



NEW BRITAIN PALM OIL LIMITED

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# SUSTAINABILITY REPORT 2007/08





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**New Britain  
Palm Oil Limited  
(NBPOL) is  
a plantation  
company with  
its primary  
operations in  
West New Britain  
Province, Papua  
New Guinea and  
in the Solomon  
Islands.**

# WELCOME

I would like to welcome all readers to our inaugural sustainability report, which I hope will give you an insight into how New Britain Palm Oil Ltd is facing up to the challenges of operating in today's very rapidly changing physical, social and economic environments.

At the outset let me make one important point: we are, by nature, not accustomed with this type of reporting and the process of developing our first sustainability report, has at times been an uncomfortable journey for us as we report both on our strong and our weak points, but we believe that transparency and accountability is part of being a responsive and sustainable business.

When I joined NBPOL in 1984 the world was a much less complicated place for a young agriculturalist to start his career. The word "sustainability" was not in common use as it is today; indeed for many in 1984 the word "environment" was new!

Many of our early "environmental" initiatives were indeed driven by necessity: In the formative years NBPOL was forced to adapt simply to survive as it had come perilously close to collapse. In the company's early days many agricultural practices inherited from Malaysia were modified because they simply did not work in Papua New Guinea. A classic example is the "zero-burning" policy when land was cleared to plant oil palms, which we implemented 40 years ago. This was not because of concern for the environment, but because it was too wet to start a fire with an annual rainfall in excess of 3500mm! We now know that this was in fact a blessing in disguise and is now adopted as "best management practice" across the oil palm industry. More deliberately, the foresight of the founding managers of NBPOL left a legacy of some

good practices, for example there is no broad-acre aerial insecticide and fungicide spraying in our plantations. Instead a very comprehensive integrated pest management system was developed that has been to our long lasting benefit.

In 2008, the issues of climate change, world food shortages and financial turmoil have coloured a very challenging, indeed daunting landscape. It was in much less traumatic times, some 10 years ago, that we first started to change the course of our company. The first step was to bring environmental management to the fore and we became one of the first palm oil companies to achieve ISO 14001 certification in 2004. This was a slow and deliberate change of direction for us, but I firmly believe that the discipline that ISO 14001 brought was an essential foundation for the future of the business. The second step for us was more recent as we joined, and became actively involved, in the Roundtable on Sustainable Palm Oil (RSPO) and the development of a certification system for Sustainable Palm Oil. The RSPO criteria and indicators for sustainable palm oil are very wide ranging and the standard is vigorous and thorough. Indeed, it was a real and sobering wake up call for us when our RSPO certification audit in March 2008 highlighted some major non-conformities. We did respond in a positive manner putting in place several improvement programs to rectify our shortcomings and as a result we recently became the second company in the world to achieve RSPO certification.

We make no excuses for the fact that, for us, profitability is by far the biggest cornerstone for sustainability. However, along our journey towards sustainability we have found that responsible practices go hand in hand with profitability. The evaluation of our management practices and systems has often lead us to the realisation that we had been wasteful in the use of our resources. As a result, NBPOL has made significant improvements in many areas, for example in reducing our use of pesticides and improving our nurseries with the use of compost made from milling by-products, our management of domestic waste and landfills is much better than our previous system of ignoring the issue! In each of these areas we have lowered costs not only to the environment but to also our business.

We now look forward to a number of new projects which will also bring long-term environmental and economic benefits, including methane capture at our oil mills for the production of electricity through gas powered engines.

We believe that sustainability should be part of our business culture, i.e. "this is how we do business", it cannot be an "add on". Our newest business venture, commissioning a refinery dedicated to processing only traceable, sustainable palm oil, is a testament to this.

At NBPOL, we are positive that we have made a solid and impressive start on our sustainability journey, but we will continue to set ambitious targets, and work hard to reach them. We accept that we have more to do in terms of our employee housing to reduce overcrowding, and continue to improve our occupational safety efforts. We also accept that

we have not been good at engaging with the wider community in the past. This engagement is now starting and we hope to become more comfortable with this over time.

One of our greatest assets in continuing our journey is a committed team of managers who are learning how to manage the business beyond the "here and now". Together, we are committed to pass New Britain Palm Oil on to the next generation in a healthier state than when we came to it, and this sustainability report will, to some extent, be our compass for gauging our progress.

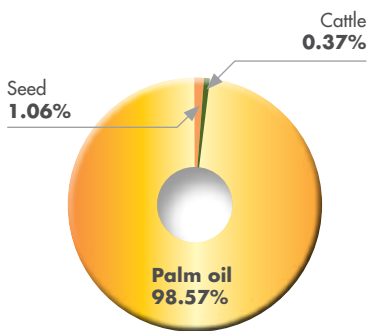
I would like to thank all of our employees, our smallholder farmers and everyone connected with the business for their efforts in assisting us to make changes for the better. Much remains to be done and despite the economic gloom I remain optimistic about the future.

**Nicholas Mark Thompson**  
Chief Executive Officer  
New Britain Palm Oil Ltd.

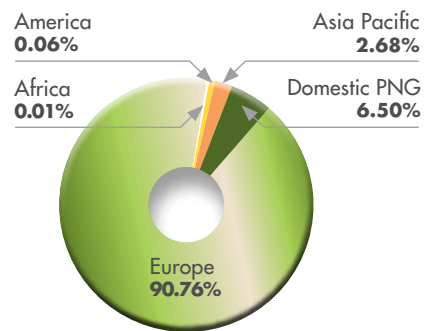


# NBPOL IN BRIEF

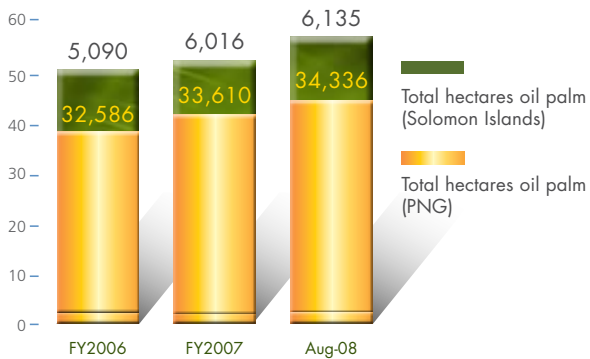
## Sales by product area



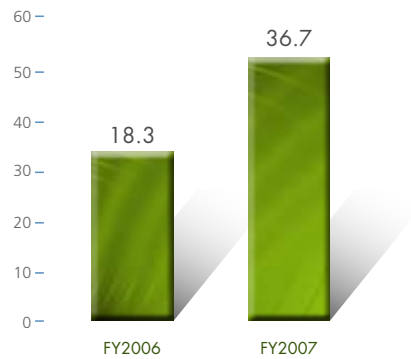
## Sales by region



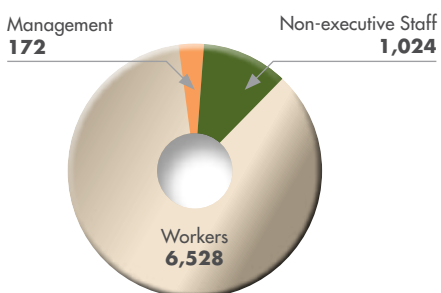
## Sales by product area



## Total smallholder payout (US\$mil) (Papua New Guinea)



## Employee composition 2008 (Papua New Guinea)



## 2008 recognitions:

PNG operations certified against the RSPO Principles and Criteria

Winner: Best New Company of the Year, PLC Awards



## OUR COMMITMENTS AND TARGETS

Target	2007-8 status	Target date (year-end)*
<b>RSPO Principle 1 – Commitment to transparency</b>		
Include GPPOL (Solomons) in sustainability report	Not started	2009
Include Ramu (PNG) in sustainability report	Not started	2009
Develop and roll out business ethics guidelines	Not started	2009
<b>RSPO Principle 2 – Compliance with applicable laws and regulations</b>		
No legal non-compliances	0 legal non-compliances	2009
<b>RSPO Principle 3 – Commitment to long-term economic and financial viability</b>		
Achieve average annual yield of 28 tonnes of FFB per hectare	27.95 tonnes	2013
Achieve average annual yield of 30 tonnes of FFB per hectare		2017
Achieve average total palm product extraction rate of 30%	28.46%	2017
<b>RSPO Principle 4 – Use of appropriate best practice by growers and millers</b>		
Reduce herbicide usage per hectare by 10%	3.25 litres per hectare	2013
Reduce lost time accident rate to below 3 per 200,000 working hours	4.4	2009
No work-related fatalities	2 fatalities	2009
<b>RSPO Principle 5 – Environmental responsibility and conservation of natural resources and biodiversity</b>		
Reduce CO tonnes equivalent from mills by 90%	To be reported in 2009**	2010
No land development on peat	400 hectares peat	2009
BOD levels below 90ppm for all existing mills	190 ppm	2009
BOD levels below 20ppm for new mills	Under construction	2009
Reduce smoke density to less than 40% for 20% of the operating period for all four mills (Ringlemann index)	20.2%	2009
	21.1%	
	20.16%	
	2.4%	
Target	2007-8 status	Target date (year-end)*
<b>RSPO Principle 6 – Responsible consideration of employees and of individuals and communities affected by growers and mills</b>		
All employees paid above living wage	In progress	2009
Maximum 4 people on average per living quarter	5.8 per living quarter	2013
No employees work more than 12 hours overtime per week	To be reported in 2009	2009
All employees have minimum 1 day off per 7 days	To be reported in 2009	2009
Ensure all children of employees have access to primary school education	In progress	2013
<b>RSPO Principle 7 – Responsible development of new plantings</b>		
No expansion without FPIC	To be reported in 2009	2009
No expansion into HCVF	To be reported in 2009	2009
<b>RSPO Principle 8 – Commitment to continuous improvement in key areas of activity</b>		
All smallholders complying with RSPO certification requirements	88% estimated compliance	2010
100% of RSPO premium paid to smallholders for their palm oil	To be reported in 2009	2009
Ramu certified to RSPO Standard	Not certified	2010
GPPOL certified to RSPO Standard	Not certified	2009
Develop and report on sediment and nitrate loading of major rivers	Not started	2009
Develop and report on a comprehensive carbon reduction strategy	Not started	2010

\* denotes target for achievement of target where not currently complying. Where target is an ongoing commitment or has already been achieved, the date denotes next status reporting.

\*\* In the report covering 2009 performance

# AN OBSERVER'S VIEW

ERIC WAKKER, AIDENVIRONMENT

In my opinion, the report largely covers all relevant issues that are material to the company's operations. To some extent, the company even goes beyond public expectations.

On stakeholder concerns, the Sustainability Report reflects an internal learning process that is yet to be enhanced. Despite successfully moving transparency goal posts, the company unnecessarily falls back on conventional lines of argumentation on a number of occasions. The company has yet to understand why some stakeholders dismiss oil palm as intrinsically non-sustainable. It also still has to enhance its understanding of the fluid concept of Free, Prior and Informed Consent. Ultimately, the company should strive to reach a position in society whereby it caters for the interests of the minority, within the consent derived from clear majority.

Issues to be addressed by NBPOL in subsequent Sustainability Reports include: visible progress on High Conservation Value ecosystems, understanding the FPIC concept, understanding of the company's strongest critics, gender policy, and its efforts to promote its practices among other PNG companies involved in the palm oil industry. NBPOL should consider publishing its main buyers. The company should furthermore rid itself of remnant defensive tendencies in efforts to present itself or the palm oil sector as being responsible on the basis of largely irrelevant comparisons.

Overall, NBPOL is well on its way to position itself as the industry's mainstream forerunner in sustainability.







## ABOUT ERIC WAKKER

Eric Wakker is a consultant associated with AIDEnvironment (Netherlands) since 1997. Through a series of projects, Mr. Wakker has played a key role in highlighting sustainability concerns associated with the oil palm trade chain, and has contributed to solutions, such as the emergence of the RSPO. He has executed assignments relevant to Papua New Guinea since 1999, and first visited the plantation estates of New Britain Palm Oil Limited in August 2004. In April 2008, Mr. Wakker was invited by NBPOL to participate in the RSPO audit as an independent observer.

In his role as an independent observer to the audit process, Mr. Wakker was given access to the company's documentation and accompanied the BSI audit team along his own judgement. His report to the company highlighted several

strengths and weaknesses in the audit team composition and approach. The most notable observation was that RSPO guidelines tended towards traditional agronomic expertise and did not require audit teams to ensure that the assessment of new concepts in plantation management, HCVF and FPIC, are adequately covered. The consultant felt that the auditor's decision not to certify NBPOL after this first main assessment was justified and applauds the company's certification after major CAR's were addressed. RSPO, however, has yet to adjust its guidelines.

In October 2008, the consultant was requested to review this NBPOL CSR report, the very first of its kind, for an assurance statement.

# WHO WE ARE

## THE WORLD OF NEW BRITAIN PALM OIL LTD

New Britain Palm Oil Limited (NBPOL) is a plantation company with its primary operations in West New Britain Province, Papua New Guinea and an 80% shareholding in Guadalcanal Plains Palm Oil Ltd (GPPOL) in the Solomon Islands. Between Papua New Guinea (PNG) and the Solomon Islands, our plantations span some fifty two thousand hectares. In addition, our supply base in PNG includes more than 7000 smallholders.

Our activities in PNG and the Solomon Islands include all aspects of oil palm plantation management, seed production, mills, manufacturing of intermediate and consumer products, as well as an integrated cattle husbandry operation. Internationally, we provide consultancy services to the plantation industry, and have joint venture seed production facilities in Colombia, Indonesia and Malaysia. In 2010, we will open the doors to a refinery in the UK, which will be the first refinery in the world to process only certified, fully traceable sustainable palm oil; a proud achievement for our company.

### Our company

NBPOL is part of the Malaysian Kulim Group, but is operated as an independent entity. We are listed on the Port Moresby Stock Exchange and, since November 2007, on the London Stock Exchange. Kulim (Malaysia) Bhd retains a controlling 50.68% shareholding.

For the financial year ending 31 December 2007, we were pleased to report a turnover of almost USD 225 million, up from USD 133.7 million in 2006. This increase was primarily due to the high market price for palm oil. Smallholders have also seen a significant increase in income as a result. The high prices are shared with our small-holder base who received the equivalent of USD 36.4 million (108 million Kina) in royalties in 2007, almost double the USD 18.3 million distributed in 2006 (56 million Kina).

We are the largest private employer in PNG, providing over 7,700 jobs in the West New Britain Province. We also have 2,400 employees in the Solomon Islands. In both countries approx 80% of employees are plantation workers, fulfilling job functions such as harvesters, sprayers or loose fruit collectors, and over 99% are nationals of the country of operations.

**“We are the largest private employer in PNG, providing over 7,700 jobs in the West New Britain Province. We also have 2,400 employees in the Solomon Islands.”**

### Our plantations and smallholder base

Our operations in Papua New Guinea cover 43,305 Ha – a land mass equivalent to that of Luxembourg, but covering less than 0.1% of PNG land. We operate four crude palm oil (CPO) mills, one Palm Kernel Oil (PKO) mill, one refinery and one bulk terminal. In addition, we buy fruit from 7,000 smallholders covering a further 25,325 hectares in the region. The capacity of smallholdings varies widely, but the average smallholder operates on less than 7 Ha. In the Solomon Islands, we hope to develop 15,000 hectares, of which approx 7,000 hectares have been cultivated so far.

### Our products and markets

We process over 1.2 million tonnes of Fresh Fruit Bunches (FFB) per year, which equates to almost 275,000 tonnes of crude palm oil (CPO) and 67,000 tonnes of palm kernel oil (PKO). These primary products are turned into a variety of intermediate palm oil products and consumer goods, including foods, cosmetics and plastics. Although CPO is also used as a feedstock for biofuels, NBPOL does not currently sell to biofuels customers. All oil from our PNG operations is now certified against the RSPO certification standards, and we are working towards providing fully-certified oil from GPPOL from the end of 2009. The vast majority (90%) of our customers are based within the European Union (EU).

Our Dami Seed operation is one of the world's leading producers of oil palm seed. We continue to invest heavily in agricultural research and have joint venture seed production facilities in Colombia, Indonesia and Malaysia. Our seeds are sold into 11 palm oil producing markets across the world.

Our consumer goods products are sold exclusively in PNG, including popular cooking oil brands such as Gold 'n' Sun.

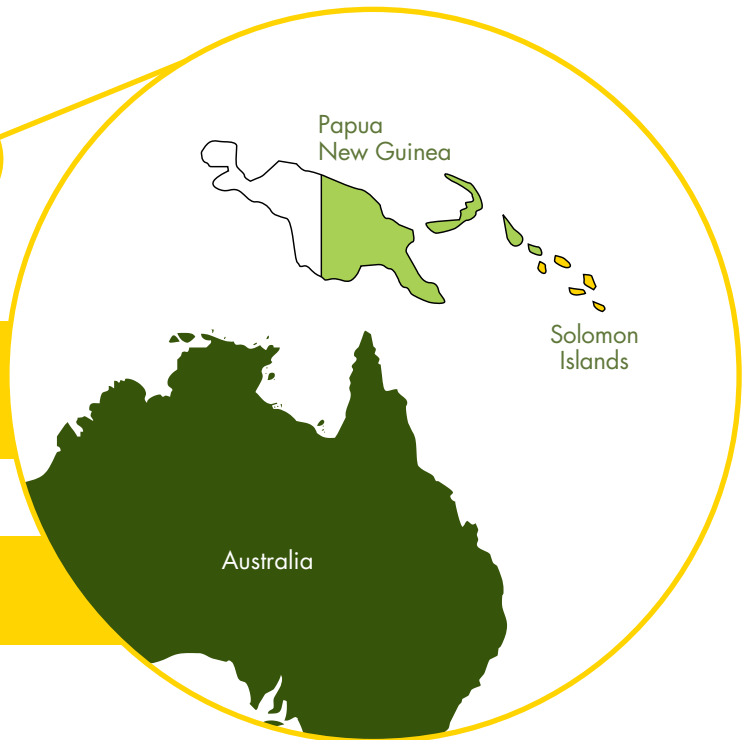


**PAPUA NEW GUINEA**

**34,336** Hectares of oil palm  
**1** Refinery + **1** Bulk Terminal  
**7,115** smallholders for fruits

**SOLOMON ISLANDS**

**6,135** Hectares of oil palm  
**171** smallholders for fruits



**SAFEGUARDING THE DIVERSITY OF PAPUA NEW GUINEA**

Situated at the far eastern edge of Asia, and a few hours flight from Northern Australia, Papua New Guinea is, to many, an unknown nation, despite having recently celebrated its 33rd anniversary as an independent, sovereign nation. With only 5.1 million inhabitants in an area twice the size of the United Kingdom, PNG has one of the world's lowest population densities. Yet it is home to a world of diversity which defies a brief description.

Traditional tribes still form the main basis of identity for most Papua New Guineans. The national languages Tok Pisin, Motu and English are widely spoken in urban areas, but the country is home to over 800 languages, more than any other country in the world.

It also houses some of the most extraordinary biodiversity. Some estimate that PNG is home to 5% of the world's biodiversity, while covering only 1% of the world's landmass.

Unlike many other biodiverse areas in the world, many of PNG's forests and marine environments remain intact, untouched and unpolluted.

Unfortunately the natural wealth of the country is not translated into material riches. With a GDP per head of under USD 2.6 a day, Papua New Guinea ranks among the world's poorest nations. The United Nations Development Programme ranked PNG a dismal 145th place out of 177 countries in their Human Development Index, which ranks countries on parameters such as life expectancy, education and income.

As one of Papua New Guinea's largest companies and tax payers, the responsibility of NBPOL to balance social, economic and environmental considerations is obvious, but it presents also a complex and daunting task, requiring cultural sensitivity and knowledge, and a will to listen.

# WHERE WE ARE GOING

## STRATEGY AND BUSINESS DEVELOPMENT

While we are proud of our achievements over the past years, we know that a sustainable business relies on flexibility and responsiveness to a changing environment. NBPOL sees these changes as opportunities, not threats. In response, we have radically changed our way of doing business, by placing sustainability as the main pillar of our company and by using the RSPO Principles and Criteria as the core of our framework of change.

The London Stock Exchange listing provided the capital to invest in the expansion and broadening of the company's activities, but it also brought requirements for a new approach to governance and transparency. The global food crisis brings a new impetus to expand supply, while at the same time being part of an industry under scrutiny on its sustainability practices, and with it, greater demands for traceability and a widening of responsibility. Our strategy is committed to contributing to solutions and proving that sustainability is both a short and long-term formula to achieve profitability and a successful business.

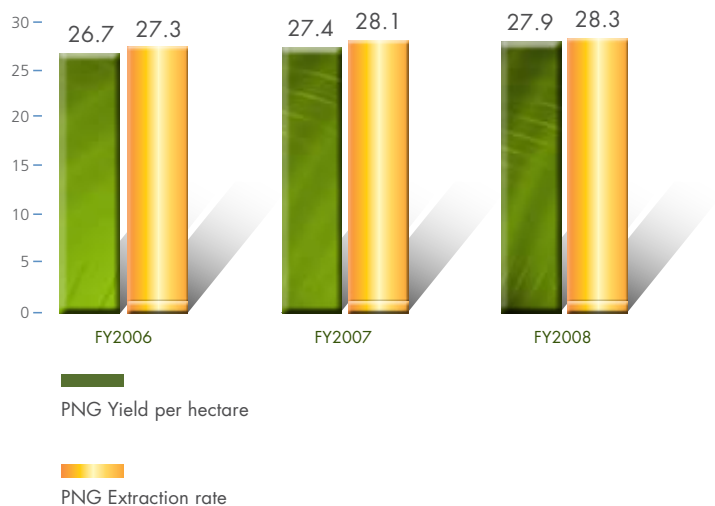
### Vision 30:30 - More food on less land

Our overall company target is to drive productivity to its maximum potential. We believe that this target promotes sustainability in itself, by producing more food on less land. Our compass is our Vision 30:30 – achieving 30 tonnes of FFB (Fresh Fruit Bunch) per hectare and achieving extraction rates of 30% (2007: 27.9:28.3). We believe that this target is only reachable through a consistent investment approach to research and development and sustainable agricultural practice.

NBPOL is committed to investing heavily in both technology and sustainability as long to medium term investments will help the company achieve its vision. While we apply cloning techniques to achieve superior breeds, we have no investment in the genetic modification of oil palm as we believe that conventional plant science still holds promise to deliver the results we aim to achieve.



### Towards 30:30







### **Expansion to increase productivity of land**

With the growing demand for palm oil, our operations will need to follow suit, but not through reckless expansion. We actively seek out ecologically degraded land which is used unproductively, or previously developed oil palm estates. NBPOL will refrain from converting virgin forests and other ecosystems with High Conservation Values and will not expand into areas where land owners decline to give their Free, Prior and Informed Consent to oil palm expansion. In September 2008, we initiated our first major expansion since the takeover of GPPOL through the acquisition of 92.9% of Ramu Sugar, with a view to converting it into much more productive oil palm. The Ramu acquisition means that NBPOL will almost double our hectareage in PNG.

### **RSPO in the Solomon Islands**

One of the most exciting prospects for NBPOL is the inclusion of our Solomon Islands operations in our RSPO programme. While we have gradually brought GPPOL back into full production, following the abandonment of the project by its previous owners in the late 1990s, there remains much work to be done to bring yields up to NBPOL levels. We are, however, on target to achieve a yield of 23 tonnes per hectare and an extraction rate of 26.8% in 2008. We also want to make sure that the good environmental and social practices are transferred to all our operations and we intend to use RSPO implementation to achieve this. This move will demonstrate that palm oil is a feasible and sustainable contributor to economic growth in a country which currently relies on logging for 60% of its GDP.

### **A fully traceable and full-service sustainable palm oil provider**

In August 2008, we announced our intention to build the world's first integrated palm oil processing facility in the United Kingdom that will produce refined palm oil dedicated to cater to the growing demand for fully traceable and sustainable palm oil in the EU. The facility, expected to open in 2010, is planned with a capacity of 200,000 tonnes per year, and will be commissioned to the highest environmental standards

The initiative will position NBPOL firmly at the higher value-added end of the supply chain and closer to key customers in the EU where we have an in-depth knowledge and experience of market factors and conditions.

The UK refinery will help us realise our overall growth strategy and provide a higher level of assurance to our customers by completing our vision of a fully integrated supply chain for RSPO certified palm oil - from seed to finished product. Apart from the obvious advantages of ensuring full traceability of certified sustainable palm oil, the facility could also reduce transport cost and emissions by removing links in our logistics supply chain.

### **Helping others use land more efficiently**

Our research and seed production units are among the leading facilities in the world, and we are continuously looking for opportunities to leverage on this strength. Our current focus is to develop and expand the reach of our high quality seed through joint ventures in all the oil palm producing regions around the world. In addition, through our consultancy arm, Global Sustainability Associates, we will also be able to advise companies on the implementation of good agricultural practice and working towards RSPO certification.



# GOVERNING SUSTAINABILITY

## OUR BOARD OF DIRECTORS

Our ambition is to set an example as an ethical and sustainable palm oil producer, and this goal is driven and owned from the very top of the company's decision-making processes. The NBPOL Board of Directors holds responsibility for the company's overall strategy, financial planning as well as acquisition and divestiture. Over the past years, the Board has increasingly incorporated environmental and social responsibility in its considerations, and sees these issues as a prerequisite for a profitable business. Sustainability is considered in every strategic decision of the business by the Board.

### **Board composition and diversity**

In connection with the December 2007 listing on the London Stock Exchange, we restructured our Board composition to ensure alignment to the UK Financial Reporting Council's Combined Code, which outlines best practice corporate governance for listed companies.

The Board of Directors comprises seven members - three independent non-executive directors, two executive directors as well as NBPOL's CEO and the Managing Director of Kulim (Malaysia) Bhd, the company's majority shareholder. Following NBPOL's listing on the London Stock Exchange, one of the independent Directors, Antonio de Castro was appointed Chairman-elect and an additional senior independent Director - Michael St. Clair-George - was also appointed. Antonio de Castro will take over as Chairman at the financial year-end 31 December 2008.

Along with its manageable size, the Board members come with a broad set of skills and expert knowledge and have diverse backgrounds. The Board consists of British, Brazilian, Malaysian and Papua New Guinean nationals. There is one female director on the Board. The professional background of the Board members includes agriculture, finance, law and business strategy, and six of the seven Directors have practical experience from previous and current positions held within the plantations sector. The geographical and professional diversity, as well as the level of seniority and expertise in the agricultural sector of the Directors makes it an ideal group to lead NBPOL's ambitious strategies and growth-targets.

### **Sustainability is part of company strategy**

The Board meets four times a year and is responsible for leading and controlling the company. In addition to the scheduled Board meetings, the Board has established dedicated audit, remuneration, nominations and environment committees. The environment committee consist of the CEO and one independent non-executive director, and is supported by members of NBPOL senior management team and the Group's Director of Sustainability.

The Board receives monthly management accounts regarding the operations of the company, including major sustainability related issues. As sustainability has become an increasing component of the Board's strategic discussions and objectives, the Board has decided to formally include KPIs relating to RSPO certification and sustainability parameters in the management reports on a quarterly basis.

Recent major Board decisions relating to sustainability include the sign-off of a fully traceable supply chain through the establishment of a UK refinery dedicated to certified sustainable palm oil, the commitment to seek RSPO certification for all the company's plantation operations, and to be the first palm oil company to produce public sustainability reporting.



## BUSINESS ETHICS IS PART OF SUSTAINABILITY

To NBPOL, ethical business practices go hand in hand with sustainability. We believe that disrupting markets and public decision-making processes through bribery, facilitation payments or other types of corruption is detrimental to the creation of a stable business environment and fair trading opportunities for all actors. NBPOL has an ethics policy outlining our commitment to fair competition, and outlining employees' responsibility for avoiding conflicts of interest. We do not give

any political donations or support any political parties in our countries of operation.

We trust that the spirit of this policy is upheld throughout our operations, and in our drive to formalise and systematise all areas related to corporate responsibility, we will develop and publish formal anti-corruption and bribery guidelines in 2009.

# DRIVING CHANGE

## POLICY AND MANAGEMENT SYSTEMS

NBPOL has taken a systematic approach to all aspects of its operations. Best management practice and good agricultural practice have long been integral to our operations, and we are using our experience in these areas to ensure that sustainability is addressed methodically and effectively. We believe that it is crucial to provide every manager and every employee with the awareness and specific guidance to ensure that the company's vision is achieved.

Over the years, NBPOL has developed strong management systems, guidelines and standard operating procedures which ensure that every employee within our operation knows what is expected, or at least knows when to ask for guidance. In 2007, we launched a Sustainability Handbook, available to all employees – which sets out all of our guiding policies. We follow up all of our systems with regular third-party audits which help us keep on our toes and ensure we achieve continuous improvement.

### ISO14001

In 2004, NBPOL was one of the first palm oil companies to implement and achieve the ISO 14001 environmental management standard in all operations concerned with the production and export of palm oil, palm seed and beef. Maintaining the system requires strong internal controls and in 2007, all of our 50 operating units underwent separate internal audits, identifying a total of 274 improvement targets.

We have found ISO14001 to be an invaluable tool in systematising our environmental performance improvement measures and have seen great efficiency improvements and cost savings, due to better utilisation of resources and reduced waste. As we have moved on, we are increasingly seeing the ISO framework as a vehicle to expand our sustainability efforts. The structures are also used to incorporate health and safety management and the RSPO certification scheme. In 2006, we published a paper illustrating our use of ISO as a practical framework for RSPO implementation.

### Roundtable on Sustainable Palm Oil (RSPO) Certification

We were among the first handful of companies to be certified against the RSPO Principles and Criteria in August 2008. The certification was the conclusion of a three-year work

programme which has included social impact assessments, biodiversity mapping, a new management system for health and safety and a general major overhaul of our environmental and workplace practices.

Our initial RSPO audit was carried out by British Standards International (BSI) in May 2008, but with three major non-conformities, we were not able to pass the audit. While concerned with this outcome, the non-conformities identified were largely due to human error and were correctable, and it made us determined to ensure that the non-conformities were corrected immediately. NBPOL proceeded with a follow-up audit in July 2008, this time with a successful result. We believe that our failure to pass the first time is testament to the credibility of the RSPO certification scheme. Obviously we were initially disappointed, but we believe that this stringent approach is necessary to provide an effective certification scheme which will drive real improvements and change.

### Senior management

While the responsibility for sustainability ultimately rests with the Board of Directors, group and senior managers are assigned objectives specific to their functions, such as performing regular health and safety inspections in mills, or commissioning biodiversity assessments for new developments.

Their efforts are guided by a dedicated Director of Sustainability, who reports directly to the CEO, and a Sustainability team who are responsible for developing and driving sustainability strategies through to all areas of NBPOL's operations. In collaboration with the CEO and senior management, the Sustainability team ensures that relevant functions are familiar with the requirements of the RSPO, and how these requirements impact operational decisions.



## THE ROUNDTABLE ON SUSTAINABLE PALM OIL AND RSPO CERTIFICATION

The RSPO is a multi-stakeholder organisation set up in 2004 to discuss sustainability issues related to palm oil cultivation, and propose practical solutions to ensure that palm oil is grown in a socially, environmentally and economically responsible manner. Members of the Roundtable include more than half of the world's palm oil production, as well as some of the largest retailers, traders, consumer goods manufacturers and international and grassroots NGOs, such as Oxfam, WWF, Borneo Orangutan Survival Foundation and Sawit Watch.

The Roundtable launched a formal scheme for RSPO-certified palm oil in November 2007, and the first certificates for sustainable palm oil were awarded in August 2008. RSPO certification requires third-party audits against the 8 Principles and 39 Criteria of the RSPO, which cover; transparency, legal compliance, best agricultural practice, environmental

and social responsibility, responsible land development and continuous improvement. The scheme requires identification and effective management of all social, biodiversity and environmental impacts of the company's operations, and a continuous improvement plan for these.

In order to achieve certification, the independent audit team must identify no major non-conformities. Every minor non-conformity will be viewed as major if not rectified before the next audit. Audits are performed on an annual basis.

As in the case of ISO-certification, plantations are not certified as a whole company, but by individual mills and their supplying estates and smallholders. The certification scheme allows for a three-year time frame for smallholder inclusion, to ensure that smallholders are not denied access to sales to certified mills.



# A PUBLIC POLICY VIEW

PAUL BARKER, THE INSTITUTE OF NATIONAL AFFAIRS

The oil palm industry in Papua New Guinea was developed initially through a joint-venture structure between the private sector and the PNG government, with Government designating suitable areas for oil palm development to occur and taking a 50% equity stake in each new joint-venture, thereby providing the private sector partners, which provided the management, with the added assurance of government's commitment. The oil palm industry in particular needed solid investments and long term stability. The government was also responsible for securing the finance (largely from the World Bank and ADB) and managing smallholder component as part of the conditions laid out.

To contribute to the development of the country and provide opportunities for rural communities all the initial projects (back in the late 1970/80s) included a settlement scheme for people usually from overpopulated or otherwise disadvantaged areas in PNG; (with roughly 50% of the area provided for oil palm initially expected to be for outgrowers under these settlement schemes, envisaged as providing about half the total output, processed in the companies' mills. Village oil palm blocks were a later development when the need to better cater for local community needs was recognised, as well as the potential social implications of excessive resettlement from other provinces). As the years have gone by lessons have been learnt, with more focus upon the customary landowners and mechanisms to embrace their participations, including through village outgrower projects and the use of mini-estates on sub-leased customary land. The State has sold its equity in the project companies, whilst transferring the management of the outgrower schemes to the Oil Palm Industry Corporation, which is accountable jointly to government, the respective project companies and the outgrowers themselves.

Developing a country like PNG can lead to significant changes to social structures and pressures, and both the government and established companies need to be aware and ready to respond to this. Growing population pressures within some settlement schemes and their needs and expectations and those of customary landowners must be considered, with potential friction promptly identified and addressed. Most importantly, there need to be high standards set and applied, enforceable through clear regulations addressing environmental and social impacts. Whilst commitment to these standards, and self-enforcement by respective industry players is essential now,

especially with new players potentially entering the scene over coming years, it will be necessary to have these standards enforceable through regulation, both for screening new project proposals and ensuring satisfactory implementation. During the late 1980s and early 90s the industry faced difficult times with low palm oil prices. Some projects, notably those which commenced later (missing the earlier higher prices), were more dependent upon outgrower production, more remote or suffered worse disasters (notably floods) or were on poorer soils, found it harder, and the outgrowers in these schemes suffered from prices falling to K0 per kg FFB (under the former pricing formula), as well as from other periods when produce purchases were disrupted. During this period the smallholders' stabilisation funds were drawn down to sustain producer incomes, and exhausted for most schemes. The outgrowers selling produce to NBPOL were slightly better off, receiving a slightly higher price under the old formula (as NBPOL's production costs were lower) and not quite exhausting their accumulated savings in their stabilisation fund; (the balance of this fund being reimbursed to them once the new pricing formula was agreed to and applied). The new pricing formula (adjusted on a few occasions since 1991) was designed to provide a more equitable arrangement, necessary to provide a better incentive for outgrowers and their long term participation and commitment to the industry.

The agriculture sector's performance in PNG has been disappointing since the beginning of the 1980s, with the exception of oil palm amongst the tree crops. PNG needs agriculture to provide broad-based economic and employment opportunities (away from the relatively enclave mineral projects and urban developments). Oil palm has its detractors. Certainly





social and environmental standards have been widely poor to atrocious overseas, notably in Indonesia, with its extensive natural forest clearance and fires. In PNG standards to date have been generally sound by world standards, particularly in more recent years, with a greater commitment early on to biological pest control and lower use of pesticides (and inorganic fertilisers) than elsewhere, although there have been notable deficiencies, particularly in some projects, with natural forest clearance (sometimes under expansion of outgrower production) and inadequate planning and protection of priority biodiversity/conservation reserve areas, clearance and planting up to stream banks encouraging erosion and loss of habitat and biodiversity, waste overflow into rivers/sea, poor employee housing and settlements in some projects. Under the respective companies' commitments to RSPO, including commercial considerations, such as the need to extract more from the FFB (including composting in some projects), standards have generally been raised or plans established or considered to further improve standards across the board. This is work in progress and there certainly remains much room for improvement (with selection of areas for harvest, resource management, and social aspects, including staff housing etc), particularly on projects which have been more lax in the past. This commitment includes the need for ongoing agricultural and natural resource management, research and consultation, including with local communities, government and civil society organisations.

In my view, the plantation and tree crop sector needs to further develop in PNG, as it contributes to the country's structures and (through the Nucleus Enterprise model) supports local communities, including with their own production and other economic activities. But this development needs to be done through a balanced approach focusing on yields and productivity, overall land-use planning with the government (from national to local) and control over environmental and social impacts. Furthermore more effective mechanisms need to be developed by government working with the private sector (and NGOs) to support local communities with their conservation efforts, including providing economic incentives to conserve priority areas (including through carbon trading). Over the years NBPOL can be viewed as a stable company contributing to the development of West New Britain and the country as a whole (as now about the largest single employer in the country), which has operated in accordance with an established set of

values and strived to improve performance. It is an established company providing a stable work environment for its employees and it offers opportunities for the communities in terms of work and education. The focus is not on short term profit but on long term sustainability. This means NBPOL will have to make sometimes tough decisions that will enable NBPOL to stay a profitable business but at the same time balancing environmental and social ethics and responsibilities. The Sustainability Report is a good approach to share experiences and it contributes to transparency.

## ABOUT PAUL BARKER

Paul Barker has been the Executive Director of the Institute of National Affairs since January 2006. He originally came to Papua New Guinea in 1978 and was based in the PNG Highlands for five years with the Primary Industry Department, subsequently heading the Economics, Marketing and Statistics Branch of the Primary Industry Dept. In 1988 he was appointed special adviser in the Prime Minister's Department, focusing on the economic sector and governance issues, a post he filled for 16 years. In 2004, he was appointed as Technical Adviser to the European Commission's Delegation in the Solomon Islands assisting in the development and management of major EU-funded post-conflict programmes to Solomon Islands. He has had a long involvement with various cultural and civil society organisations, including chairing the National Cultural Commission from 1994-2004 and the Research and Conservation Foundation of PNG.

The Institute of National Affairs (INA) is a privately funded, non-profit policy research institute. The INA was founded in 1976 by concerned individuals from both the government and private sector to promote dialogue between the private sector and government to offer alternative advice to the public service on economic and social policy. It continues that tradition today, extending the dialogue also to wider civil society, including through its running of the Consultative Implementation and Monitoring Council (CIMC). About 80 companies contribute to its core running and management costs, with some project support from public institutions and foundations.

# NEVER WALK ALONE

## ENGAGING WITH STAKEHOLDERS

We believe that sustainable business has to be centred on creating immediate and long-term benefits to all of the company's stakeholders; our key stakeholders have been identified as our shareholders, employees, customers, local communities and small-holders. We understand that sustainability is a moving target and that new issues will appear, or become increasingly important as the debate matures and new science is developed. We see continuous engagement with a wide range of stakeholders as the only way to stay ahead and be responsive to new challenges.

### **RSPO – A platform to engage**

NBPOL have gone through a major journey of integration with the 'outside world' over the past few years, and the RSPO was our first window into the world of the multi-stakeholder sustainability debate. We have found this an extremely complex, but ultimately hugely rewarding experience. We have been involved from the first days of the RSPO as part of the Technical Committee which set the terms of reference for the Criteria Working Group. The group was an elected group of experts from the main stakeholder groups, and was charged with developing a "definition of sustainable palm oil". The outcome was the so-called "Principles and Criteria" (P&C) which form the basis of the RSPO certification standard.

We were also the initiator of the Papua New Guinea National Interpretation Working Group, which was responsible for translating the global P&C into a national context, e.g. by aligning relevant national legislation or particular agricultural thresholds for PNG.

NBPOL continues to play a central role in the RSPO, through our membership of a range of committees and task forces. NBPOL is also part of the Executive Board, where we represent palm oil producers from the rest of the world (i.e. outside of the major palm oil producing countries of Malaysia and Indonesia).

### **From ad hoc to NGO structured engagement**

Apart from our involvement with local NGOs The Nature Conservancy and Mahonia (see box), our engagement with both international and other local NGOs has largely taken place on an ad hoc basis. We have often found the views and insights of such groups, both critical and constructive, valuable, and have learned to accept their insights as an important contribution to our progress. However, as we zoom in on specific issues, we will look to engage in a more structured manner. In July 2008, we approached The Nature Conservancy to establish a partnership aimed at identifying issues on marine conservation on the shores adjacent to our developments.

### **Using research to understand smallholders and community issues**

Smallholders and communities are crucial partners to our operations, and we have a dedicated office dealing with smallholder affairs as well as issues relating to land rights. But many of the issues facing communities and smallholders are structural in nature and need in-depth mapping if they are to be addressed effectively. Therefore, we often use external researchers to get a full picture of issues facing smallholders.

By combining the practical insights of a private company with those of research facilities whose objectives are to improve general understanding of agricultural or human constraints and challenges, we have often ended up with better solutions and broader knowledge which can be shared. We have long been involved in OPRA (The PNG Oil Palm Research Association) and OPIC (The Oil Palm Industry Corporation), whose aim is to improve the efficiency of Papua New Guinea's 18,000



smallholder oil palm growers. Studies have included research into areas that ultimately have been of great benefit to all parts of the PNG palm oil economy and the communities around it. They include:

- Improving smallholder agronomic and farm management strategies.
- Understanding smallholder livelihood strategies and their influence on smallholder production.
- Analysing recent socio-agronomic changes occurring among smallholder households
- Monitoring and evaluating smallholder interventions.
- Examining land tenure issues (e.g. customary land developments).

**When there is no common ground**

Overall, we believe that we are learning to listen and learn from others, just as we are learning to communicate our needs and constraints better. However, the prerequisite for constructive engagement is a willingness from all parties to find common ground. Occasionally we are challenged by stakeholder groups with whom we struggle to find common ground. The basic premise for our business strategy is to produce sustainable palm oil. Some stakeholders hold the view that palm oil cannot be grown sustainably and that palm oil should not be produced at all. In these cases we need a realistic approach. We cannot and will not abandon our core business, which benefits tens of thousands employees, communities, customers and investors, and while we are willing to listen to criticisms of the way we operate, we clearly do not have anything to offer those few individuals who do not want us to operate.

**MAHONIA**

One of the most prominent local NGOs in our community is Mahonia Na Dari. The name means “Guardian of the Sea” in the Bakove language, native to the Kimbe area of West New Britain. Mahonia Na Dari (Mahonia) is a local non-government organization working to promote the conservation of the natural environment of Kimbe Bay, especially the marine environment. In 2006, NBPOL was invited to take up a seat on the organisation’s Board, and we are delighted to be given an opportunity to contribute.

Mahonia is an independent NGO, started in 1997 through a co-operative effort between The Nature Conservancy, the European Union Islands Region Environmental Program and Walindi Plantation Resort. Mahonia believes that one of the best hopes for preserving Papua New Guinea’s marine biodiversity is to build a grassroots constituency for conservation. Mahonia supports community-based conservation and resource management in Kimbe Bay and the Islands Region of PNG. Its highly successful marine education program has already proven to be a powerful tool in building this support by increasing environmental awareness and inspiring local action to protect coral reefs.

# A VIEW FROM A LOCAL NGO

## MAHONIA NA DARI



Mahonia Na Dari (MND) is a local organisation with a focus on the marine environment. The name means 'Guardian of the Sea' in the local Talasea language. The organisation's mission is to understand and conserve the natural environment of Kimbe Bay and PNG for the present and future generations. Kimbe Bay is part of the coral triangle where the world's greatest coral diversity is found. The organisation has research and outreach programs, often with visiting researchers and volunteers.

By 1998, MND had evolved into an independent NGO. It was not until 2001, however with the change to the national primary education curriculum that MND got a chance to springboard into mainstream education. Under the reform primary education curriculum, Environment Studies was developed into a standalone subject. My recruitment into MND was to coordinate the marine education programs and develop the 'teach the teachers' program through the Marine Environment Education Program.

It had long been felt by the MND Board that, as a major land user in the Kimbe area, NBPOL should be represented on our Board of Directors. When there was a major full-scale reshuffle in 2005, a senior member of NBPOL joined the MND Board and although the personnel have changed, the representation has remained ever since.

MND staff, especially myself, was very anti-oil palm and I found it hard to see how an NGO and an oil palm company could work together. I believed they did not truly care for the environment.

Working together has changed the awareness of both parties. I have found that increased awareness within NBPOL has made us understand more about oil palm and what issues the people face, regarding livelihood.

Since joining the Board, NBPOL has been talking about changing its practices and I seen changes on the ground such as buffer zones along shorelines in newly developed areas. More recently, since NBPOL formed a Sustainability Team, the interaction has been at ground level and not just at

the Board level. After 3 years of talking, NBPOL and MND are now developing projects together, including a women's workshop. An exciting new step for both parties.

I see NBPOL as one of the oil palm companies trying to do the right thing. They are serious in taking steps to address issues I believe they previously turned a blind eye to, especially the natural environment and gender.

MND acknowledges that oil palm forms a central part of the rural economy and welfare in WNB. But it will only be truly sustainable if NBPOL cares about the people and the natural environment including the marine environment.

It is good that NBPOL recognizes the value of MND in educating the local people about sustainable development. I see West New Britain as a model where the protection and management of the natural environment can go hand in hand with large scale agriculture.

### ABOUT ANASEINI BAN

Anaseini Ban is the Program Director of Mahonia Na Dari. She is married with 3 children. Originally from New Ireland Province of PNG she is by profession a secondary school teacher. She began her career in Western Highlands Province and New Ireland before landing in West New Britain to take up a job in a school in Kimbe in 1998. She joined MND in 2004.





# ENVIRONMENT



# RESPECTING AND CONSERVING BIODIVERSITY

Papua New Guinea is among the most biodiverse countries in the world, and is frequently the site of discoveries of previously unknown flora and fauna. Although our operations cover only approx 0.1% of Papua New Guinea's land, we are aware of that each hectare of land may contain sensitive ecosystems, which must be protected and treated sensitively.

### A structured approach

In 1967 we were among the first plantation companies to operate a zero-burn policy, and over the years have continued to improve our management systems. Our pesticide stewardship programme started in 1998, and our ISO14001 certification prompted us to develop policies on composting, recycling and wetlands preservation amongst other initiatives. We also believe that our integrated pest management approach plays a significant role in conservation. We do of course comply with all relevant legislation and guidelines, including the PNG Logging Code of Practice, The Dept of Environment, and OPRA Code of Practice.

The RSPO implementation process and the High Conservation Value Forest (HCVF) assessment tool presented NBPOL with an opportunity to extend these policies. Over the course of 2007 and 2008, we commissioned a series of biodiversity and HCVF assessments in and around the locations of our operations. These assessments were carried out by an independent biodiversity expert and have enabled us to gradually map all of our operations, and ensure that our management practices are sensitive to the biodiversity of the region.

It has been a very detailed, time consuming and thorough process for the company to follow the HCVF assessment framework and we believe that the mapping in itself will contribute to an even more vigorous protection of wildlife in the region. It will also enable us to take these issues into account when designing systems, for example, for pest management and fertiliser usage. The HCVF assessment has also helped us to implement smarter buffer zone areas and to ensure that wildlife corridors and water sources provide maximum scope for wildlife to thrive.

### Protecting unique and endangered species

West New Britain does not have any of the much-publicised mammals on which the palm oil debate has centred; i.e. orang-utans, elephants or tigers; but a number of endemic and threatened rodents, bats and birds inhabit our region. It is our responsibility to ensure that NBPOL's operations do not threaten such vulnerable species. Our plantations are placed around three protected zones, and close to a highly biodiverse marine environment, and we understood early on that our operations could impact on the continued welfare of these areas.



**“It has been a very detailed, time consuming and thorough process for the company to follow the HCVF assessment framework and we believe that the mapping in itself will contribute to an even more vigorous protection of wildlife in the region. ”**

**Mapping and protecting biodiversity in new developments**

One of the most important aspects of biodiversity management is conservation of existing high conservation value forest when expanding operations. Our current expansion plans do not include any HCVF areas, but focuses on grassland, previously logged areas and most recently the Ramu and Markham Valleys. In accordance with the RSPO Principles and Criteria, we commission third party assessments for all new developments. In 2007-08, we are surveying an area of 7,000 hectares. We take the results seriously, and will plan our expansion accordingly.

**Engaging with local conservation partners**

To assist us in developing the strongest possible and most localised biodiversity model, we are looking to work with local conservation partners. Over the past three years, senior managers of NBPOL have been represented on the Board of local marine conservation NGO Mahonia, and we are currently looking to expand our engagement with other social and conservation NGOs. At the international policy level, we have benefited greatly from the NGO presence in the RSPO, most prominently from WWF in Malaysia and Indonesia.

Wildlife in the eco-region - New Britain and New Ireland (IUCN Red List status in brackets)	
Threatened endemic bird species	New Britain sparrow hawk (Vulnerable) Yellow-legged pigeon (Endangered) Bismarck owl (Data deficient)
Threatened mammal species (None are endemic)	New Guinea pademelon (Vulnerable) Gillard’s flying fox (Vulnerable) Large-eared sheath-tail bat (Vulnerable) Bismarck trumpet-eared bat (Vulnerable) New Britain water-rat (Vulnerable)
Number of mammal species	47
Endemic and near-endemic wildlife	7 bat species 2 rodent species 55 bird species

**NON-GM BIOTECHNOLOGY**

NBPOL is continuously looking to improve oil yields and oil content of our fruit, and has developed a world-class plant breeding program and seed production facility. We believe that state-of-the-art conventional biotechnology still holds the promise for significant improvements, and do not see the need to employ genetic modification. We also believe that this meets the requirement of our customers, most of whom are based in Europe.

## WATER, EFFLUENTS AND WASTE

Oil palm is a perennial tree crop. It takes a minimum of two years to yield from field planting and the oldest palms in the world are over 150 years old. To remain in peak production NBPOL replants palms after approximately 20 years to take full advantage of improvements in breeding and changes in agricultural management. Many of our palms are on their third replanting cycle. Sustainable agriculture is founded on good land management; if you degrade the environment, then you destabilise development. NBPOL has evolved numerous practices to prevent this from happening.



### Water equals life

NBPOL requires water for its people and operations – for irrigation, steam generation and for use by the over 27,000 people housed by NBPOL. Although there is no shortage of rain water, rain water harvesting through roof collection has always been practiced to minimise the need to extract fresh water from bores.

It is at the mill where the potential for contamination of the Provinces' water is greatest. NBPOL has applied stringent controls in these areas, but measurement of BOD levels (Biological Oxygen Demand) has not always been precise. Our current targets are in line with the PNG government target of 100 ppm (parts per million), and we will aim to bring this to 90 ppm by the end of 2009 by building larger retention ponds. With the implementation of new waste treatment strategies NBPOL has set itself the ambitious target of bringing this figure down to 20 ppm for all new mills. The Clean Development Mechanism (CDM) technologies currently being applied to the mills will ensure this target is met.

### Recycling as a way of life

When new palms are planted, the existing palms are not burned, but instead are pushed over so that as they decay, the nutrients are replaced back into the soil. This zero-burn policy also extends into the housing areas where rubbish burning is forbidden and penalties exist and are enforced. Garden rubbish is collected separately from household waste and placed above ground in rows between the oil palm trees to compost and release nutrients back to the soil. Such designated sites are close to our company operated landfill sites, well away from water and people. They are mapped and managed as part of our everyday operations. Through these efforts, we have achieved 100% waste segregation in all its housing compounds under this scheme.

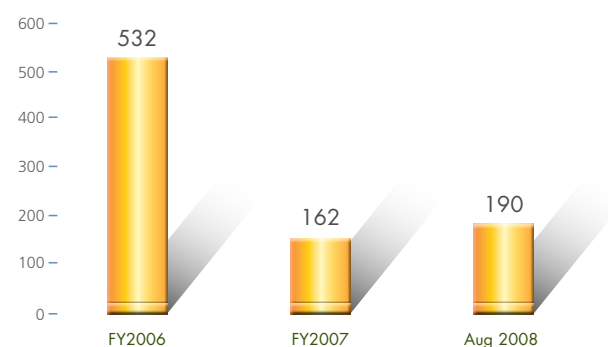
Recycling of bottles occurs at point of use as each has a cash value. Aluminium collections are ad hoc, but scrap metal, tyres and paper are recycled where possible. Used pesticide containers are not allowed to be recycled for anything other than for holding spray mixes. All surplus containers are collected at source and placed in designated pesticide landfills which are mapped and monitored.

Currently all the company's and smallholders annual requirements (nearly 600,000 seedlings) are grown in soil-less compost made from mill waste products. Each seedling required 17 kg of compost whilst it is in the nursery. NBPOL was also the first company to compost all the waste products from a mill and then apply this organic matter to the field.

### ISO 14001

Aware of the need to minimise its environmental footprint, NBPOL has formalised many of its waste identification and reduction strategies into an ISO framework. The company achieved recognition for its efforts in controlling potential pollution through the ISO 14001 certification process in 2004 and has subsequently maintained this compliance with no major non-conformances. The ISO 14001 standard is applied not only to the plantations and mills, but to the company's entire operations including the construction and transport departments and even the medical, research and cattle operations.

### BOD Discharge (average ppm)



# EMISSIONS AND CLIMATE CHANGE

NBPOL recognises that climate change is a global concern and immediate action is required to limit its effects on the environment and livelihoods of communities all over the world.

Oil palm is grown below altitudes of 1,200 metres above sea level and most development in PNG occurs on coastal areas which would be under threat from rising sea levels. Water is the life blood of all agricultural communities and salination of fresh water impacts people directly, affecting settlement patterns and the ability of the land to support them. With over 80% of the population depending on agriculture for their livelihoods this is a serious concern for PNG.

NBPOL realises that the agriculture industry throughout the world is not only part of the problem but also part of the solution. To assist us in reducing negative impacts, NBPOL has taken immediate steps to mitigate its current activities and has implemented longer term measures to ensure continuous reduction of its contribution.

### Reducing emissions from land practices

Current research in Malaysia suggests that over 72% of green house gas emissions from oil palm result from land conversion and clearing. Conversion of peat or virgin forests to agriculture is the largest single factor contributing to an oil palm plantation's climate affecting emissions. NBPOL, together with other PNG oil palm producers, has defined extensive peat areas as contiguous blocks greater than 150 ha and where the peat is over 2 metres deep. NBPOL will not expand into areas of primary forest or areas of extensive peat. Currently NBPOL has only pockets of peat sporadically scattered over its holdings. The total area planted on peat is monitored and mapped and is 400 ha (or 1.16% the planted area). NBPOL has committed to uphold Criterion 7.3 of the RSPO and will only develop new plantings on areas which have previously been logged over and then only after an independent HCVF assessment. In addition, where possible, we will select degraded land or grasslands in preference to logged over land realising the greater carbon sequestering capabilities of oil palm over grass.

NBPOL has maintained a zero-burn policy since 1967 which means fire is not used in any of our operations.

Like any agricultural crop oil palm requires fertiliser. NBPOL has maintained a policy of recycling "waste" vegetative material back to the soil since its conception. Fronds, palm trunks, and the empty bunches are all applied back to the land as a direct replacement for inorganic fertiliser.

### Reducing emissions from processing activities

The second greatest impact on climate change oil palm activities comes from the traditional treatment of waste water in open lagoons. Methane is produced and released from these lagoons due to the biological activity of microorganisms that break down the effluent. We began working on reducing methane generation in 2000 when NBPOL was the first company to operate a zero effluent discharge oil palm mill. This meant that all the wastewater was composted to provide organic fertilizer. The country's high rainfall eventually forced the site to close but composting still continues for all of our nurseries.

Currently all four of our mills treat wastewater within open lagoons that discharge treated wastewater to the river through various discharge pathways. By implementing Clean Development Mechanism technology in all of our current and proposed mills, NBPOL will reduce the production of methane by an estimated 90%. The capture of this methane and its subsequent use to generate electricity will not only reduce emissions but also replace the use of diesel as the main electricity generating fuel.

Electricity demands at all mills is met by a steam turbine powered by a biomass boiler. None of the sites are connected to the regional electricity grid. Diesel generators provide top up power to the mill and power for housing and other facilities. The newest biomass boiler at Kumbango, replaced the existing diesel demand and now provides electricity for the refinery, kernel mill, crushing plant and housing compounds which have a combined load of 4MW.

By utilising methane for gas turbines within the mills, diesel consumption will further reduce and surplus electricity should be produced for use by our employees and the community



at large. NBPOL's methane capture projects will be a further implementation initiative in line with the principles behind sustainable palm oil production

### Reduction in diesel consumption

The electrical power capable of being delivered by NBPOL's biogas projects will greatly exceed the existing supply by diesel generators. Options for using the remaining biogas are being considered. These options include electricity generation for export to the grid and bottling of biogas for distribution as a cooking gas to the local communities.

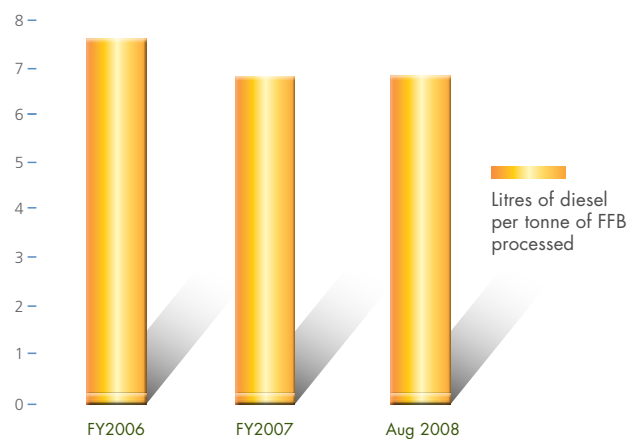
We are aware that there is little background data on fossil fuel consumption within plantations but NBPOL has begun monitoring all diesel consumption at both the mills and domestic generators.

With over 1100 vehicles in its transport fleet NBPOL recognises the contribution these make to climate change. At present, the conversion of the existing vehicle fleet from petrol and diesel to less polluting sources of energy is not feasible in the remote setting of PNG. The same is true for the shipment of our oil to Europe.

### Improving monitoring and data quality

Although we have achieved remarkable improvements in our environmental management, the RSPO audit revealed a number of gaps in our monitoring methodologies, particularly with regards to measurement of BOD levels and smoke density. We have adjusted a number of our measurement procedures to enable closer monitoring and set better targets for improvement.

### Diesel usage for operations (mills, bulking terminal and refineries)



# A VIEW FROM THE FIELD

FRANCIS MANEKE, FRESH FRUIT SUPPLIER AND CONTRACTOR

I started my involvement in the oil palm sector working for plantation companies, where I learned about plantation management and good agricultural practices. In 1999 I started the company Kaulong Estate Limited and developed the first areas of land by using credit facilities which was offered by NBPOL. It took me 7 years to develop my estate by reinvesting my earnings into the project. In my view this is a way for communities to develop their own area under the community planting program of NBPOL. It is an opportunity for the local community to find a balance between sustainable incomes, gardening and life in their own environment. In the long term this will also contribute to development of their communities if they are proactive.

There are opportunities available and it is matter of approach. I now employ around 50 people from the area and beyond, all working to support my estates and other operations. I bring my own fruit to the NBPOL mill, and I also run an excavator which I subcontract to NBPOL to do palm felling.

Overall, I believe NBPOL is a company which creates opportunities, and provides options for local participation in the process. I represent my area on the local planning committee and feel able to express my opinion and views about the company. NBPOL is looking at some projects in my community and different options are available to develop the land. Some communities prefer to follow the Lease-Lease back system whereby the company will develop, maintain and pay for lease and royalties. I feel that there could be more emphasis on a community involvement approach, giving people more responsibility for developing the area. I think this would be a more pro-active approach, and would be more sustainable for communities. But it is up to the communities and individuals. Prosperity depends on a three man team, the grower, OPIC and the milling Company. In general it would be beneficial to focus on infra-structure in the long term for these communities by addressing this during the Lease-Lease back period. This will involve schooling, medical and drinking water facilities. At current the basic arrangements don't involve these options.

## ABOUT FRANCIS MANEKE

Francis Maneke was born and raised in Central Nakanai in West New Britain. He is 43 years old and is married with 3 children. He leases 150 hectare of land to develop into an oil palm 'mini' estate, and sells his fruit directly to NBPOL.





# SOCIAL

# A COMMITMENT TO BASIC RIGHTS

## LABOUR STANDARDS

NBPOL has an expressed commitment to the ILO core convention, and the company has created a number of focus areas to ensure full alignment with these, drawing on guidance from the RSPO P&C, as well as other relevant guidelines such as the Ethical Trading Initiative smallholder guidelines.

### Pay, benefits and compensation

The wages of plantation and mill workers are considerably above the national minimum wage of 37.18 PNG Kina per week. The minimum starting wage for NBPOL workers is 65 PNG Kina per week. However, NBPOL is going further by adopting a commitment to paying a living wage. The “living wage” is not a fixed concept, and certainly there are no national or regional standards. NBPOL is in the process of establishing a living wage level for our main area of operation.

Another area where NBPOL is attempting to improve its practices is in transparency and ease of understanding pay slips. The RSPO audit found that many workers do not understand their pay slips, and that this was a significant problem for loose fruit collectors. We have reviewed payslips, and believe that workers now find them easier to understand.

### THE LIVING WAGE PROJECT – A WORK IN PROGRESS

There are various methodologies used throughout the world by governments, organisations and companies to decide what constitutes a basic living wage which a worker requires to earn to fulfil basic needs, such as food, housing, transport and schooling. We are in the process of adapting them to our employment conditions, specifically in West New Britain Province, to ensure that all workers are receiving fair pay.

We aim to work out what goes into an average shopping bag to keep a family for a fortnight. We then work out the cost of filling that shopping bag.

- We surveyed a large number of NBPOL workers at different locations in various plantation groups to find out what they would buy to feed their family for a fortnight.
- We also surveyed the shops within an 85km radius of the nearest town, Kimbe, to find out the average prices and to see if prices were higher in more remote areas.
- We then added in the bus fares for those more remote plantations to get to the nearest town.
- We added in non-food costs, such as clothes, washing products and schooling.

- We also undertook surveys into what other items workers would spend their money on. This varied from buai (betelnut) to alcohol, to items for the home.

We recognised that many of the services which would normally cost money are provided by the company. This includes much of the schooling cost, health care, lighting, water, refuse collection and housing.

By repeating the surveys on a six monthly interval, we are able to track the percentage increase in cost of living. This can help us set a realistic percentage increase for workers salaries. It should also reassure the workers that although they may be worried by price rises in the shops, the calculations to determine their wages have already taken this into account.

We can also use the information captured in the surveys to calculate whether our workers are receiving enough calories to stay healthy. This is calculated using World Health Organisation guidelines. We add up the calories in the food products we have included in the shopping bag, and from this we work out how many calories each family member is receiving per day. From these calculations, we found that the average family in our survey is receiving above the minimum recommended amount to stay healthy.

**“NBPOL has a well-established system to deal with disciplinary measures, and has recently published a complaints procedure, which is being implemented and communicated throughout the company and to relevant stakeholders.”**

### **Freedom of Association and collective bargaining**

NBPOL recognises all workers' right to form or join a union and abides by the Industrial Relations Dispute Settlement Machinery prescribed by the PNG Industrial Relations Act (2005) allowing collective bargaining and recognises the rights of freedom of association. In 2007/2008, we had no major industrial disputes and 18.7 % of workers are members of one of the two active unions in the area.

### **Overtime**

We always pay our workers for overtime at a premium. However, limiting overtime to comply with ILO requirements has proven to be the biggest challenge in terms of labour standards. Operating in a very remote region and requiring relatively high skill levels makes it extremely difficult to employ temporary workers during peak times – peak crop harvesting in particular. During the RSPO audit, the assessor pointed to minor non-conformities involving mill workers working more than 12 hours overtime per week. It was also noted that the provision to ensure one day off in seven was not being consistently applied.

### **Disciplinary measures and harassment**

NBPOL has a well-established system to deal with disciplinary measures, and has recently published a complaints procedure, which is being implemented and communicated throughout the company and to relevant stakeholders.

Harassment - physical, sexual and verbal - is considered unacceptable at NBPOL, and is cause for immediate disciplinary measures. However, as the company has increased its direct engagement with workers and female staff in particular, these issues have been revealed to be more widespread than previously assumed. We recorded three cases of harassment from January 2007 to July 2008, but recognise that this may not reflect reality, as many cases go unrecorded due to an unwillingness, or fear, to speak up and report incidents. To understand the severity of the issue in more detail, our teams are now working on encouraging more openness on the issue and to document these incidents. We will also be establishing a gender committee to provide a structured environment for addressing harassment issues.





# A COMMITMENT TO BASIC RIGHTS

## LABOUR STANDARDS

### Safe and adequate housing

NBPOL provides housing for 27,524 employees and dependants and is constantly striving to improve living conditions. The majority of these employees stay in family units, while single men live in individual men's quarters.

Housing is a sparse resource, as the remoteness of West New Britain makes it necessary to transport virtually all building materials and components over significant distances and build each house from scratch. In addition, the vast area covered makes it very difficult to detect un-authorized inhabitants (referred to as "passengers"), friends and extended family moving in to housing meant for workers and their dependents. As a result, many housing estates have problems with overcrowding, excessive wear and tear and a drain on resources as many more people use the facilities than they were designed for. This was raised as an issue during our RSPO audit and as a result, we have strengthened efforts to inspect housing to ensure that only authorised inhabitants stay in company provided housing.

### Child labour

NBPOL prohibits the employment of children under the age of 15. Ensuring that this ban is effectively implemented can present challenges, as many Papua New Guineans do not have birth certificates or other identification documents. For the vast majority of field-based work, young workers are not appropriate or physically able to undertake the work, but in cases of doubt, the company employs a medical doctor to assess the age of the worker.

### Forced Labour

NBPOL rejects any practices which directly or indirectly bond workers. NBPOL does not keep workers' identity documents, or require workers to post any type of bond at employment.





## INVESTING IN OUR PEOPLE EMPLOYEE DEVELOPMENT

NBPOL operates in a society where close to 40% of the population are illiterate, and in rural regions such as West New Britain, only around 35% are able to read or write English. As such, our opportunities for local recruitment are limited, but opportunities for adding value and development to the local work force are enormous. Around 50% of the population of PNG has never attended any type of school, and only around 5% of the population has any formal vocational or professional qualifications.

### Building a professional labour pool

Hiring and retaining of senior personnel on PNG is a significant challenge. As the pool of fully qualified scientists and management professionals is severely limited, competition to attract this pool is increasing as the PNG economy evolves. The expense of hiring and retaining expatriate managers in an area as remote as West New Britain is very high. Hence, training, mentoring and professional development of PNG nationals is of very high priority for the company. Currently, 99.6% of our employees are PNG nationals; at manager and senior manager level the number is 76%. To support development of the national labour pool, we also offer a range of training programmes for university graduates, internships for students and apprenticeship schemes for local tradesmen.

### People development brings rewards

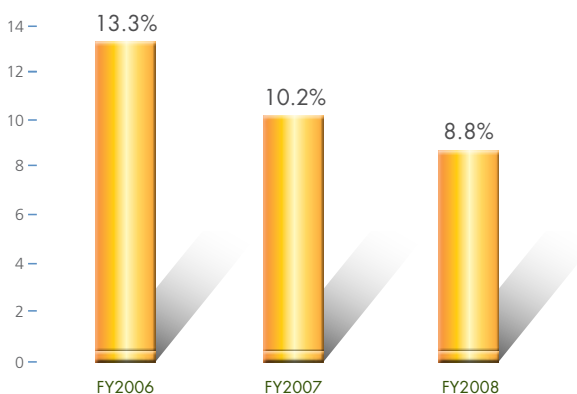
Our training efforts continue to increase: Up to June 2008, 6,783 employees received a total of 16,835 hours of training; an average of 2.5 hours per employee. We believe that these efforts in developing our workers and staff bring a host of

operational and financial benefits. Over the past years, we have seen a continuous drop in employee turnover, and now benefit from a satisfactory rate of less than 10%. This reduces the need for basic job training, and enables us to upgrade our employees' skills to help us improve our agricultural and environmental practices.

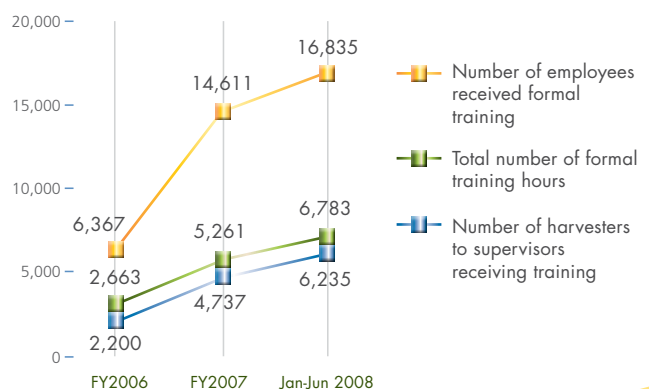
### Practical and basic skills

Among non-professional staff, plantation and mill-workers, training is often focused on practical on-the-job-training. A fully functional harvester, for instance, receives several weeks of extensive training before he is qualified to work. Likewise, our stewardship approach to spraying requires significant handling skills on behalf of sprayers and requires considerable ongoing training.

### PNG employee turnover



### Employee training



# A SAFE WORKING ENVIRONMENT AND A HEALTHY COMMUNITY

Operating in a tropical climate across 42,000 Ha presents a unique set of challenges when it comes to providing a healthy and safe working environment. Our commitments go beyond occupational hazards, and provide a range of systems and services to secure a safe and healthy environment for workers and their families.

### Enforcement is the priority

In 2006, we launched a new initiative to strengthen our approach to safety in the workplace. The initiative included a review of all policies and standard operating procedures, ensuring that these were in line with the OHSAS 18000 standard. In 2007 our managers underwent our in-house OHS training programme. We also recruited a full time OHS Manager and are currently training all line managers to ensure that enforcement is a priority.

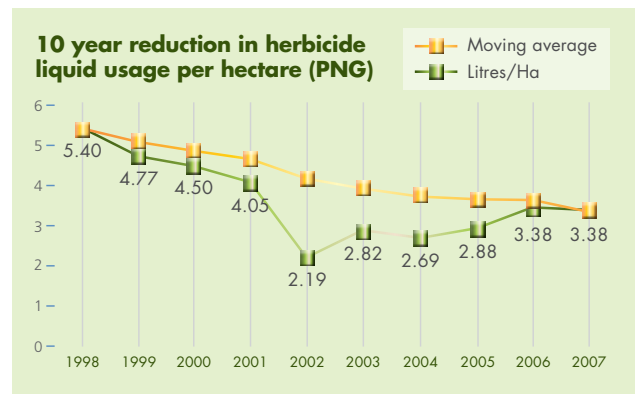
Since February 2008, we have strengthened our reporting of accidents through the introduction of a monthly reporting system, and are now in a much stronger position to identify areas of concern. Our lost time accident rate is currently at 4.4 (incidents per 200,000 working hours), with an average of 1.8 lost work days. Over half of these accidents are cutting incidences, in which harvesters get cuts by palm fronds, particularly to the feet. As a result we have placed emphasis on appropriate foot wear and other clothing protecting the skin.

Whilst we know our systems have improved overall, we sadly had to contend with two fatalities in the first half of 2008. Both were vehicle accidents which involved people who were not employees or working for the company, and were not authorised to be on-site. To prevent a recurrence of such incidences we are looking into ways of increasing security.

	2008	Target 2009
Fatalities	2	0
Lost time accident rate (Incidents per 200,000 working hours)	4.4	3
Severity rate (Average number of lost days per incident)	1.8	1.5

### Chemicals stewardship programmes

Since 1998, NBPOL has operated an integrated pesticide management system which includes chemical handling. Access to agrichemicals is highly restricted, and all hazardous substances are stored in designated sheds. We keep a register of accidents and incidences of abuse or misuse of chemicals, as well as monitoring health effects and toxicity. Over the past decade, we have continuously reduced our pesticide usage, and anecdotal evidence suggests that we have one of the lowest levels in the industry. Even so, we are committed to continue reductions, and have set a target to reduce herbicide usage by 10% by 2013.



We have made a public commitment to find effective alternatives to agrichemicals. We have used integrated pest management techniques to reduce pesticide usage by approx 40% over the past 10 years alone. We are constantly improving these techniques and have set a target to reduce pesticide use by a further 10% by 2013.

We accept that the use of pesticides is the most controversial aspect of health and safety impacts, and we have taken an active role in engaging with stakeholders on the issue, primarily through the RSPO. We have invited grassroots NGOs to visit our plantations to assess whether we could improve our practices. However, none of the invited NGOs have so far responded to these invitations.

### Provision of health services

The plantation sector does have some specific challenges as the majority of workers live with their families inside the plantation, often far from public health facilities. In addition, West New Britain health facilities are relatively sparse, leaving NBPOL to provide the majority of health services in the province.

NBPOL funds three main clinics, and operates 28 aid posts throughout the estates, to which all employees have access. Workers' families are also able to use these facilities, up to a maximum of four dependants.

Our commitment to health and safety goes beyond work-related accidents and disease, and extends to broader health issues of the workers and inhabitants of its plantations. We continually work to reduce malaria and tuberculosis incidences and have programmes in place to create awareness on HIV/AIDS as well as a policy to address and assist victims of domestic violence.

Over the years, NBPOL have developed a number of policies and infrastructural changes which have helped reduce malaria. Appropriate drainage, distribution of nets, house spraying and a strict vegetation policy in housing areas has helped reduce malaria significantly.

### Security for workers and community

In 2007 and 2008, NBPOL did not experience any large-scale unrest, but there were some violent incidences, either in connection with robberies or linked to ethnic conflict among the various "wantoks" (tribes). In addition, the presence of non-employees within operational areas led to two vehicle fatalities in our estate boundaries.

To safeguard all workers and dependents residing in the plantation, NBPOL has a core team of security guards. Guards are subject to NBPOL's strict guidelines which seek to resolve security issues without the use of violence, and by emphasising preventive measures. Our security personnel go through reserve police training, and are authorised to use breathalysers to prevent drunk driving incidents and alcohol-related violence. None of our security guards are equipped with any type of firearm.





# CREATING AN EQUAL AND HARMONIOUS WORKPLACE

## DIVERSITY AND NON-DISCRIMINATION

Equal opportunities and non-discrimination is an established policy in NBPOL and we employ and remunerate staff and workers on the basis of ability, regardless of age, gender, ethnic, religious or lifestyle affiliations.

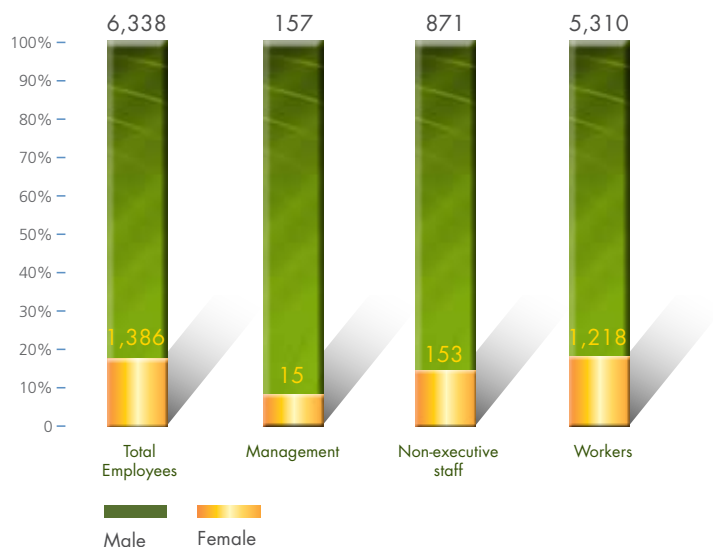
### Ethnicity and racial issues

Immigrant labour is rarely used by NBPOL, and hence we do not focus on discrimination issues in this context. The vast majority of our workforce are nationals of Papua New Guinea, but from different tribes. We actively encourage a diverse and balanced representation of tribes, to prevent creating minority groups and promote a positive and harmonious plantation community and workplace.

### Gender diversity

The plantation sector is in general heavily male-dominated. Many of our key work functions require hard physical labour, for example harvesting and mill work, and in other areas, such as spraying, there is a potential risk of reproductive issues for female workers linked to the exposure of agrichemicals. However, we do attempt to make independent income available through the hiring of women as loose fruit collectors and labourers.

At administrative, research and managerial levels we have found it difficult to attract female applicants for managerial positions in the company, partly a result of the preponderance of males within the agronomist and natural sciences fields from which plantations traditionally draw a large part of its professional staff. However, as we are seeing a growth in qualified women in the PNG workforce, we will be focusing on ways in which we can promote female representation. We are currently setting up a gender committee, who will be responsible for addressing barriers to female representation and promotion at NBPOL.

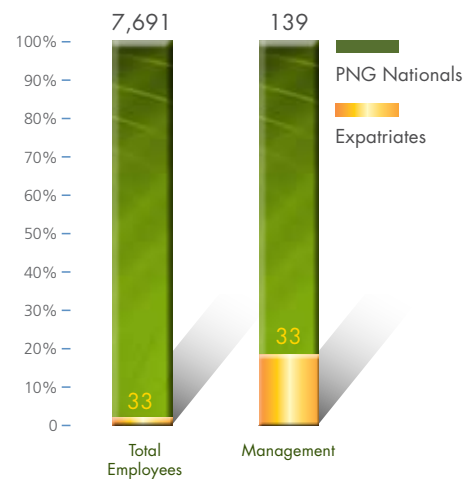




### Questions on expatriate and nationals pay

In the first half of 2008, a group of national mid-level managers raised a complaint about the disparity between the salaries of nationals and expatriates. While NBPOL understands the issue, we do not believe that the complaint is warranted for a number of reasons. Firstly, we actively aim to employ a limited number of expatriates. Secondly, they are only employed in positions where very high levels of experience or expertise are required, and where it is not possible to recruit from the local talent pool. Thirdly, our expatriate staff do tend to be outstanding individuals in their field, and consequently it is necessary pay a higher wage to ensure attraction and retention rates. And finally, expatriates are compensated for the fact that they are stationed in a very remote location and often prefer to maintain a family home in their country of origin for use by their children and spouses. We believe that this is standard employment practice for expatriates throughout the global economy.

With salaries and allowances taken as an exception for expatriate staff, our managers who are PNG nationals receive an identical benefits package for housing and medical care and generous educational assistance for their children. Therefore while we treat this issue seriously, we ultimately believe that the standards of living of expatriates and PNG nationals are equitable and fair.



# SHARING THE LEARNINGS

## SMALLHOLDERS AND SUPPLY CHAIN

The most crucial part of our supplier base in PNG is made up of over 7,000 smallholders supplying palm oil fruit to the company's mills. Together, smallholders cultivate approx 25,000 hectares, but the average plot is less than 7 Ha. Over the past year, smallholders have benefited significantly from high CPO prices, as they get a fixed share of market price from NBPOL. Similarly, we are now looking to ensure that smallholders can share the premium from our RSPO certification.

### RSPO Certification of smallholders

One of the most significant challenges of the RSPO certification process is the requirement to ensure that smallholders are included in the process, albeit with a different level of compliance and a less onerous documentation process. We have committed to an action plan which aims to certify 100% of our smallholder base over a three year period to the standards set in the RSPO smallholder task force guidance document. In collaboration with two local support organisations, OPRA and OPIC, we have put in place a comprehensive awareness and training programme, and have developed policies and programmes to ensure that smallholders are supported in implementing good environmental, social and management practices. The programme covers:

- Training on health and safety – particularly on the use of agrichemicals, appropriate handling and use of protective equipment, use of alternative pest management strategies, as well as guidelines for safe storage, disposal and waste management
- Advisory on legal issues pertaining to land rights, titles and compensation including relevant aspects of Free, Prior and Informed Consent (FPIC).

- Training on good agricultural practice, including zero-burning techniques, avoidance of steep or peat soils, as well as advisory on techniques to control soil erosion and degradation and maintenance of quality and availability of water.
- Monitoring and training on conservation guidelines, to ensure that smallholders do not fall short of the RSPO HCVF 2005 cut-off date, including making use of information about the status of rare, threatened or endangered species, or high conservation value habitats, to promote appropriate measures for management planning and operations among smallholders.
- Training and advisory to ensure that smallholders with employees adhere to PNG labour laws and that any children helping out do not do so at the cost of their welfare or education.

Our target is to ensure that all of these activities are finalised by year-end 2009. We believe that this capacity building will not only have social and environmental benefits, but that inclusion of smallholders will also enable NBPOL to share any premium resulting from RSPO certification.





### Downstream – beyond our sphere of influence?

As one of the world's largest producer of oil palm seed, we recognise that our impact may reach beyond our own palm oil cultivation. On the one hand, we believe that our high quality seed contributes to much higher yields and hence to the reduced need for indiscriminate land expansion; on the other hand, we estimate that our annual production of seed could easily cover the cultivation of up to 80,000 Ha, under conditions over which we have no direct influence.

We are currently considering the practical implications of setting criteria for our seed customers. There are other suppliers in the market selling less productive seed, and we do not believe that a sudden refusal to sell seed would benefit overall environmental objectives. However, as an increasing share of our customers look to RSPO certification, we will evaluate whether we should indeed include these as a requirement for buying Dami seed.



## PART OF A COMMUNITY

### RIGHTS AND OBLIGATIONS

With 7,730 employees, NBPOL is by far the largest employer in the West New Britain Province, and in fact the largest private employer in PNG, contributing almost 4% to PNG gross domestic product (GDP). As such, our contribution and responsibility is tremendous, and we take our obligations to the community very seriously

The relative remoteness of PNG and WNB means that our workforce is primarily drawn from the local community. Likewise, our main supply base, the smallholder community, are living in and around our own estates. In fact, after 40 years in the region, we believe that NBPOL is an integral part of the community.

Partnerships and collaboration with local communities has to lie at the heart of any successful agricultural company operating in Papua New Guinea. Effective community engagement and good relations is required to develop land, fulfil workforce needs, obtain additional fruit supply and organise logistics.

#### **The challenge of customary land rights**

About 97% of the total land area in PNG remains in the hands of customary land owners. Customary land tenure recognises the traditional users and their personal and clan arrangements for land use; these vary considerably throughout the country and are largely undocumented. As a general rule, however, the systems of customary ownership give all members of a family or clan access to land and no land development can take place without the consent of the customary rights holders. Our estates are largely held under so-called “lease-lease back” agreements, which allow communities to award the rights to land use to NBPOL for a specified time-frame – typically 40 years – ensuring that the land ownership remains with the community.

While the lease-lease-back programme is legislated by PNG authorities, and criteria for such arrangements are in place, it is not always a straightforward process to determine customary rights. The greatest challenge is to determine true representation. In some cases, there are competing claims to customary land, and determining the strongest claim can be an impossible task. Likewise, some communities may have competing representatives, or representatives whose legitimacy may be in question. In

1998 NBPOL established a “Mini-estates” office, which put in place a process for consultation and establishment of customary land rights – i.e. who were the bona fide representatives with which NBPOL negotiated agreements.

Occasionally NBPOL has been faced with charges of “broken promises”. We want to operate as a fair partner to the communities and take such charges very seriously. Unfortunately, we have often found that the broken promises were often on behalf of individuals (not employed by NBPOL) seeking personal gain. To avoid such cases in the future, we will therefore undertake our own direct communications with affected communities, in an attempt to ensure that the rules of engagement are clear and transparent to all those affected.

#### **A new framework – Free, Prior and Informed Consent**

The RSPO criteria of Free, Prior and Informed Consent (FPIC) gave us a framework to revisit our land rights policy. FPIC highlights the fact that official channels of decision-making may not always be suitable to the communities’ decision-making process, requiring a much more in-depth engagement process. In 2007 we commissioned our first social impact assessment (SIA), and our RSPO audit included 38 third-party interviews with individuals and community leaders. We see our social impact assessments and our RSPO audit as an important step in understanding community concerns and grievances.

The FPIC tool is a work in progress. There are a number of unanswered questions, to which we may never have a final solution, but which we believe we can strive to achieve as a gold standard.

One of the major questions is “who represents the community”. Our RSPO audit was undertaken from a practical stand-point – largely assuming that representatives of the Incorporated Landowner



Groups would represent the communities. Of course, there may be cases where communities are not adequately represented, and we will attempt to incorporate a cross-check system in the future by interviewing other community members.

There are some areas where we have yet to fully understand FPIC and its implications. For example, does FPIC require all community members to give their consent, or is there a way of determining a majority approach?

The other challenge is timescale. NBPOL have operated in West New Britain for 40 years – before many of the tools establishing customary land rights were recognised and it will have to be discussed among the various stakeholder groups how far FPIC goes back in time.

### WHY IS FREE, PRIOR AND INFORMED CONSENT IMPORTANT?

One of the perceived strengths of processes based on recognition of the right of indigenous peoples to give or to withhold their Free, Prior and Informed Consent to activities, laws and policies that apply to their lands – the right to FPIC – is that it implies also an acceptance of indigenous peoples' own processes of decision-making. Decisions based on the right to FPIC being, by definition, 'free' should allow scope for indigenous peoples to make decisions in their own time, in their own ways, in languages of their own choosing and subject to their own norms and customary laws. Indigenous peoples exercise their right to FPIC over the lands, territories and natural resources that they have customarily owned, occupied or otherwise used (as well as over their cultural heritage and traditional knowledge). The right to FPIC derives from a people's right to self-determination and is strongly connected to their related rights to their territories and to self-governance

*Forest Peoples' Programme, June 2007*

### Community conflict

PNG is a relatively volatile environment, and physical conflict between tribes is a regular occurrence. In 2007-2008, we experienced a number of these in the community. In the past, we have seen conflicts over a variety of issues, but we have not had any direct conflicts deriving from company practice or actions in recent years.

### A foundation for community development

While our operations in themselves contribute with income, employment and infrastructure development in the province, we recognise that there are also basic services to which those not employed by the company do not have access.

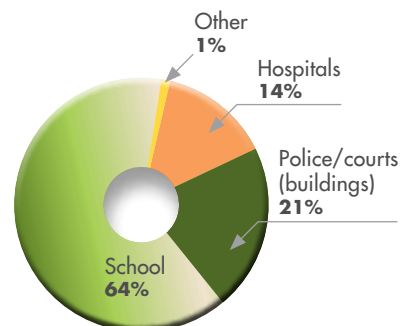
In May 1997, we established the 'New Britain Palm Oil Foundation', with the objective of making funds available for the improvement of health, education and living standards of the people living in the immediate area of the company's operations and the people of West New Britain generally. The foundation has subsequently been approved as a charitable body with the result that donations to it are allowable deductions under the Income Tax Act of PNG.

The Foundation has funded or built a number of school classrooms, aid posts and police accommodation around the province as well as providing bores for clean drinking water in many villages. This funding is undertaken by the Foundation using funds donated by the company and with funds earned on investments. In 2007, 500,000 Kina (USD 169,800) was donated by NBPOL to the Foundation.

Generally the NBPOL Foundation's financial position has become much stronger mainly resulting from its shareholding in NBPOL (450,000 shares) and has benefited greatly from the dividends as well as the growth in the value of its shares.

In addition to these initiatives, the company utilises the Infrastructure Tax Credit Scheme whereby approved capital expenditure on projects such as road upgrading can be offset against income tax. As a result, the province has some of the best maintained roads in PNG.

### NBPOL Foundation donations by type 2007 (Total 2.09 million PNG Kina)



## A VIEW FROM THE FIELD

FRANCIS TANGWARI, SMALLHOLDER

I came to West New Britain as a public servant in 1981 where I was the Deputy Principal at the Hoskins Secondary School. I could see the potential of the developments in West New Britain for communities and other settlers growing oil palm. I wanted to offer better future opportunities for my children, and decided to apply for land. In those days it was not possible to apply for land as public servant, so I left my job at the school in 1987 to become a farmer on my own block. An area around 8 hectares with a 99 year lease in the Hoskins area was titled to me. I started my own planting on 6 hectare and left 2 hectare as garden area for my families food needs.

Over the years, I became actively involved in the development of the smallholders in the Hoskins area. The smallholders in West New Britain are a diverse group of people, and we represent a mix of people from other overpopulated or underdeveloped areas in Papua New Guinea who applied for land in the project, as well as local communities with land. This makes the setup very diverse and challenging at times.

In 2003 I became the Chairman of the Hoskins Growers Association and in this role, I started working with NBPOL and OPIC to improve the smallholders sector. The Growers Association is an independent organisation paid by voluntary levy and it has played an important role in looking after our interests.

NBPOL has generally been supportive in addressing topics that played a role in helping the smallholders move forward. From changing the structure of paying monthly to fortnightly and providing credit facilities even when the situation for the industry was difficult. The company provided the infrastructure (together with OPIC) and offered the milling capacity and transportation facilities on an ongoing basis.

After I finished my term as Chairman in 2005, I continued to be involved in smallholders issues by being on the local planning committee with NBPOL. In general NBPOL is cooperative and helps in moving things forward. I think it is about balance between smallholders sector and the industry, and I also think the government should play an active role. This is an important component for future stability for the smallholders as land pressure and security of lease will become an issue. At this point the views among the smallholders are divided and unity is needed to focus on continuous improvement for the smallholders sector.

### ABOUT FRANCIS TANGWARI

Francis Tangwari is a smallholder in West New Britain. He is 54 years old and is married with 10 children (6 girls and 4 boys). He is from East Sepik and has lived in West New Britain since 1981.



# FOOD FOR MILLIONS

## NUTRITION AND HEALTH

Food is rapidly becoming one of the biggest concerns in the world. Higher food prices has prompted discussions relating to a global food crisis, whilst in the developed and emerging economies, people worry about rising obesity. We understand that NBPOL can solve neither of these issues as a lone company, but we try to play our part.

### The food crisis

Palm oil is one of the world's most important sources of calories and nutrition, with millions of people using it as cooking oil on a daily basis, but it is also a common "hidden ingredient", labelled as vegetable oil in processed foods. Therefore, the high palm oil price is, of course, a concern to the millions who depend on palm oil as relatively cheap cooking oil.

However, the price is also a significant help to the many million smallholders and palm oil workers. Through our equitable smallholder distribution formula, all smallholders supplying to NBPOL has a virtual doubling of their incomes from 2006 to 2007. The high price has also enabled us to increase the piece-rates for harvesters, as well as expand and create additional jobs in the province.

Many observers to the current food crisis comment that the real issue is in fact linked to the previously unrealistically low prices, and in addition that agricultural yields are very suboptimal. NBPOL has one of the world's highest yields per hectare. Furthermore, our extremely productive seeds help raise other plantations productivity. Finally, oil palm is one of the highest-yielding oil crops, producing up to 10 times more food per hectare than soy, for example.

### Palm oil and nutrition

As obesity levels are increasing across the world and concern over heart disease from high fat intakes rises, a number of charges have been made that palm oil is unhealthy. However, this is frequently related to the fact that other vegetable oils, such as soybean oil is often sold as a hydrogenated fat (i.e. in solid form). Palm oil's natural semi-solid properties and the versatility of blending with its solid fraction, palm stearin, make the hydrogenation of palm oil unnecessary. Therefore, food products containing palm oil as its sole or main fat ingredient are essentially trans-fat free.

Palm oil is more than calories, and contains important fat-soluble micronutrients like carotenoids (including pro-vitamin A), vitamins D, E and K. In fact, no other vegetable oil has as much vitamin E compared to palm oil. Vitamin E is a powerful anti-oxidant, capable of reducing the harmful types of oxygen molecules (free radicals) in the body.

Palm oil is often labelled as a vegetable oil, but is in fact a fruit oil, like coconut and olive oil. Many people mistake palm oil for coconut oil. However, the two have fairly distinct uses and compositions. It is palm kernel oil that is similar to coconut oil in terms of chemical composition, physical characteristics and uses.

Besides fatty acid composition, palm oil also differs from coconut oil with regard to their impact on heart disease risk, as palm oil contain distinctly less saturated fats.

Vegetable Oils and Shortening	Polyunsaturated Fatty Acids	Monounsaturated Fatty Acids	Total Unsaturated Fatty Acids	Saturated Fatty Acids
Sunflower Oil	66%	20%	86%	10%
Corn Oil	59%	24%	83%	13%
Soybean Oil	58%	23%	81%	14%
Cottonseed Oil	52%	18%	70%	26%
Canola Oil	33%	55%	88%	7%
Olive Oil	8%	74%	82%	13%
Peanut Oil	32%	46%	78%	17%
Soft Tub Margarine	31%	47%	78%	17%
Stick Margarine	18%	59%	77%	19%
Veg. Shortening	14%	51%	65%	31%
Palm Oil	9%	37%	46%	49%
Coconut Oil	2%	6%	8%	86%
Palm Kernel Oil	2%	11%	13%	81%

## DATA SUMMARY

			August 2008	2007	2006	
Financials and market data	Total sales (USD 000s)		-	224954	133764	
	All sales by geography (USD 000s)	Asia-pacific		-	6022	-
		Domestic PNG		-	14616	-
		Europe		-	204164	-
		Americas		-	126	-
		Africa		-	26	-
	Sales by product type (USD 000s)	Palm oil		-	221728	-
		Seed		-	2391	-
		Cattle		-	834	-
	Number of markets for seed		11	-	-	
	PNG Yield per hectare (6 years and above)		27.9	27.4	26.7	
	PNG Extraction rate		28.46	28.07	27.95	
	Solomons yield per hectare (6 years and above)		-	18.63	-	
	Solomons extraction rate		26.8	27.86	27.06	
	Total hectares oil palm (West New Britain)		34336	33610	32586	
	Total hectares oil palm (Solomons)		6135	6016	5090	
Total hectares (Ramu)		33150	-	-		
Peat developed (PNG)	Hectares	400	-	-		
Share in Ramu (%)		92.9	-	-		
Share in GPPOL (%)		80	-	-		
Employees	Total employees		10128	8649	8247	
	PNG		7724	7053	6405	
	Solomon Islands		2404	1596	1842	
	Employee turnover (PNG)		8.8	10.2	13.3	
	Number of employees by categories (PNG)	Management		172	-	-
		Non-executive staff		1024	-	-
		Workers		6528	-	-
	Female employees (PNG)		1386	1489	1399	
	Male employees (PNG)		6338	5564	5006	
	Female non-executive staff (PNG)		153	120	84	
	Male non-executive staff (PNG)		871	774	626	
	Female workers (PNG)		1218	1357	1306	
	Male workers (PNG)		5310	4621	4233	
	Female management (PNG)		15	12	9	
	Male management (PNG)		157	169	147	
	Expatriate employees (PNG)		33	33	33	
	National PNG employees		7691	7020	6372	
	Manager and Senior Manager expatriate employees		33	33	33	
	Manager and Senior Manager PNG national employees		139	148	123	
	Training (PNG only)	Number of employees received formal training (Training courses, formal on-the-job etc)		6783	5261	2663
Total number of formal training hours			16835	14611	6367	
Number of Managers and Senior Managers received training			488	524	463	
Number of harvesters to supervisors received training			6235	4737	2200	
Labour standards (PNG only)	Minimum starting wage	Kina per week	65	-	-	
	Union membership	% of employees	18.7	-	-	
	Reported sexual harrasment cases		2	1	-	



		Measurement unit	August 2008	2007	2006
Community and housing (PNG only)	Number of employees' children with access to/enrolled in primary school		2285	-	-
	Breakdown of Foundation projects (PNG Kina)	Education	1344352	-	-
		Health	294608	-	-
		Local law enforcement	432286	-	-
		Other	15201	-	-
	Number of employees and dependants housed		27524	-	-
Inhabitants per house		5.8	-	-	
Health and safety (PNG only)	Number of aid posts		28	27	27
	Number of clinics funded by NBPOL		3	-	-
	Fatalities		2	-	-
	Lost time accident rate (Incidents per 200,000 working hours)		4.4	-	-
	Severity rate (Average number of lost days per incident)		1.8	-	-
	Environment (PNG only)	Herbicide usage per hectare (PNG)	Litres	-	3.38
Paraquat usage per hectare (PNG)		Litres	-	0.85	1.13
Smoke density (Ringleman index) (PNG)		KAPOM	20.2%		
		KOM	21.1%		
		NOM	20.16%		
		MOM	2.4%		
Total water recycled (PNG)			0	-	-
Diesel usage: mills, refinery, terminal (litres)		5439534	7826757	7854326	
Number of vehicles		1182	-	-	
Smallholders	Smallholders currently deemed to be in full RSPO compliance (PNG only)	%	88	-	-
	Smallholders supply base PNG	Hectares	25425	-	-
		Number of smallholder blocks	7115	-	-
	Average smallholder block size PNG	Village Oil Palm	2.0	-	-
		Land Settlement Scheme	6.2	-	-
	Smallholder supply base Solomon Islands	Number of smallholder blocks	171	-	-
		Hectares	4.3	-	-
Total smallholder payout (PNG)	USD	-	36.7	18.3	
Other (PNG only)	Number of legal non-compliances (Cases resulting in fines or non-monetary sanctions by a regulatory body)	Cases resulting in fines or non-monetary sanctions by a regulatory body	0	-	-
	Areas undergoing HCVF assessment (Hectares surveyed/planned for survey 2007-2008)		7000	-	-
	Proposed expansion 2008-2010	Hectares	24000	-	-

**Notes to data:**

Exchange rate used for calculation of reflects the rate used in NBPOL's annual financial report:

31 December 2007: PGK 1.00 = USD 0.3396

31 December 2006: PGK 1.00 = USD 0.3272

All employee, training and health and safety figures cover January-August 2008. Employee turnover has been extrapolated to the full year.

Housing data is based on a survey undertaken May-June 2008

# GLOBAL REPORTING INITIATIVE (GRI) G3 INDEX

GRI Disclosure	Type	Location – section
<b>Strategy and analysis</b>		
1.1 CEO statement	Core	Welcome
1.2 Description of key impacts, risks, and opportunities	Core	Where we are going
<b>Organizational Profile</b>		
2.1 Name of the organization	Core	World of NBPOL
2.2 Primary brands, products, and services	Core	Who we are
2.3 Operational structure	Core	Who we are
2.4 Headquarters location	Core	Who we are
2.5 Countries of operation	Core	Who we are
2.6 Nature of ownership and legal form	Core	Who we are
2.7 Markets served	Core	Who we are
2.8 Scale of organization	Core	Who we are
2.9 Significant changes during the reporting period regarding size, structure, or ownership	Core	Who we are, Where we are going
2.10 Awards received during the reporting period	Core	NBPOL in brief
<b>Report Parameters</b>		
3.1 Reporting period	Core	About the report
3.2 Date of most recent previous report	Core	About the report
3.3 Reporting cycle	Core	About the report
3.4 Contact	Core	About the report
3.5 Process for defining report content	Core	About the report
3.6 Boundary of the report	Core	About the report
3.7 Limitations of the scope or boundary of the report	Core	About the report
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that could affect comparability	Core	About the report
3.9 Data measurement techniques and assumptions	Core	Data notes
3.10 Explanation of the effect of any restatements of information provided in earlier reports	Core	Data notes
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Core	Data notes, About the report
3.12 GRI content index	Core	GRI G3 Index
3.13 Policy and current practice with regard to seeking external assurance for the report	Core	About the report
<b>Governance, Commitments, and Engagement</b>		
4.1 Governance structure	Core	Governing sustainability
4.2 Indicate whether the Chair of the highest governance body is also an executive officer	Core	Governing sustainability
4.3 State the number of members of the highest governance body that are independent and/or non-executive members	Core	Governing sustainability
4.4 Mechanism for shareholders and employees to provide recommendations or direction to the board	Core	Governing sustainability
4.8 Statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Core	Driving change, Welcome
4.9 Board procedures for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	Core	Governing sustainability
4.10 Processes for evaluating the board's own performance	Core	Governing sustainability
4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Core	Driving change
4.13 Memberships in associations or advocacy organizations	Core	Driving change, Never walk alone
4.14 List of stakeholder groups engaged by the organization	Core	Driving change, Never walk alone
4.15 Basis for identification and selection of stakeholders with whom to engage	Core	Driving change, Never walk alone
4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Core	Driving change, Never walk alone
Not covered: 4.5, 4.6, 4.7, 4.11		

GRI Disclosure	Type	Location – section
<b>Economic Performance</b>		
Disclosure on Management Approach	Core	Who we are, Part of a community, Sharing the learnings
EC1. Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Core	Who we are, Part of a community, Sharing the learnings
EC2. Financial implications and other risks and opportunities for the organization's activities due to climate change	Core	Climate Change
EC5. Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	Additional	A commitment to basic rights
EC6. Policy, practices, and proportion of spending on locally based suppliers at significant locations of operation	Core	Sharing the learnings
EC7. Procedures for local hiring and proportion of senior management hired from local community of significant operations	Core	Creating an equal and harmonious workplace
EC8. Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro-bono engagement	Core	Part of a community
EC9. Understanding and describing significant indirect economic impacts, including the extent of impacts	Additional	Part of a community
Not reported: EC3, EC4		
<b>Environmental</b>		
Disclosure on Management Approach	Core	Driving change
EN1. Materials used by weight or volume	Core	Who we are
EN2. Percentage of materials that are recycled input material	Core	Effluents
EN3. Direct energy consumption by primary energy source	Core	Climate Change
EN5. Energy saved due to conservation and efficiency improvements	Additional	Climate Change
EN6. Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	Additional	Climate change
EN7. Initiatives to reduce indirect energy consumption and reductions achieved	Additional	Climate change
EN7. Water sources significantly affected by withdrawal of water	Additional	Effluents
EN11. Location and size of land owned, leased and managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Core	Who we are, Respecting and conserving biodiversity
EN12. Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Core	Respecting and conserving biodiversity
EN14. Strategies, current actions, and future plans for managing impacts on biodiversity	Additional	Respecting and conserving biodiversity
EN15. Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Additional	Respecting and conserving biodiversity
EN18. Initiatives to reduce greenhouse gas emissions and reductions achieved	Additional	Climate change
EN25. Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	Additional	Respecting and conserving biodiversity
EN26. Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Core	Respecting and conserving biodiversity, effluents, climate change
Not reported: EN4, EN8, EN10, EN13, EN16, EN17, EN19, EN20, EN21, EN22, EN23, EN24, EN28, EM29, EN30		

# GLOBAL REPORTING INITIATIVE (GRI) G3 INDEX

GRI Disclosure	Type	Location – section
<b>Social</b>		
<b>Labor Practices and Decent Work</b>		
Disclosure on Management Approach	Core	Driving change
LA1. Total workforce by employment type, employment contract, and region	Core	NBPOL in brief, data
LA2. Total number and rate of employee turnover by age group, gender and region	Core	NBPOL in brief, data
LA4. Percentage of employees covered by collective bargaining agreements	Core	A commitment to basic rights
LA7. Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	Core	A safe working environment
LA8. Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	Core	A safe working environment
LA10. Average hours of training per year per employee per category	Core	Investing in our people
LA11. Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Additional	Investing in our people
LA13. Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Core	Governing sustainability, Creating an equal and harmonious workplace
Not reported: LA3, LA5, LA6, LA9, LA12, LA14		
<b>Human Rights</b>		
Disclosure on Management Approach	Core	Driving change
HR1. Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Core	Part of a community
HR2. Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Core	Sharing the learnings
HR4. Total number of incidents of discrimination and actions taken	Core	Creating an equal and harmonious workplace
HR5. Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	Core	A commitment to basic rights
HR6. Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	Core	A commitment to basic rights
HR7. Operations identified as having significant risk for incidents of forced or compulsory labour, and measures taken to contribute to the elimination of forced or compulsory labour	Core	A commitment to basic rights
HR8. Percentage of security personnel trained in the organization’s policies or procedures concerning aspects of human rights that are relevant to operations	Additional	A safe working environment
Not reported: HR3		
<b>Society</b>		
Disclosure on Management Approach	Core	Driving change
SO1. Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	Core	Driving change Part of a community
SO2. Percentage and total number of business units analysed for risks related to corruption	Core	Governing sustainability
SO6. Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	Additional	Governing sustainability
Not reported: SO3, SO4, SO5, SO7, SO8		
<b>Product Responsibility</b>		
Disclosure on Management Approach	Core	Food for millions
PR1. Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Core	Food for millions
Not reported: PR2, PR3, PR4, PR5, PR6, PR7, PR8, PR9		



## ABOUT THE REPORT AND ASSURANCE APPROACH

### Who is the report for?

We would like all of our stakeholders, and those interested in the palm oil debate to read this report. However, the target audiences for this report are primarily “professional stakeholders”, such as investors, business-to-business customers, professional staff, NGOs and media. The report content will form the basis of additional communications and engagement with broader groups such as communities, fieldworkers and suppliers, in formats better suited to such groups.

### Does the report cover all of NBPOL's operations?

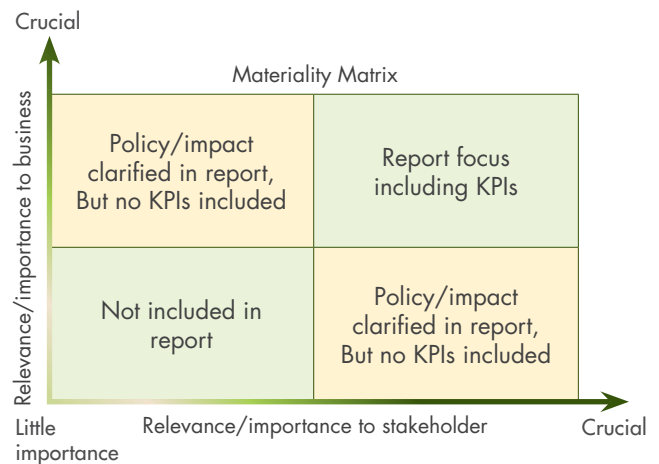
The report covers the company's main operation, based in West New Britain Province, Papua New Guinea. Data and processes described do not cover the company's operations in Singapore, the UK or Australia or its subsidiary GPPOL in the Solomon Islands, except where indicated. GPPOL is excluded, as we are still in the process of determining key impacts and setting up reporting systems for our Solomon operations. GPPOL accounts for less than 10% of total assets, hectareage and employees, and so believe that the exclusion of GPPOL in this first report does not have a significant impact on the overall representation of the company. GPPOL will be fully included in the 2009 report. We also plan to include our newly acquired Ramu operations in future reports, no later than 2010. As our UK operations move into a new phase, which includes significant manufacturing activity, a time-line for inclusion of these operations will be determined by the Board of Directors. The company's operations in Singapore and Australia are currently minor office activities, and NBPOL believes that exclusion of these will not impact on the materiality or completeness of the report. The report does not include joint ventures where NBPOL is not a majority shareholder.

### What period does the data cover?

Due to the timing of the report, all financial and market information is based on year-end 2007 results, whereas environmental and social data is primarily collated during the May 2008 audit. The data notes specifies the exact dates covered by each indicator or dataset.

### How were material issues determined?

The report covers all social, economic and environmental issues deemed material to the company. The report content was determined on the basis of several processes, combining external stakeholder expectations with internal consultations. As a starting point, the report seeks to address all RSPO Principles and Criteria. NBPOL sees the P&C as a direct expression of core stakeholder issues to be addressed. Based on this overall scoping, the senior management team, representing all main operations areas went through two half day workshops covering external views on palm oil. On this basis, the management team identified key issues to the company and those considered key to external stakeholders, using the GRI materiality matrix. As a guideline “high-impact/high expectation” issues were prioritised. Issues deemed “Low-impact/high expectation” or High impact/low expectation” are included in the report, but with less emphasis.



# ABOUT THE REPORT AND ASSURANCE APPROACH

### **When will NBPOL report again?**

This report is the first sustainability report published by New Britain Palm Oil Ltd. NBPOL is committed to continuing sustainability reporting, and will issue a report covering a full year 2009 Sustainability Report in early 2010. Going forward, stakeholder feedback will determine whether to report annually or biennially.

### **Is NBPOL using any reporting frameworks?**

The report has used the GRI G3 Guidelines as the basis of reporting, and the reporting team believes that the report has achieved a "C" application level. Furthermore, the principles of the AA1000 standard of Responsiveness, Materiality and Completeness have been instrumental in determining report content.

### **Is the report available in other languages?**

The report is published in English only, but selected topics and commitments will be communicated in Tok Pisin through alternative channels, e.g. employee newsletters or local radio.

### **Assurance approach**

As a first time reporter, and running the reporting process concurrently with the first RSPO audit, the company's senior management has decided not to undertake a formal third-party assurance process.

However, to ensure some level of assurance, NBPOL has asked the external observer to the RSPO audit to comment on the content of the report, and the extent to which he finds it to be a fair representation of the performance of the company.

In addition, to provide a context for the report, the company also asked a number of key stakeholders to comment on the issues described in the report, and the company's initiatives in these areas.



# GLOSSARY

## **Biodiversity**

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

## **Biofuels**

Biofuels are fuels that are derived from biomass (recently living organisms such as wood or vegetable oil) or their metabolic by-products, such as manure from cows. They are a renewable energy source, unlike other natural resources such as petroleum or coal.

## **Biological Oxygen Demand (BOD)**

The amount of oxygen used when organic matter undergoes decomposition by microorganisms. Testing for BOD is done to assess the amount of organic matter in water.

## **CO2 Equivalents**

Carbon dioxide equivalents (CO<sub>2</sub> eq) provide a universal standard of measurement against which the impacts of releasing (or avoiding the release of) different greenhouse gases can be evaluated.

## **Effluents**

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

## **Global Reporting Initiative (GRI)**

A multi-stakeholder standard for sustainability reporting, providing guidance on determining report content and indicators.

## **High Conservation Values**

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.

## **Independent Director**

According to the UK Combined Code Principles of Good Corporate Governance, an Independent Director is "independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement."

## **Integrated Pest Management**

Integrated Pest Management (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.

## **IUCN Red List**

The International Union for Conservation of Nature and Natural Resources (also known as The World Conservation Union) is an organization based in Switzerland which is involved in preservation of natural resources. Publishes the Red Data Book, which lists the endangered species of every nation.

## **Non-executive Director**

A Board Director who does not currently hold other employment with the company. Unlike an Independent Director, a non-executive can have significant financial interests or close personal ties to the company.

## **NGO**

Non-governmental organisation. In this report used to refer to grass-roots and campaigning organisations focusing on environmental or social issues.

## **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 includes the processes 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".

## FURTHER RESOURCES

### **NBPOL**

[www.nbpol.com.pg](http://www.nbpol.com.pg)

### **RSPO**

[www.rspo.org](http://www.rspo.org)

### **GRI**

[www.globalreporting.org](http://www.globalreporting.org)

### **AA1000**

[www.accountability21.net](http://www.accountability21.net)

### **MAHONIA NA DARI**

[www.mahonia.org](http://www.mahonia.org)

### **THE INSTITUTE OF NATIONAL AFFAIRS**

[www.inapng.com](http://www.inapng.com)

### **OPRA**

[www.pngopra.org.pg](http://www.pngopra.org.pg)

### **KULIM (MALAYSIA) BHD**

[www.kulim.com.my](http://www.kulim.com.my)

### **YOUR FEEDBACK**

#### **Contact details:**

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**This report is part our efforts to encourage engagement with all of our stakeholders, and our commitment to improve our sustainability performance, accountability and transparency. We would welcome your views on this report and on our performance.**



This report was printed on environmentally friendly paper (75% recycled and FSC certified) and printed with vegetable-based ink.

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