global and regional leaders in terms of managing their business with respect to the critical environmental and social issues specific to their industry.

In the case of the palm oil industry, Portfolio 21 conducted research on the self-regulatory framework of the industry, the practices of the major producers as well as the demands of the overall value chain through the major corporate purchasers of palm oil.

POIG CHARTER 3.2

'Within 12 months of commitment to the Charter, all supply is fully traceable from company plantation and other suppliers' fields to their mills. Each party shall take responsibility for traceability in the components of the supply chain under their control and transparency with their supply chain partners.'

TRACEABILITY

It is critical to us that smallholders and outgrowers are not excluded or marginalised from our supply chain. Since our first RSPO certification in 2008, we have therefore been committed to including smallholders in our certification process. We are therefore able to guarantee that all fruit processed by us comes from a known and RSPO certified source.

We believe our customers and end consumers have a right to know that their palm oil based products are sustainable and traceable to the source. To deliver on this, we opened the doors to our Liverpool refinery New Britain Oils in 2010, which offers a wide range of RSPO certified bakery fats and bulk ingredients to the food and personal care industries in Europe. The refinery has been a big success, prompting the commission of a dedicated bakery fats plant and a doubling of refining capacity in 2012-13.

ALL OIL PRODUCED BY NBPOL EITHER FROM ITS OWN FRUIT OR FRUIT FROM ASSOCIATED SMALLHOLDERS - ALL COVERED BY SAME RSPO CERTIFICATE



Transfer of oil from mill to land tanks at port of loading using dedicated tankers

UK FOOD MANUFACTURER



Customer (Bulk Product)



Transfer from refined oil tanks to tankers



Dedicated tanks



Transfer from deodoriser into refined oil tanks

NBOL increased its promotion of sustainable palm oil in 2012 and 2013. The newly launched 'New Britain Finest' brand was the first in the frying oil sector to carry the RSPO trademark. This was done with the specific aim of raising awareness of the importance of sustainability in a sector where the general understanding of this issue is poor. Palm oil is the oil of choice for the UK fish and chip trade but many fryers do not know they are using palm because products are often labelled as 'vegetable oil'. By making users and consumers aware of palm oil in their products they are able to make an informed choice about the food they buy.

Building on the success of the frying oil, we launched a range of sustainable 'segregated' bakery margarines under the New Britain brand in 2013. These products are targeted at the artisan bakery sector and also carry the RSPO trademark.

In addition to the leadership shown by New Britain Oils, we are supporting access to traceable sustainable palm oil through commercial partnerships. In 2011, signed an agreement with Wilmar International. The agreement includes an integrated supply chain and joint marketing arrangement for supplying continental Europe with fully traceable and segregated sustainable palm oil from NBPOL's certified plantations in Papua New Guinea and Solomon Islands. The palm oil is available from Wilmar's refinery in Brake, Germany in a whole range of products in 100% segregated sustainable format. In 2011, we also developed a unique partnership with Ferrero, building a dedicated fractionation plant in West New Britain, ensuring that we could provide optimum quality ingredients from fresh palm oil.

KIMBE – Port of Loading



Dedicated tanks

SHIPPING



Dedicated ships

Transfer from ship into bulk tank via dedicated pipeline



Dedicated process

REFINERY

Transfer from bulk storage tank to refinery



Dedicated tanks
Liverpool

Stakeholder comment: Stephenson



STEPHENSON
PERSONAL CARE



Since 1856 Stephenson Personal Care has been creating speciality soap bases. We have evolved since then but not everything has changed as we are still a family business, a fifth generation, and still continue to use the finest ingredients to develop and create high quality products. It is our commitment to top grade ingredients that has helped us to remain successful all these years.

By using creative chemistry and a blend of soap making experience we are able to take renewable and sustainable ingredients and convert these for use in downstream consumer products. From mighty multinationals to housebound hobbyists, soap manufacturers owe many of their product formulations and ethically sourced materials to our team here at Stephenson Personal Care.

We often get questions about the palm and palm kernel oils in our soap bases, and soap products on a regular basis. Deforestation and illegal clearing is causing devastation to tropical rainforests and eco-systems and putting pressure on the peat lands of Southeast Asia where most of the world's palm is cultivated. We chose to be different when it comes to sourcing our oils and are proud to have been the first soap base supplier worldwide to use 100% RSPO fully segregated and certified sustainable palm and palm kernel oil in our production.

Typically soap bars are made using up to 50% Palm Oil. This gives us, as a leading speciality manufacturer, the responsibility of making change in soap production.

We took a stance in 2010 after joining the RSPO to switch exclusively to use certified, segregated sustainable palm and palm kernel oil in our soap base production.

Since 2010 we have been working to achieve more from our supply chain to provide our customers with peace of mind and traceability, transparency of our stock and control. We wanted to ensure and understand that our palm oil use developed partnerships, benefited communities, protected bio-diversity, and provided fair standards for workers and smallholders throughout the supply chain, and by working in partnership with NBPOL we have achieved this.

It was a simple choice for us to partner with New Britain Oils (NBPOL) - without doubt one of the leading palm oil

suppliers in the world. Working alongside NBPOL we can be sure that every drop of our oil is derived from sustainable farms in Papua New Guinea that have been developed without large-scale illegal destruction and deforestation of rainforest, an aspect that is now too common with many of the mainstream oil palm plantations and suppliers.

It is this partnership that helped us to launch the first 100% RSPO certified sustainable palm oil soap bar in the UK market in 2011, this was followed by the launch of the first 100% RSPO sustainable palm oil soap bar in the USA which we developed with Seventh Generation.

NBPOL offers such transparency in supply chain which has positioned Stephenson Personal Care favourably when analysed by environmental organisations such as WWF, and our company alongside NBPOL remains a recognised pioneer of sustainable business practices utilising ethically sound resources. We are delighted to continue developing more products for Personal Care and Household applications with the goal of replacing non-sustainable ingredients derived from palm oil.

Chris Holmes
Marketing Manager

ABOUT STEPHENSON PERSONAL CARE

Supported by years of technical expertise, Stephenson Personal Care combine innovation with a flexible approach to deliver tailor made, cost effective, solutions for a variety of specific Personal Care applications.

Over the last decade, Stephenson Personal Care has created a range of unique patented ingredients and new technology for the Personal Care industry. Stephenson Personal Care also drives supply of Certified Organic, Natural and RSPO Sustainable formulation in Extruded Soap and Liquid Soap bases.

A blend of experience in soap manufacture, and creative chemistry gives Stephenson Personal Care a unique position in the market, and the ability to respond rapidly to market trends and global customer demands.

Stakeholder comment: Ferrero



FERRERO

“Ferrero selects and uses the best ingredients with the utmost care, in order to guarantee the highest quality and possible freshness for its products. The origin as well as the sourcing approach are the fundamental parameters applied in selecting the raw materials Ferrero used.

Ferrero is therefore extensively working with its suppliers, including its palm oil suppliers. Sourcing sustainable segregated palm oil enables Ferrero to have full traceability along the supply chain from its production plants back to the plantations.

Ferrero is working in close partnership with NBPOL to achieve its sustainable sourcing goals. NBPOL is considered as a “lighthouse model” and Ferrero is grateful to have NBPOL as a supplier who shares its ambitious vision towards sustainable agricultural practices.”

Stakeholder Engagement

Theme	Stakeholder groups
Environmental Responsibility	NGOs
	Multistakeholder organisations
	Government
	Intergovernmental organisations
Partnerships with communities	NGOs
	Multistakeholder organisations
	Government
	Intergovernmental organisations
	Universities
	Employees
Corporate and product integrity	Multistakeholder organisations
	NGOs
	Industry peers
	Customers
	Government
	Financial insitutions

We believe that stakeholder engagement must be an integral part of our decision-making and priority-setting. This enhances our understanding of context and strengthens our ability to bring about meaningful impact and effective change. Many of the issues facing us and our industry

require joint action and efforts. Our sustainability strategy and initiatives are therefore increasingly taking the form of partnerships with civil society, market players as well as governmental and intergovernmental bodies.

Structured and regular dialogue	Partnerships and memberships
<p>Singapore Zoo Zoological Society of London (Concession boundary map) BITE</p>	<p>TFT WWF Melanesia Greenpeace Rainforest Action Network Partners with Melanesia: Queen Alexander Butterfly project Mahonia na Dari: Board/ financial support</p>
<p>BBOP: Development of biological matrix</p>	<p>Member of second RSPO GHG Working Group BBOP Standards Committee SHAP Initiative member</p>
<p>Office of Climate Change and Deforestation (PNG) DEFRA (UK)/ DEC (PNG)</p>	<p>DFID (UK) Development of a Code of Practice for PNG Oil Palm Industry World Economic Forum, Global Agenda Council, Natural Capital & Biodiversity member</p>
<p>Australian Doctors International Rotary Against Malaria Rotary International family planning programme Aidenvironment: Facilitation of community engagement Public consultations and grievance procedures</p>	<p>Business Alliance Against HIV/AIDS Solidaridad (POPSI) smallholder support scheme Verite Asia Women Empowering Women, PNG Live and Learn VSO: partnership and MoU RSPO Smallholder Working Group, Co-Chair RSPO Human Rights Working Group member</p>
<p>Regular dialogue with local and national authorities ODI World Bank IFC IDH</p>	<p>Provincial Government: Tingim Laip (HIV/AIDS) UN Business Call to Action membership</p>
<p>Trade union dialogue Women in agriculture Social impact assessments Whistleblowing, grievance and complaints procedures</p>	<p>Scholarships and industrial placement (UK and PNG) Gender Committee Collective bargaining agreements Social impact assessments and audits</p>
<p></p>	<p>Aidenvironment: Facilitation of community engagement Public consultations and grievance procedures Incorporated Landowner Groups and individual smallholders: Training, support and grievance mechanism through Smallholder Affairs offices</p>
<p>Transparency International PNG</p>	<p>CSR Asia Strategic Partner RSPO Claims & Communications Working Group RSPO Board of Governors member RSPO National Implementation PNG and Solomon Islands member RSPO Standards & Certification Working Group BSI APAC Certification Body impartiality Committee Member Sedex reporting</p>
<p>British Retail Consortium Customer briefings and site visits DFID (UK) EU & UK MPs and local authorities in PNG, SI and UK Rural development industry ? SRI questionnaires, meetings and responses Investor briefings and roadshows</p>	<p>Lae Chamber of Commerce member PIMI member (Industry Malaria Initiative) Palm Oil Producers' Association PNG (POPA) Board member Oil Palm Industry Council (Board member) Wilmar, Agropalma, SIAT, SIPEF, Olenex Federation of Oil Seeds and Fats Association (FOSFA) Food and Drink Federation (UK) National Edible Oils Distributors Association</p>

Report on Social, Labour and Environmental Performance

POIG CHARTER 3.3

'Disclose on the company social, labour and environmental performance including the elements of this charter, and how the organization demonstrates good governance of its sustainability system using the guidance of the Global Reporting Initiative or equivalent approach.'

Category/ Indicator	Measurement unit/ breakdown	2013	2012	2011	2010
Financials					
Total sales ('000 USD)	Total	558,652	677,014	780,073	461,175
Employees					
Total number of employees	Full time equivalents - permanent	25,077	24,088	24,677	21,777
	WNB	10,365	10,171	9,495	8,292
	RAI	3,554	3,513	4,646	3,910
	GPP	1,377	1,550	1,784	1,574
	MBE	2,999	2,661	3,038	2,840
	POL	2,974	2,490	2,396	2,194
	HOP	3,729	3,633	3,254	3,088
	Singapore	16	19	17	11
	UK	63	51	47	26
	Female employees	Group	6047	6155	
WNB		2,252	3,407		
RAI		1,088	940		
GPP		448	733		
MBE		657	542		
POL		963			
HOP		622	519		
Liverpool		11	7		
Singapore		6	7		
Female employees – Management		Group	63	46	
	WNB	23	20		
	RAI	11	11		
	GPP	4	3		
	MBE	4	4		
	POL	7			
	HOP	10	5		
	Liverpool	1	1		
	Singapore	3	2		

Total Management (Expats & National)	Group	440	431	433	
	WNB	210	205	212	
	RAI	90	83	95	
	GPP	28	28	30	
	MBE	55	55	56	
	POL	36	37	33	
	HOP	8	8	7	
	Liverpool	6	7		
	Singapore	7	8		
Employee turnover	WNB (includes casual and seasonal)	14.85	15.77	30.83	41.47
	RAI (includes casual and seasonal)	49.07	56.81	69.78	35.81
	GPP (includes casual and seasonal)	73.82	117.85	118.67	110.96
	MBE (includes casual and seasonal)	17.17	10.37	49.31	57.25
	POL	39.10	56.81	61.78	99.36
	HOP	8.70	7.85	12.05	15.67
	Singapore	27.03	6.06	0	0
	UK*	17%/8%	15%/10%	3.60	18.80
Health and safety					
Number of clinics funded by NBPOL	WNB	3	3	3	3
	RAI	0	0		
	GPP	3	3	3	3
	MBE	5	5	5	5
	POL	3	3	1	1
	HOP	1	1	1	
Number of company aid posts	WNB	29	28	29	29
	RAI	6	5		
	GPP	0	0	0	0
	MBE	0	0	0	0
	POL	0	0	1	1
Lost time accident rate	HOP	10	10	1	
	Accidents per 200,000 working hours	11.89	14.03	22.20	41.41
Severity rate	Average number of lost days per incident	2.53	3.36	1.89	1.65
Fatalities	WNB	3	1	5	6
Training					
Total training cost as % of payroll (USD)	WNB	3.49%	1.94%	1.72%	1.94%
	RAI	2.00%	2.10%		
	GPP	2.10%	1.70%	0.88%	0.51%
	MBE	1.61%	2.63%	2.30%	1.50%
	POL	0.65%	0.42%	0.41%	0.81%
	HOP	1.95%	3.30%		

Housing						
	WNB	23,187	22,752	22,688	23,654	
	RAI	9,042	7,249			
Number of employees and dependants housed	GPP	3,641	4,216	3,945		
	MBE	6,476	6,182	6,242	6,581	
	POL	2,447	2,395	2,246	2,180	
	HOP	7,674	6,733	7,234		
Land						
Hectares	Group – Titled	134,611	129,195	129,130	127,902	
	Group – Oil palm	79,884	78,343	78,333	77,810	
	WNB – Titled	53,610	53,610	53,610	53,610	
	WNB – Oil palm	36,948	36,819	36,126	35,427	
	RAI – Titled	33,962	34,095	34,030	33,180	
	RAI – Oil palm	11,490	11,035	10,685	10,206	
	GPP – Titled	7,740	7,577	7,577	7,577	
	GPP – Oil palm	6,274	6,114	6,318	6,314	
	HOP – Titled	12,364	12,007	12,007	11,630	
	HOP – Oil palm	8,819	8,449	8,533	8,892	
	MBE – Titled	19,013	13,662	13,662	13,662	
	MBE – Oil palm	10,730	10,267	11,134	11,305	
	POL – Titled	7,922	8,244	8,244	8,244	
	POL – Oil palm	5,623	5,659	5,536	5,668	
	Hectares planned for HCV assessment	WNB	1,308	1,200	2,129	1,295
		RAI	0	0	2,438	0
GPP		0	0	0	0	
MBE		5,550	11,900	0	0	
POL		0	256	6,782		
HOP		0	0	3,064		
Proposed expansion	WNB	705	287	1,195		
	RAI	2,191	0	0	0	
	GPP	4,500	0	0	0	
	MBE	5,550	0	0	0	
	POL	256		250		
	HOP	306	0	1,861		
Area set aside for conservation (Hectares)	WNB	9,478	8,943	5,006	5,006	
	RAI	254	148	148	148	
	GPP	2	2	2	2	
	MBE	1,940	1,762	0	0	
	POL	219	219	2,537	2,537	
	HOP	2,905	2,905	2,905		
Peat developed		88	88	88	88	
Production						
Fruit processed	WNB	1,176,249	1,281,613	1,424,035	1,291,908	
	RAI	145,552	101,706	90,344	82,035	
	GPP	143,076	146,564	144,515	132,338	
	MBE	199,704	231,822	250,854	156,746	
	POL	121,684	139,141	139,215	79,320	
	HOP	299,406	372,234	379,960	240,306	

CPO	WNB	258,534	286,615	326,103	290,830
	RAI	35,673	26,460	22,782	20,012
	GPP	32,154	31,846	31,592	28,619
	MBE	45,280	52,324	54,569	34,149
	POL	24,939	28,978	29,834	16,808
	HOP	65,479	81,719	86,778	54,003
PKO	WNB	26,239	26,812	30,635	27,802
	RAI	2,544	1,716	1,632	1,110
	GPP	3,173	3,387	3,537	3,207
	MBE	4,648			
	POL	2,659	652		
	HOP	6,533	4,493	4,016	2,127
Smallholders					
Smallholder hectares		46,202	45,148	42,757	44,996
Number of smallholder blocks		16,121	16,011	15,812	15,693
Smallholder production (MT FFB)	WNB	395,687	439,910	464,604	425,858
	RAI	3,974	2,523	1,344	953
	GPP	10,976	15,908	14,218	11,822
	MBE	12,957	16,945	13,634	7,429
	POL	22,826	22,833	20,710	10,806
	HOP	143,104	186,580	167,864	92,995
Environment - oil palm					
Paraquat usage per hectare -Active ingredient (kg)	WNB	0	0.02	0.06	
	RAI	0	0	0.02	
	GPP	0	0.79	0.84	
	MBE	0	0.44	0.02	
	POL	0	0.01	0.16	
	HOP	0	0	0.02	
Water usage (MT/MT of FFB)	WNB	1.28	1.55	1.26	
	RAI	1.68	1.35	1.25	
	GPP	1.15	1.47	1.86	
	MBE	1.24	1.23	0.96	
	POL	1.03	0.87	1.06	
	HOP	0.78	0.82	0.90	
Total number of significant spills		0	0	1	0
Environment - Sugar					
Herbicide usage per hectare - Sugar	Active ingredient (kg)	11.5	9.4	13.4	13.2
Paraquat usage per hectare - sugar	Active ingredient (kg)	0	0.03	0.13	0.09

* Employee turnover for Liverpool is split into Management/Manual workers

Notes to data

CARBON REPORTING

The methodology used for NBPOL's first carbon reports was based on the original "Carbon Calculator" named GWAPP (Global Warming Assessment of Palm Oil Production) developed by Laurence Chase and Dr. Ian Henson and specifically designed for NBPOL based on NBPOL growth model data and other site specific conditions at the operations in West New Britain, Papua New Guinea. The initial model used for the calculations and the carbon report (version 3.3.) used the GWAPP model and allocation of the net emissions of CO₂e between CPO and PK, then subsequently between Palm Kernel Oil (PKO) and Palm Kernel Expeller (PKE), according to the actual values of these co-products. The information in the Carbon Report published was based on the version 3.3 model. This model was reviewed and refined into model 3.6 which used a different approach towards the allocation of the co-product based on mass allocation.

This gave a different overview of the figures compared to the initial report due to changes to the model.

The 3.6 model was later adopted by the RSPO and served as the basic input for the GHG calculator of the RSPO (PalmGHG). To be able to use the calculator the RSPO had to approve the methodology and finalise the calculator. The final calculator became available as Palm GHG Beta version 1a at the end of December 2012. All the data was initially collected in the previous model and had to be transferred to v1a when approved. Also all the WNB data was transferred into PalmGHG beta v1a to be in line with the other sites.

Boundaries

The methodology for this report includes calculated emission and sequestration from both directly managed lands and smallholders. The report is based on data of 2011 and 2012.

Although the RSPO indicated the option to include conservation area sequestration, it is still under consideration. Therefore the calculator does not include sequestration from carbon offset areas such as riparian reserves, set aside high conservation value areas, slopes, fragile soils areas or afforestation or reforestation projects.

For each site the data has been separately collected and entered into the calculator.

Companies can decide to customise the crop sequestration input by using their own data according to their own growth models but this will require an adjustment. For this assessment NBPOL used West New Britain (WNB) and Ramu Agri Industries (RAIL) data and adjusted the figures

with the help of Chase and Henson. For Higaturu (HOP) and Milne Bay (MBE) the same crop sequestration data was used as in WNB. The OPROSIM crop sequestration data was used for Guadalcanal (GPPOL), Poliamba (POL) and all the smallholder areas as on-site specific measurement were not available.

The data sets collected for WNB, GPPOL and RAIL are all based on 3 year average value (2010-2011-2012). POL, HOP and MBE were acquired in 2010 and the data collection was based for this year on old production systems.

For all vegetation and sequestering calculations only above ground carbon was measured.

In addition, there have been some changes made to the forest default figures (to include roots) and to the growth model of West New Britain (based on frond base measurements which all had an impact on changes to the model overall (increase net emissions). Also the allocation of crop for the West New Britain has changed compared to the initial Carbon Footprint assessment due to an additional mill (Warastone).

Refinery

The refinery component is not included in RSPO PalmGHG model. This is an additional part done by NBPOL and guided by Chase. This calculation is only based on WNB production and doesn't take into account the other sites. The volumes used for calculation do not take into account that a certain percentage of production is used internally in PNG (local customers). Therefore the full amount of CPO minus what was used in the refinery in WNB has been taken into account on the Liverpool level.

HEALTH AND SAFETY

Lost time accident rates are calculated by the formula number of accidents x 200,000/number of man hours (employees x44 x48). An LTA is triggered when an employee is referred to the clinic and based on the number of absentee days assigned by the clinic.

FINANCIAL DATA

All financial data is based on the accounts in the 2013 Annual Report. Please refer to 'Notes to the Consolidated Financial Statements' for further information.

RESTATEMENTS AND DATA QUALITY

We operate in an environment where much data is collated at field level across eight different operations, much in remote areas. we recognise that restatements are likely to occur in future reports. However, we believe that the trends and overall content of this is a fair and accurate reflection of our performance.

GLOBAL REPORTING INITIATIVE G4 INDEX

Our report is aligned to The Global Reporting Initiative (GRI), the leading guideline for sustainability reporting. The GRI is a multi-stakeholder organisation, seeking to make social, environmental and governance reporting as robust as financial reporting. The guidelines contain principles and performance indicators for reporting. More than 3,000 organisations have used the guidelines to produce their sustainability reports. The latest version is G4, used in this report, which was launched in May 2013.

This index contain only indicators which we believe to be material aspects of our operations. Note that the 'assurance' as required in GRI G4 has not been included since no sections have been formally assured.

GENERAL STANDARD DISCLOSURES		
General Standard Disclosures		Page or reason for omission
STRATEGY AND ANALYSIS		
G4-1	Statement from the most senior decision-maker of the organisation	2 - 3
ORGANISATIONAL PROFILE		
G4-3	Name of the organisation	8 - 9
G4-4	Primary brands, products and services	8 - 9
G4-5	Headquarters location	8 - 9
G4-6	Countries of operation	8 - 11
G4-7	Nature of ownership and legal form	8 - 9
G4-8	Markets served	8 - 9
G4-9	Scale of the organisation	8 - 9
G4-10	Organisation's workforce	9, 44 - 47, 62 - 63
G4-11	Total employees covered by collective bargaining agreements	44
G4-12	Organisation's supply chain	50, 56 - 57
G4-13	Significant changes during the reporting period regarding size, structure, ownership or its supply chain	AR 6 - 7
G4-14	Explanation of whether and how the precautionary approach or principles is addressed by the organisation	12 - 14, 16, 26
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives	12 - 14, 60
G4-16	Memberships of associations and national/ international advocacy organisations	60 - 61
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	Entities included in the organisation's consolidated financial statements or equivalent documents	71
G4-18	Process for defining report content and the Aspect Boundaries	71
G4-19	Material Aspects identified in the process for defining report content	71
G4-20	Aspect Boundary within the organisation	71
G4-21	Aspect Boundary outside the organisation	71
G4-22	Restatements of information provided in previous reports	66 - 71
G4-23	Significant changes from previous reporting in the Scope and Aspect Boundaries	71
STAKEHOLDER ENGAGEMENT		
G4-24	List of stakeholder groups engaged by the organisation	60 - 61

G4-25	Basis for identification and selection of stakeholders with whom to engage	60 – 61
G4-26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	60 – 61
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through it reporting	12 – 14, 60 – 61

REPORT PROFILE

G4-28	Reporting period	71
G4-29	Date of most recent previous report	71
G4-30	Reporting cycle	71
G4-31	Contact point	Inside back cover
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GOVERNANCE

G4-34	Organisation's governance structure	15
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ETHICS AND INTEGRITY

G4-56	Organisation's values, principles, standards and norms of behaviours	53
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SPECIFIC STANDARD DISCLOSURES

Material Aspects	DMA and Indicators	Page	
Category: Economic			
	G4-DMA	12 - 14	
Economic performance	G4-EC1	Direct economic value generated and distributed	8 – 9,
	G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Sustainability Report 2010/2011. Page 33
Indirect Economic Impacts	G4-EC7	Development and impact of infrastructure investments and services supported	40 – 41
	G4-EC8	Significant indirect economic impacts, including the extent of impacts	36 – 41
Procurement practices	G4-EC9	Proportion of spending on local suppliers at significant locations of operations	50, 64 - 65
Category: Environmental			
	G4-DMA	Environment	16, 18, 26, 30, 32, 34
Materials	G4-EN1	Materials used by weight or volume	16 – 23, 31, 64 – 65
Energy	G4-EN3	Energy consumption within the organisation	22
	G4-EN6	Reduction of energy consumption	24
Water	G4-EN9	Water sources significantly affected by withdrawal of water	32
Biodiversity	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	10 – 11, 26 – 29

	G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	26 – 29
	G4-EN13	Habitats protected or restored	26 – 27
Emissions	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	18 – 24
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	18 – 24
	G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	18 – 24
	G4-EN18	Greenhouse gas (GHG) emissions intensity	18 – 24
	G4-EN19	Reduction of greenhouse gas (GHG) emissions	18 – 24
Effluents and waste	G4-EN22	Total water discharge by quality and destination	32
	G4-EN24	Total number and volume of significant spills	65
	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	18 - 25, 32
Compliance	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	6 – 7, No fines
Supplier environmental assessment	G4-EN32	Percentage of new suppliers that were screened using environmental criteria	50
Environmental grievance mechanisms	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	None.
Category: Social			
Labour practices and decent work			
	G4-DMA	Employment	44
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	62 – 63
Occupational Health and Safety	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and gender	48 – 49
Training and education	G4-LA9	Average hours of training per year per employee by gender, and by employee category	63
Diversity and equal opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	44 – 47, 64 – 65
Supplier assessment for labour practices	G4-LA14	Percentage of new suppliers that were screened using labour practices criteria	50
	G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken	50
Labour practices grievance mechanisms	G4-LA16	Number of grievances about labour practices filed, addressed and resolved through formal grievance mechanisms	None

Human rights			
	G4-DMA	Human rights	36 – 37
Child labour	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	45
Forced or compulsory labour	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	45
Indigenous rights	G4-HR8	Total number of incidents of violations involving rights of indigenous people and actions taken	37
Assessment	G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	36 – 37
Human rights grievance mechanisms	G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	None
Society			
	G4-DMA	Local communities and corruption	36, 53
Local communities	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	40 – 41
	G4-SO2	Operations with significant actual and potential negative impacts on local communities	36 – 37, 40 – 41
Anti-corruption	GR-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	53
	G4-SO4	Communication and training on anti-corruption policies and procedures	53
	G4-SO5	Confirmed incidents of corruption and actions taken	53 - No reported non compliance
Anti-competitive	G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	None
Compliance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	None
Grievance mechanisms for impacts on society	G4-SO11	Number of grievance about impacts on society filed, addressed, and resolved through formal grievance mechanisms	37
Product responsibility			
Customer health and safety	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Sustainability Report 2008. Page 43

About the report

COMPLETENESS

The report covers the calendar years 2012-13. Data includes all our operations as at 31 December, unless otherwise noted. The report does not include detailed information on our small office-based operations in Singapore, London or any joint ventures in which we hold less than 51%. In addition to impacts within our own organisational boundaries, the report covers material aspects for all associated smallholders in PNG and Solomon Islands. There have been no changes in scope to our 2010/11 Sustainability Report, except in cases where we have been able to provide more complete coverage on specific data.

The report contains updated information on some 2014 events, notably with regards to developments around the Palm Oil Innovation Group, as we consider these to be of material importance to our stakeholders.

MATERIALITY, STAKEHOLDER INCLUSIVENESS AND SUSTAINABILITY CONTEXT

This year, we have structured our report around the Palm Oil Innovation Group Indicators (POIG), with our performance or position forming the main content of the report. Stakeholders in POIG include other growers and both social and environmental NGOs. Based on an extensive range of ongoing stakeholder engagements, we believe that these indicators are reflective of wider stakeholder concerns and are strategic to our license to operate, and hence provide a strong basis for identification of aspects

which are material to our business. However, the extent to which they are directly relevant to our business has guided us in balancing report content and in-depth data included.

Throughout the report we seek to provide an appropriate context for our performance, particularly in relation to the unique social and environmental landscapes in Papua New Guinea and Solomon Islands.

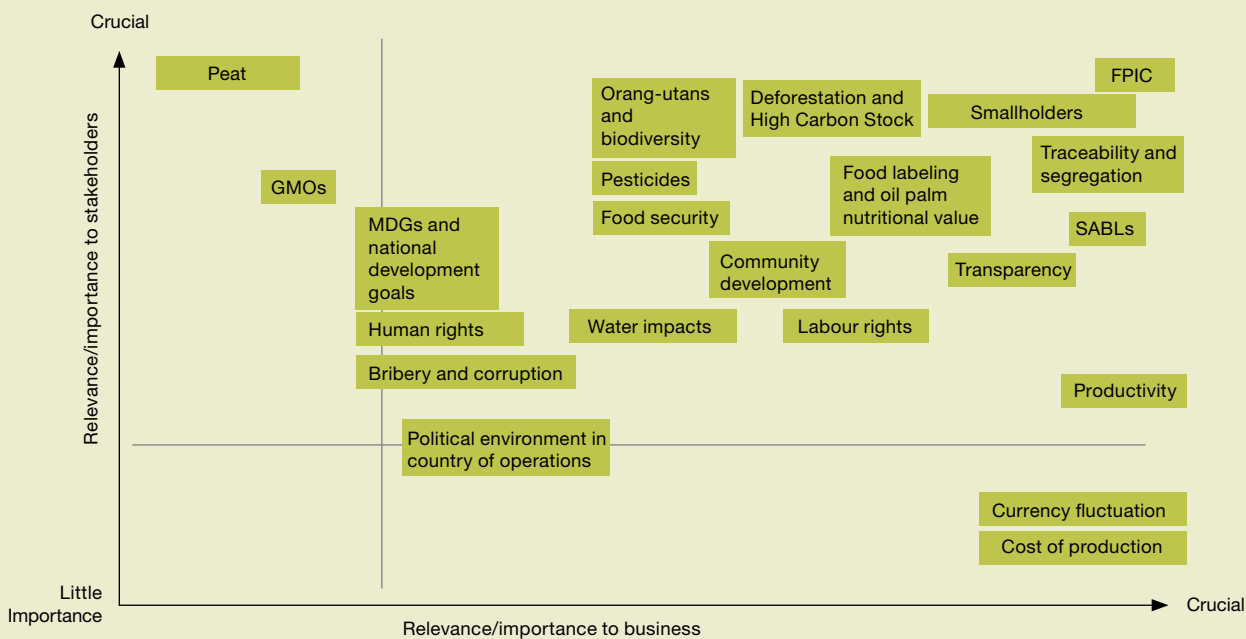
REPORT CYCLE

This is our fourth Sustainability Report, and is published alongside our Annual Report. Our previous report was published in May 2012. We will continue to report in accordance with our financial year, on a biennial basis. In non-reporting years we will provide a detailed sustainability progress report in our Annual Report.

ASSURANCE

We continue to believe that stakeholder assurance is of value to readers of this report. We have engaged an expert with a broad knowledge of our marketplace and stakeholder concerns around palm oil to provide an opinion about the materiality and responsiveness of the report, and we have included the voices of stakeholders who we believe to be representative of the discussions we have with them. The stakeholders have been chosen and invited by the NBPOL Sustainability team, and their statements were edited only for language.

NBPOL'S MATERIALITY MATRIX 2013



Glossary

Biodiversity - The diversity (number and variety of species) of plant and animal life within a region.

Biological Oxygen Demand (BOD) - The amount of oxygen used when organic matter undergoes decomposition by micro-organisms. Testing for BOD is done to assess the amount of organic matter in water.

CO₂ Equivalents - Carbon dioxide equivalents (CO₂e) provide a universal standard of measurement against which the impacts of releasing (or avoiding the release of) different greenhouse gases can be evaluated.

Deforestation - is defined by POIG as direct human-induced conversion of forest to non-forests, with an exception for small-scale low intensity subsistence conversion by indigenous peoples and forest dependent traditional communities (consistent with HCV 5).

Effluents - Water discharged from one source into a separate body of water, such as mill process water.

Emissions - Greenhouse gas (GHG) or carbon emissions are gasses in an atmosphere that absorb and emit radiation within the thermal infrared range. This process is the fundamental cause of the greenhouse effect. The primary greenhouse gases in the Earth's atmosphere are water vapor, carbon dioxide, methane, nitrous oxide, and ozone.

Extraction rate - The amount of oil extracted from oil palm fruit at a mill. Oil is extracted from the flesh, crude palm oil (CPO) or from the nut, palm kernel oil (PKO).

High Carbon Stock (HCS) - A High Carbon Stock forest are the vegetation classes above the level between degraded lands (former forest now scrub and grassland) and regenerating secondary natural forest. It is identified through a combination of vegetation stratification based on interpretation of remote sensing images and field checks, and a biome or regional specific carbon threshold or range.

High Conservation Values (HCV) - The concept of High Conservation Value Forests (HCVF) was first developed by the Forest Stewardship Council (FSC) in 1999 as their 9th principle. The FSC defined HCVF as forests of outstanding and critical importance due to their environmental, socio-economic, cultural, biodiversity and landscape value.

ILO (International Labour Organization) - ILO is a tripartite world body representative of labour, management and government and is an agency of the United Nations. It disseminates labour information and sets minimum international labour standards called "conventions", offered to member nations for adoption.

Integrated Pest Management (IPM) - IPM is a pest control strategy that uses an array of complementary methods: mechanical devices, physical devices, genetic, biological, legal, cultural management, and chemical management. These methods are done in three stages: prevention, observation, and intervention. It is an ecological approach with a main goal of significantly reducing or eliminating the use of pesticides.

Off-set certificates/Greenpalm/Book & Claim - Off-set certificates are traded via the GreenPalm trading mechanism. The GreenPalm trading mechanism allows customers to buy certificates for the volume of certified palm oil required, without physical traceability.

OPRODSIM - Oil Palm Production Simulator - a versatile, mechanistic simulation model of oil palm dry matter production and yield. A growth data framework adopted by RSPO PalmGHG

Peat - Peat is an accumulation of partially decayed vegetation matter. Peat forms in wetlands or peatlands, variously called bogs, moors, muskegs, pocosins, mires, and peat swamp forests.

Roundtable on Sustainable Palm Oil (RSPO) - A multi-stakeholder organisation based in Kuala Lumpur, Malaysia. The organisation has developed a certification scheme for sustainable palm oil.

Social Impact Assessment - Social impact assessments include the process of analysing, monitoring and managing the intended and unintended social consequences, both positive and negative, of planned interventions (policies, programs, plans, projects) and any social change processes invoked by those interventions. Its primary purpose is to bring about a more sustainable and equitable biophysical and human environment.

Stakeholders - Any group or individual who are affected by or can affect the company's operations.

Sustainability - A term expressing a long-term balance between social, economic and environmental objectives. Often linked to Sustainable Development which is defined as "Development that meets the need of current generations without compromising the needs of future generations".

Traceability - Traceability is the capability to track sustainable palm oil along the entire supply chain.

Segregation - This system allows sustainable palm oil to be kept separate from conventional palm oil throughout the entire supply chain.

UNFCCC - United Nation Framework Convention for Climate Change - is an international environmental treaty negotiated at the United Nations Conference on Environment and Development (UNCED), informally known as the Earth Summit, held in Rio de Janeiro from 3 to 14 June 1992. The objective of the treaty is to "stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system". The treaty itself set no binding limits on greenhouse gas emissions for individual countries and contains no enforcement mechanisms. In that sense, the treaty is considered legally non-binding. Instead, the treaty provides a framework for negotiating specific international treaties (called "protocols") that may set binding limits on greenhouse gases.

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