

# Sustainability Report

2009

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New  
Britain  
Palm Oil  
Limited





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# Welcome

I am delighted to be able to welcome readers to our second Sustainability Report. This report covers our activities for the year ending 2009. The scope of our reporting has significantly broadened beyond our plantations in West New Britain and now includes performance data from RAIL in Papua New Guinea and GPPOL in the Solomon Islands. In addition to sustainable palm oil, the report also covers our work in sugar and cattle the report covers, as well as an overview of our 2010 acquisitions in Papua New Guinea and our newly opened UK refinery.

The broadening of the report mirrors the tremendous expansion we have experienced in the size and complexity of our business. Our first report concentrated on our activities in West New Britain Province of Papua New Guinea at a time when we had just finalised our first RSPO certification, and were just coming to terms with concepts like high conservation values, free prior and informed consent and stakeholder engagement.

Some 18 months after our first report, sustainability with all its complexities continues to be an integral part of our entire business model. At the time of writing, we are preparing for the opening of New Britain Oils in Liverpool (UK) which will be the first refinery in the world dedicated to processing only certified, sustainable and fully traceable palm oil. We believe that there can be no greater sign of commitment than “to put your money

where your mouth is” and we believe that sustainable palm oil is a great long-term investment and crucial to our future license to operate.

Back in the Pacific we are also going through major changes. On the 30th April this year, we formally acquired three plantations from Cargill, based in the provinces of Oro, New Ireland and Milne Bay. The acquisition was subject of much media and stakeholder scrutiny and we have made great efforts to consult with international and local stakeholders to identify solutions and address any concerns in bringing these plantations fully up to our standards. We are fully aware of the issues that we face in regards to the restoration of yields from both the estates and smallholders and the improvement of relations with all stakeholders in these projects. This will not be an overnight fix but we will be looking for significant improvements over the next 2 years. Bringing the smallholders into the NBPOL fold and assisting them to improve production and become RSPO certified is one of our primary objectives.

Even in our existing plantations there is plenty of news. The acquisition of RAIL in 2008 brought us into the new territory of sugar production, and increased our beef enterprise significantly. We are really proud that the RAIL team has recently passed their first RSPO audit having had only 18 months to prepare.



GPPOL in Solomon Islands is also going from strength to strength, increasing yields and bringing down accident rates and employee turnover. GPPOL has also played a key role in engaging all stakeholders to jointly develop the National Interpretation of the RSPO Principles and Criteria for the Solomon Islands – and we are confident in achieving certification within the coming months.

Last, but not least, our West New Britain plantations continue to move forward. We have made headway on biodiversity conservation work and relationships with landowners, as well as strengthening HIV/AIDS initiatives and local stakeholder engagement. We are also working towards the launch of a large Clean Development Mechanism (CDM) which will provide our operations and surrounding communities with clean electricity in 2011.

“Our vision is to demonstrate that palm oil can be produced and consumed responsibly and sustainably – creating livelihoods and opportunities for tens of thousands in the provinces where we grow palm oil and nutrition for millions where we sell palm oil.”

This report outlines many of our successes over the past year, but also highlights our challenges: Bringing smallholders along on the RSPO journey in our new acquisitions, the continued push to strengthen our health and safety performance and reporting, the development of a strong climate change strategy – are just a few of these. We have not achieved all of what we set our sights on – but we believe that it is important to work towards relevant and ambitious targets. Since our last report, many new issues have arisen, and we have sometimes had to re-prioritise our efforts – but we will continue to work towards all that we have committed to.

In 2008, I said that our journey had sometimes been uncomfortable and I doubt that it will ever be anything other than a continuous mountain hike to that ever distant summit. We are not

by nature great communicators, I don't think people in agriculture generally are, but we believe passionately in our supply chain for sustainable and traceable palm oil and over time we hope that others will see the benefits too. Sustainability will always be a moving target and there will always be disagreement between different stakeholder groups as to the right approach. Although this can be frustrating, we are also learning – I believe that any good business must be flexible and open to change – and we are constantly learning from our engagement with business partners, friends and critics.

We are aware that we have become involuntary leaders, through our groundbreaking UK refinery, our horizontal expansions and our insistence on sustainability as a way of doing business. We understand

that our market leadership in PNG and the Solomon Islands comes with new responsibilities and expectations, and I believe that the best way to meet these is to continue our efforts, share our experiences and listen to stakeholders.

Our vision is to demonstrate that palm oil can be produced and consumed responsibly and sustainably – creating livelihoods and opportunities for tens of thousands in the provinces where we grow palm oil and nutrition for millions where we sell palm oil. Perhaps we will never convince everyone of this; but I look forward to the years ahead and to our continued partnerships with stakeholders across the world to search for better solutions which benefit our business, the environment and our communities.

# Targets and Achievements

TARGET	STATUS	TARGET
<b>RSPO Principle 1 – Commitment to transparency</b>		
Include GPPOL (Solomons) in 2009 Sustainability Report	Achieved	-
Include Ramu (PNG) in 2009 Sustainability Report	Achieved	-
Include UK refinery and new acquisitions in Sustainability Report	Not achieved	2011
Develop and roll out business ethics guidelines by 2009	Not achieved	2011
<b>RSPO Principle 2 – Compliance with applicable laws and regulations</b>		
No legal non-compliances	In progress	Ongoing**
<b>RSPO Principle 3 – Commitment to long-term economic and financial viability</b>		
Achieve average annual yield of 28 tonnes of FFB per hectare	In progress	2013
Achieve average annual yield of 30 tonnes of FFB per hectare	In progress	2017
Achieve average total palm product extraction rate of 30%	In progress	2017
<b>RSPO Principle 4 – Use of appropriate best practice by growers and millers</b>		
Reduce herbicide usage per hectare by 10%*	In progress	2013
Reduce herbicide for sugar cane usage by 10%	In progress	2014
Reduce herbicide for sugar cane usage by 30%	In progress	2019
Reduce lost time accident rate to below 3	Achieved in RAIL Not in GPPOL/WNB	-
Reduce lost time accident rates by 5% annually	In progress	2010
No work-related fatalities	Achieved in GPPOL Not in RAIL/WNB	2010
<b>RSPO Principle 5 – Environmental responsibility and conservation of natural resources and biodiversity</b>		
Reduce CO tonnes equivalent from mills by 90% by 2010	In progress	2011***
No land development on peat	Achieved	Ongoing**
BOD levels below 90ppm for all existing mills	Achieved	Ongoing**
BOD levels below 20ppm for new mills	Delayed but in progress	2010
Reduce smoke density to less than 40% for 20% of the operating period for all four mills (Ringelmann index)	Achieved	Ongoing**

TARGET	STATUS	TARGET
<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	Living wage calculations in progress	Ongoing**
Maximum 4 people on average per living quarter	In progress	2013
No employees work more than 12 hours overtime per week	No non-conformances noted	Ongoing**
All employees have minimum 1 day off per 7 days	No non-conformances noted	Ongoing**
Ensure all children of employees have access to primary school education	Monitoring in progress	2013
<b>RSPO Principle 7 – Responsible development of new plantings</b>		
No expansion without FPIC	Achieved	Ongoing**
No expansion into HCVF	Achieved	Ongoing**
<b>RSPO Principle 8 – Commitment to continuous improvement in key areas of activity</b>		
All smallholders complying with RSPO certification requirements	93.6% estimated compliance	2010
100% of RSPO premium paid to smallholders	Fund established	Ongoing**
RAIL certified to RSPO Standard	In progress	2010
GPPOL certified to RSPO Standard	Delayed but in progress	2010
2010 acquisitions from Cargill certified to RSPO Standard	In progress	2012
Develop and report on sediment and nitrate loading of major rivers	Delayed but in progress	2010
Develop and report on a comprehensive carbon reduction strategy	In progress	2010

\* Restated to toxicity

\*\* Status on ongoing targets will be reported annually

\*\*\* Restated from 2010 to 2011

## Overall Assurance Statement

**I find that NBPOL has successfully taken up a leadership position in sustainability, not in spite of its expansion activities but because its commitment to sustainability provides the vision to strategically expand its land bank and access to markets.**

The 2009 NBPOL Sustainability Report gives a fair and balanced view of the company's sustainability policies and the impact of its operations. In writing the report, the management faced a challenge to integrate a substantial body of new information about the company's activities while keeping the volume of reported information in check. This report successfully presents information in appropriate detail, relevant to the interests of NBPOL's stakeholders. Relative to significance, the report is also adequately responsive to concerns raised by such stakeholders, which reflects increasingly common practise within the company's daily operations.

My previous assurance statement for the company's 2007/2008 Sustainability Report concluded that "overall, NBPOL is well on its way to position itself as the industry's mainstream forerunner in sustainability". Indeed, the second Sustainability Report shows that NBPOL management and staff have made further inroads to materialize the

company's sustainability leadership role in the palm oil industry. This is particularly impressive because the company has continued to expand "horizontally" (through acquisition of new estate land) and integrate vertically (through the construction of the New Britain Oils refinery in the United Kingdom).

NBPOL's recent acquisitions in Papua New Guinea and Solomon Islands all involved the taking over of previously established plantation estates. Such acquisitions help avoid the range of problems normally associated with greenfield development and allow the company to focus on upgrading the economic and sustainability performance of existing plantations. This would include rectifying situations where plantation development has in the past taken place without the landowners free, prior and informed consent and without protection of High Conservation Value areas.

NBPOL's commitment to leadership in sustainability is furthermore reflected in its far-reaching decision to stop

the pending approval of the Cargill audit reports by the Roundtable on Sustainable Palm Oil (see page 14). With its decision, NBPOL demonstrates that it does not accept the marginalization of thousands of smallholder families in the sustainable trade chain.

Like the acquisition of estate land, NBPOL's investment in its refinery in the United Kingdom absorbed ample management time from the company. However, the company's deeper involvement in the market place will enable it to firmly position certified palm oil in the consumer's market. The newly developed long term supply-purchase partnerships with major actors in the market place such as Ferrero and United Biscuits will be helpful in this respect. NBPOL's increased transparency with regards to information about its buyers, even when still partial, is to be appreciated.

As a result of its acquisitions since 2003, NBPOL has become the single largest palm oil company in Papua New Guinea and the Solomon

Islands. This brings along with it high expectations from society. This Sustainability Report shows that NBPOL is willing and capable of delivering on many of such expectations, even when they extend well beyond the company's plantation estate boundaries. To avoid the risks associated with being a "benign monopolist", the company has already begun to open up certain decision making platforms to a broader group of stakeholders. The New Britain Palm Oil Foundation, for example, is already being opened up to involve non-governmental not-for-profit stakeholders. Similarly, NBPOL is looking at ways in which it can support the wider socio-economic, cultural and ecological landscape in which it operates through multi-stakeholder dialogue and decision making.

These efforts, which go well beyond minimum requirements for protection of High Conservation Value areas and free, prior and informed consent, remain work in progress and will have to be reported on in more detail in the years to come.

Several key issues will continue to require the company management's attention. First and foremost, public and landowner concerns regarding remaining new developments and estate areas acquired from third parties throughout Papua New Guinea need to be addressed effectively and efficiently. Second, within the plantations, structured monitoring of the protection of High Conservation Values and sustained free, prior and informed consent is required. Third, the promotion of development and

sustainability beyond the plantation estate boundaries needs to be realized on the ground. Fourth, NBPOL will have to continue investing in expanding on coalitions with food and confectionary producers in the market place to promote the use and marketing of confectionary and other foods that contain fully traceable certified palm oil. Lastly, it is important that the company's management capacity remains in balance with the scope of the challenges ahead.

In conclusion, I find that NBPOL has successfully taken up a leadership position in sustainability, not in spite of its expansion activities but because its commitment to sustainability provides the vision to strategically expand its land bank and access to markets.



**aidenvironment**

### Basis for the opinion

Eric Wakker is the director of Aidenvironment Asia, the Indonesian representative office of Aidenvironment, a consultancy foundation based in the Netherlands. Mr. Wakker has worked with NGOs in Asia-Pacific for over two decades and first engaged with NBPOL in discussions over sustainability in 2004. In 2008, Mr. Wakker participated as an independent observer to NBPOL's first RSPO audit and in 2009; Mr. Wakker identified the ways in which the company can engage more closely with the Papua New Guinea NGO community.

# Our Business in Brief

## We are delighted that we are still on a growth path in a year marked by a turbulent global economic environment and a steep drop in palm oil prices.

New Britain Palm Oil Ltd (NBPOL) is the world's leading producer of sustainable palm oil certified in accordance with the Roundtable on Sustainable Palm Oil (RSPO) Principles & Criteria, producing 16.2% of the world's certified crude palm oil and 17% of the world's certified palm kernel oil (as at 1 May 2010). Our plantation operations are in the Solomon Islands and in Papua New Guinea, where we also have a refinery and a bulking terminal.

From 2010, our newly built UK refinery – New Britain Oils – will enable us to deliver segregated, traceable and certified sustainable food ingredients to our end customers, which are primarily based in the EU. In addition to these operations, we have offices in Singapore and London, as well as a seed joint venture operation in Indonesia and partner agreements in Malaysia and Colombia.

Our company headquarters are in West New Britain Province, Papua New Guinea. We are listed on the Port Moresby Stock Exchange and on the London Stock Exchange. Kulim (Malaysia) Bhd retains a controlling 50.68% shareholding, and the West New Britain Provincial Government is the company's second largest shareholder, holding an 8.28% interest.

For the financial year ending 31 December 2009, we reported a turnover of USD 323.8 million, down from USD 352.2 million in 2008, due to lower prices for palm oil in the first half of 2009. Our pre-tax profits were also lower at USD 85.3 million (2008: USD 106.3 million). Despite this, we are delighted that we are still on a growth path in a year marked by a turbulent global economic environment and a steep drop in palm oil prices.

### United Kingdom

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



### Singapore

CEO's office, Group Finance Director, Group Technical Director and Group Sustainability team are based here, coordinating activities across all fields and markets.

### Papua New Guinea

Home to our largest operations. Main focus on oil palm, but also a major producer of sugar and beef. Includes a refinery, bulking terminals, a sugar and ethanol factory as well as two abattoirs.

### Solomon Islands

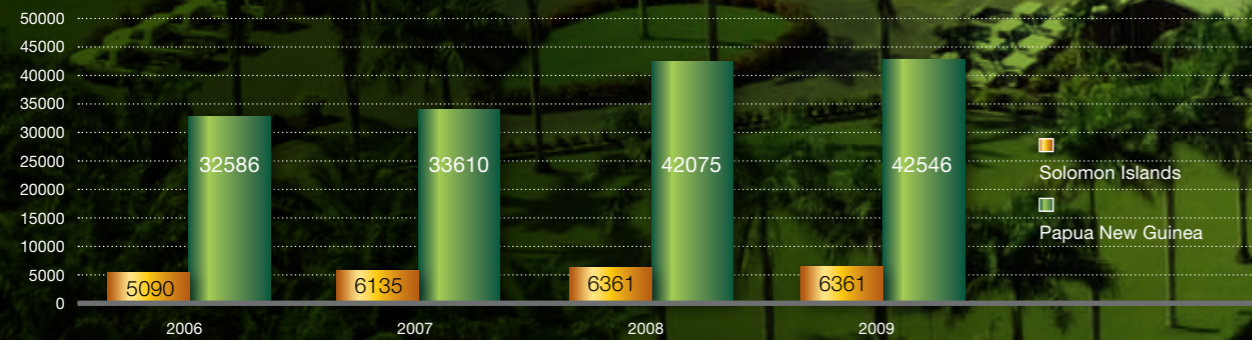
Our only plantation outside of Papua New Guinea, focusing entirely on oil palm and with its own bulking terminal



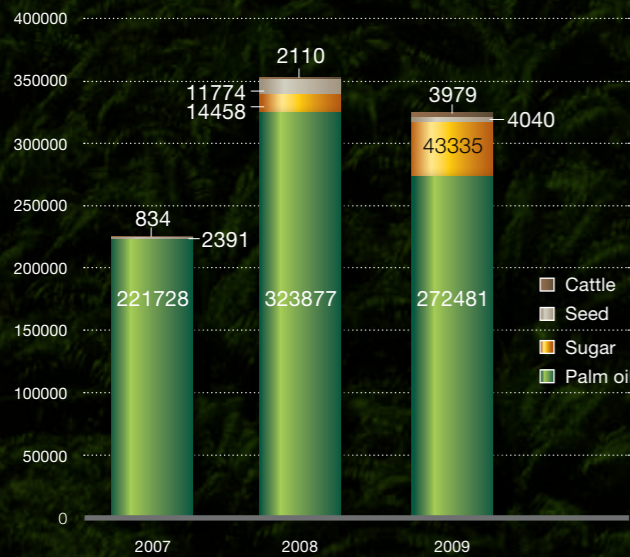
# Our Business in Brief

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**Total hectares oil palm**

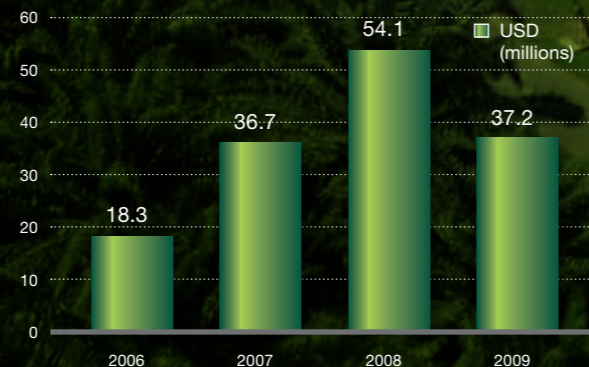


**Sales by product area (USD'000)**

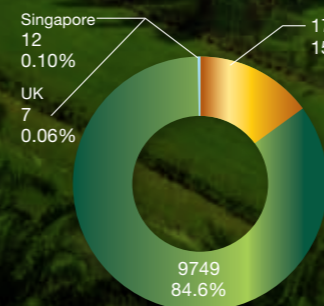


Note: sugar figure increased due to acquisition late in the year, so not full year sales.

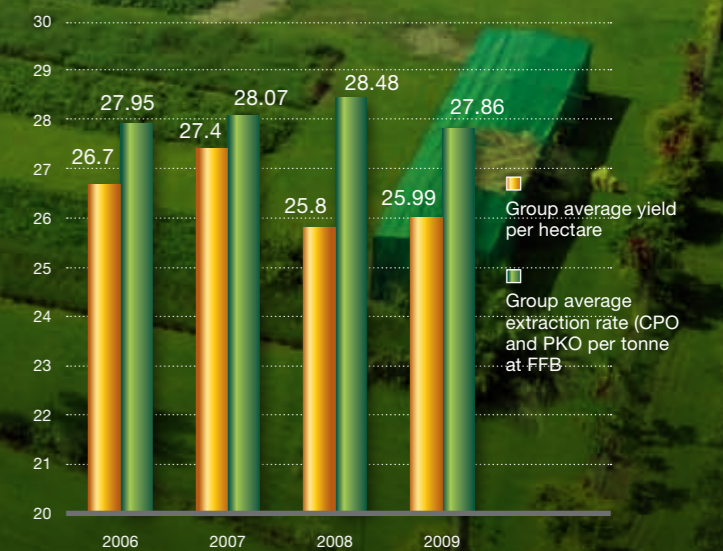
**Total smallholder payout (West New Britain)**



**Permanent employees by region**



**Toward 30:30**



Note: 2006-2008 is for West New Britain only 2009 includes GPPOL and RAIL

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New Britain Palm Oil Limited

# Consolidating Our Base Our Plantations

As at year-end 2009, our plantations covered 86,000 hectares and were based in three locations; in the Provinces of West New Britain and Morobe in Papua New Guinea and the Guadalcanal Province of the Solomon Islands. We are the biggest private sector employer in both Papua New Guinea and in the Solomon Islands, and the largest producer of palm oil in both countries as well as of sugar and beef in Papua New Guinea. At the time of publication, we will have added a further 34,000 hectares, through acquisition of existing plantations in Papua New Guinea in the provinces of Milne Bay, New Ireland and Oro.

## West New Britain (WNB), Papua New Guinea

Our WNB operations remain our largest with 20 estates and four mills spanning around 35,000 hectares in the volcanic soils around Kimbe, Mosa and Hoskins. We employ 8,212 people and produce over 300,000 tonnes of CPO and PKO annually. We also have a small refinery and a bulking terminal.

WNB is also home of our Dami Seed business, which has the capacity to produce over 21 million high quality seeds annually, which are used both internally and exported to 11 countries.

In addition to oil palm and seed, our Numondo estate has approx 3,800 head of cattle, integrated with oil palm.

Smallholders and outgrowers play a major role in WNB. Our mills receive over 30% of fresh fruit bunch from over 7,000 smallholders.

The majority of land in WNB is customary land, cultivated in accordance with lease-leaseback agreements in which local landowner groups grant us the right to cultivate for a fixed period in return for rental, shares and annual royalties based on fresh fruit bunch (FFB) production. We have a positive collaboration with the landowner groups, and we are continuously being contacted by landowners in the province wishing to lease their land.

However, there are significant challenges linked to expansion in WNB. All remaining land in WNB is customary land. There are still significant areas of pristine primary rain forest and other high conservation values (HCVs) within the province. In addition, Kimbe Bay, which lies to the north of WNB, is the site of one of the world's most impressive and diverse reef systems, and is vulnerable to any run-off from agricultural activities. Our expansion potential is therefore largely limited to customary land, which was logged over and cultivated before the RSPO cut-off date in 2005 and to which the resource owners grant us access.

## Ramu Agricultural Industries Ltd (RAIL), Morobe Province, Papua New Guinea

Located in the picturesque Markham Valley, RAIL was acquired in December 2008. RAIL currently has around 7,700 hectares of oil palm and one CPO mill, in addition to 8,200 hectares of sugar, a sugar factory and

9,300 hectares of pasture for cattle rearing and an abattoir. In 2010, RAIL is adding an additional mini-mill and a palm kernel mill to its operations. In March 2010, RAIL passed its first RSPO certification audit and is awaiting formal approval and certification from the RSPO (as at May 2010), six months ahead of the original target date.

At year-end 2009, RAIL employed 2,404 people and had produced around 13,500 tonnes of CPO. For 2010 production is likely to increase to 20,500 tonnes.

RAIL is the only major sugar producer in Papua New Guinea, providing around 80% of all commercially available sugar. Sugar production in Papua New Guinea is particularly challenging, as sugar cane is an indigenous crop. We face a very high number of highly localised pests and diseases, including some specific to the area such as "Ramu Stunt".

RAIL's beef operations have almost 16,000 head of cattle. "Ramu beef" is a well-known high-quality brand, supplying most of the high-end supermarkets, restaurants and hotels in the country.

Unusual for PNG and unlike WNB, the valley is mostly state land owned by the PNG government, and RAIL has a direct lease from them. However, future expansion into the extensive grasslands of the Markham will be subject to the consent of the customary land owners.





# Consolidating Our Base

## Our Plantations

Our acquisition of RAIL has marked a major change in direction. RAIL previously focused on sugar and only recently developed small areas of oil palm. RAIL continues to invest in sugar cane cultivation, but has increased its emphasis on oil palm. Due to the much higher labour intensity of oil palm, RAIL has created several thousand permanent jobs in the province within its brief existence.

### GPPOL, Guadalcanal Plains Palm Oil Limited, Guadalcanal Province, Solomon Islands

Located just outside Honiara, the nation's capitol, GPPOL was acquired in 2005, and has seen a remarkable transformation since then.

GPPOL cultivates 6,360 hectares of oil palm, which produces close to 15,000 tonnes of crude palm oil (CPO) and palm kernel oil (PKO). GPPOL is currently in progress to RSPO certification. It was originally scheduled to achieve certification by year-end 2009, but has not been able to proceed due to delays in the formal approval of the Solomon Islands National Interpretation of RSPO Principles and Criteria. However, GPPOL expects to achieve certification by Q3 2010.

As in West New Britain, smallholders and local landowner groups are crucial. Our mills receive fruit from over 200 smallholders, and the majority of our land is customary rights land.

GPPOL has faced significant challenges with the acquisition of an established, but badly neglected operation. In addition, the acquisition took place only one year after the civil strife based on ethnic divisions, which marred the country in 1999-2003. Building up a stable labour force whilst avoiding fuelling any ethnic tensions has been a priority at GPPOL.

Most of the areas brought forward by landowners for oil palm cultivation are currently under native grassland vegetative cover. Our HCV assessments for GPPOL have therefore not been as complex in comparison to West New Britain Province.

### 2010 acquisitions from Cargill

In March 2010, we acquired three additional operations in Papua New Guinea – in the provinces of Milne Bay, New Ireland and Oro, with a combined 26,000 hectares of planted area.

The acquisition of the Cargill plantations has not only significantly increased the groups land holdings but also brought with it the challenge of adding five new "units of certification" into our RSPO Group certification program. These new "units" are in various states of readiness and for the most part their journey towards sustainability has not included the smallholders. This is not in keeping with NBPOL's approach, where we enable all of our associated smallholders to seek and sustain certification. In Oro Province, for example, all three mills have undergone audits but the nearly 6,000 smallholder blocks have been excluded from the process. In fact only 10% of the associated smallholder land holdings have been proposed be certified.

The ex Cargill operating units are geographically far apart (located in separate provinces) and this has led to each plantation tackling sustainability issues in a localised manner. Integrating these separate units into the one cohesive identity and embedding NBPOL's values will mean unravelling much of the existing methodologies and rebuilding them into a unified system.

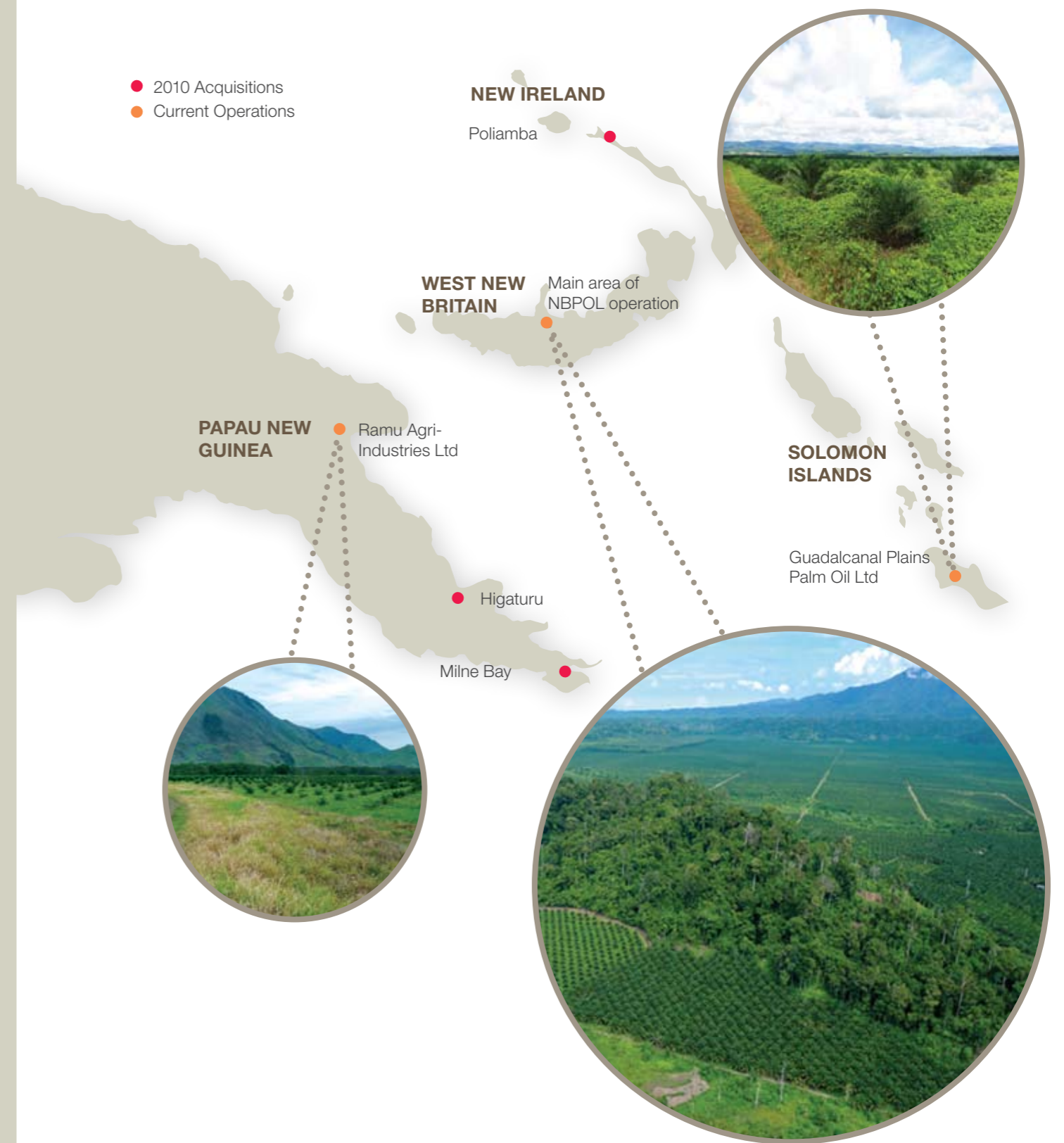
Before acquisition, we approached a large cross section of civil society to gauge the feelings directed towards these holdings. Expressing strong emotions regarding the land, many sought continued improvement and look to NBPOL to deliver this, particularly in the areas of environmental performance and social equity. Listening further to the advice given by many NGOs we feel that trust needs to be re established if social harmony is to be restored.

Such trust would not be earned if we were to allow the certification process to continue without addressing the concerns of the communities or continuing to exclude the smallholders. We have decided to withdraw our application for certification of these new units and to restart the process by first building relationships with the surrounding communities.

We have therefore set ourselves a new target of certification of these units by 2011 and 2012.

As these operating units are geographically distant from our other holdings and have a separate supply-route, segregation of this "non-certified" oil will be straightforward and not impact on our fully traceable certified oil.

- 2010 Acquisitions
- Current Operations



# Meeting Customer Needs

## Products and Services

### Certified sustainable palm oil

With annual revenues of over 272 million USD in 2009, palm oil is by far our most significant product. We produce a total of 335,000 tonnes of CPO and almost 30,000 tonnes of PKO across our operations. At year-end 2009, 264,000 tonnes of CPO were certified against the vigorous RSPO standard, and the remaining volumes have both undergone successful pre-audits with a target of achieving certification in Q3 2010.



Our primary market is Europe. In 2009, the majority of our sales were to refineries and traders in Europe. However, with the opening of our UK refinery and our ability to produce traceable palm-based ingredients, we expect to see a significant shift in sales directly to consumer goods manufacturers, primarily in the food industry. For the domestic PNG markets we produce a small range of refined products such as cooking oil.

### Seed

Our Dami research facility is one of the world's leading seed producers. In 2009, we supplied seeds to 11 markets in addition to domestic and internal use. Sales were 4.5 million seeds compared to 15 million seeds in 2008. The global financial crisis resulted in many Indonesian producers reducing or halting planting programs, and the political turmoil in Thailand also meant that the majority of our Thai seed customers were unable to obtain the necessary documentation for imports.

### Sugar

Ramu Sugar is a household name in Papua New Guinea, with production exceeding the nation's demand. Our sales are purely domestic and we supply sugar directly to retailers, as well as major international food and beverage brands operating in PNG. Our sugar matches the domestic taste with its small percentage of molasses retained. Our sugar factory also produces 300,000 litres of bioethanol, most of which is exported to Australia and Singapore.

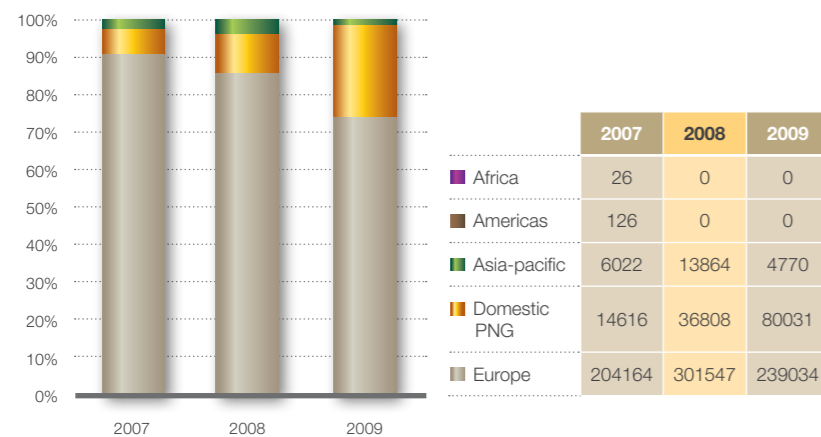
### Beef

Combining the production from our two cattle operations in Ramu and Numondo, we are Papua New Guinea's largest commercial beef producer. We produce more than 87,000 tonnes of beef per year, generating revenues of almost a million PNG Kina (approx USD386,000) in domestic sales. The quality of our beef reflects the free range environment in which our cattle are raised, with breeding stock spending several years grazing in pastures and plantations with additional supplemental feed to improve performance.

### Advisory services

As a result of our early adoption of the RSPO Principles and Criteria (P&C), we have developed a strong in-house capacity in implementing the RSPO standard and driving continuous improvement. To share our knowledge and insights, in 2008 we set up GSA (Global Sustainability Associates). To date, GSA has undertaken projects in Brazil, Peru, EU, Cambodia, Malaysia, Indonesia, PNG and the Solomon Islands. Our work is diverse and it now has a wide network of associates working with companies, NGOs and

Sales by region (USD'000)



governments. Much of the current work is focused on smallholder issues associated with certification and on due diligence of the supply chain. GSA has a website where more information can be obtained ([www.gsa-sustainability.com](http://www.gsa-sustainability.com)).

### Asking consumers about sustainable palm oil

We believe that our customers and their markets will support sustainable food ingredients if made available on

a competitive basis. To support our thinking, we asked an independent market research company to undertake a study of attitudes to palm oil among consumers in the UK. Of over 2,000 people surveyed, we found that their awareness of the issues was quite developed and we were encouraged by the main findings:

- 86% believed that manufacturers and retailers of food and cosmetic products containing palm oil should be responsible for the sources of palm oil they use

- 60% believe that setting targets to switch to sustainable palm oil by 2015 is too late
- 40% said they would pay a premium; 25% said they would NOT pay a premium and expect the supply chain players to absorb any costs
- 65% said they would change their purchasing behaviour in favour of products that are made only with sustainable palm oil

## Linking to the Market

### New Britain Oils

# In spring 2010, New Britain Oils Ltd (NBOL) is opening its new state-of-the-art refinery in the port of Liverpool, UK.

This will be the world's first palm oil refinery dedicated to only processing palm oil grades that can be traced back to an identifiable and certified sustainable source. The refinery will produce refined palm, olein, stearin and palm kernel oil, and from early 2011 we also expect to supply high IV olein and palm-mid-fractions. The initial capacity of the refinery is around 150,000 tonnes, but this can be doubled.

The project started back in early 2009 and it is thanks to the hard work of the engineering and civil contractors, our own management and staff (as well as our long term supply chain partners Tate and Lyle Storage and Peel Ports) that we have been able to get a refinery established in such a short space of time. It is not uncommon for this kind of development to take a number of years rather than around 16 months as it has taken us in Liverpool.

Undoubtedly, the UK refinery marks an interesting new direction for NBPOL and reflects our strongly held beliefs that sustainability is a requirement for all. Due to our unique and traceable supply chain all the way from the port of Kimbe to Liverpool on the west coast of England, NBOL will be able to offer certified sustainable palm oil to the

UK food and personal care markets at prices that make the conversion to sustainable oils truly affordable.

We feel that this marks a significant milestone in the progression towards a more sustainable palm oil industry as many of the European consumer goods companies that have begun demanding sustainable palm oil over the recent years will now have the opportunity to purchase it from a known, traceable and competitive origin.

### Employees

The team to manage and operate the refinery is now fully on board, and as at March 2010 there are 26 employees at the refinery. A two-month training programme for the team has been delivered, covering safety, environment, food safety, quality, product, process and reliability.

In 2009 a great deal of work, consultation and research into best practice has been done to produce our "Employee Handbook", which details NBOL's position on a wide range of issues. When joining the company each new employee receives their own copy of the handbook containing 33 of the company's policies and procedures that relate to their employment.

### Operating to the highest standards

The refinery of course has all required environmental permits for the facility and is now putting together all the SHE, Food Safety and Quality policies and procedures ready for start-up. It is our intention to attain HACCP certification, as well as the British Retail Consortium's Global Standard for Food Safety, with audits already scheduled to ensure accreditation this year. In addition, we plan to achieve ISO9001 and 14001 Environmental Management certification later in the year.

Finally, we were delighted to have also received our Supply Chain Self-Certification approval from the RSPO for the new refinery, and we intend to work with BM Trada to obtain independent third party verification of our segregated sustainable supply chain as soon as possible. We are also helping a number of partners in the UK food industry to obtain RSPO certification for their supply chains so that we can work together on rolling out certified sustainable palm oil across as many formats and in as many sectors of the UK market as possible.



## Customer Comment

Dr Simon Roulston, United Biscuits

“Through proactive partnerships between companies such as United Biscuits and New Britain Palm Oil, we will be able to ensure that all palm oil is sourced from segregated sustainable origins.”

In the last 5 years, United Biscuits has reduced its dependence on palm oil by over 40%. Despite this reduction, palm oil and palm oil fractions remain important to us.

These are functionally important materials to our products. As users of palm oil, we are aware of the growing concern over unsustainably sourced oil and the environmental and sociological issues associated with its rapid expansion. To this end, we have a stated aim to source RSPO Segregated Palm oil across our portfolio by 2012. We recognise that this is a very ambitious target, yet believe that by working with companies such as New Britain palm oil, we will be able to deliver on this.

We use palm derived oils in dough fats, cream fillings, coatings and spray applications. It is this ongoing importance to us that has lead to the formulation of our sustainability targets. We have a clear preference for segregated oil as it provides the traceability to origin that we seek and ensures that the physical supply of oil

used in the manufacture of our products is from an accredited, sustainable source. We were particularly attracted to the commitment of New Britain Palm oil to providing this segregation to origin, through their significant investment in Europe and their proactive work at source within Papua New Guinea. Their investment has been central to United Biscuits being able to take such a significant and early progression to our goal. The vertical integration from plantation to refinery for the supply of segregated RSPO palm oil is unique to New Britain Palm oil within the UK. Further, it has helped demonstrate to European industry as a whole, that such a model is feasible. Through our agreement with New Britain Palm Oil we have made a major step to fulfilling our sustainability target. The agreement supplies around 2/3 of our annual requirement for palm oil in all forms and will be fully in place by late summer 2010.

In addition to using segregated mechanisms, we are encompassing Mass Balance and Greenpalm certificates in our short term sourcing

only as a transition to fully segregated supply. We will cover all palm oil sourced for our business by one RSPO mechanism from July 2010.

As segregated supplies of palm oil fractions become more established within the European supply chain, it will enable the conversion of our more complex materials, containing palm fractions. We are actively engaged in this development and keen to progress this proliferation of segregated fractions.

It is important that all palm oil users pledge to source only segregated RSPO sustainable palm oil. Such pledges will permit ongoing conversion of processes at the refinery level to provide more complex palm oil fractions and their derivatives. Through proactive partnerships between companies such as United Biscuits and New Britain Palm Oil, we will be able to ensure that all palm oil is sourced from segregated sustainable origins.



### About United Biscuits

Dr Simon Roulston is the Fats and Oils Manager for the United Biscuits group. This is a combined procurement and technical role. The Technical element of this role concentrates on the development of UBs Fats and Oils portfolio, delivering market leading nutritional improvements, sustainable sourcing, improved functionality and cost reduction. From a procurement angle, the role covers strategy development, advice on buying strategy and the day to day procurement of the groups fats and oils portfolio.

**United Biscuits** is a leading branded snacks business, producing some of the best known and loved sweet and savoury snacks. Our classic brands have been delighting consumers for generations and include such favourites as McVitie's, Jacob's, Carr's, McCoy's, Hula Hoops, McVitie's Jaffa Cakes, Penguin, KP, Mini Cheddars, go ahead!, Verkade, Sultana, BN and Delacre. The range of products covers biscuits, crackers, savoury snacks, nuts and cake products.

- UB products are bought by 96% of UK households every year.
- Production is managed out of 16 factories located in the UK, France, Belgium and The Netherlands, including Europe's two largest biscuit factories.
- UB has 8,500 employees.

# Developing Our Business

## Strategies for Growth

**Our overall strategy is one of sustainable growth, through acquisitions, productivity increases and in increased vertical integration of our supply chain.**



As a result, over the past five years our company has evolved and transformed from a relatively small producer with a single production site to the world's leading producer of certified sustainable palm oil, and soon the leading sustainable producer of palm-based food ingredients. By continuing on this path, we expect to double our annual production of CPO over the next four years.

### Increasing use of our land – vision 30:30

At the heart of our strategy for organic growth is "Vision 30:30". The objective is to increase fruit yields to 30 tonnes per hectare (2009 group average: 25.99) and palm product extraction rates (tonnes of combined CPO and PKO per tonne of fruit) to 30% (2009: 27.86).

Yield increases are achieved through continuous improvement in management practices and rigorous replanting programmes that ensure optimal age of palms and continuous breeding efforts to improve seed quality.

Extraction rates are also influenced by these factors, but in addition we work on smoother and quicker means of transport of fruit from the fields and upgrading milling processes. In 2009,

we provided significant upgrading to one of our WNB mills, and commenced civil works for a new mill in the province to cover our continued growth.

### Land expansion on previously cultivated land

Our primary expansion over the years has been through the acquisition of established plantations, and in some cases land previously cultivated with other crops. RAIL, GPPOL and our 2010 acquisition of Cargill's PNG holdings were all previously cultivated land. The only minor exception to this is our expansion in Silavuti, West New Britain, which began in June 2009 but for which planning had proceeded in 1997. At the time of publication of this report, we do not have any further major expansions planned, nor do we plan to acquire land outside of Papua New Guinea and Solomon Islands.

### Linking the consumer to the field

New Britain Oils, our UK refinery, will mark the final link from seed to consumer product, and it signifies a shift in our identity, as we become a major food ingredient producer as well as an agricultural company.

Our main market is in Europe, and this will continue to be our focus area. As a result, our strategies are designed to ensure that we can deliver to the expectations of highly sophisticated customers. We have highlighted the UK market as being of real potential to us as it is perhaps the most aware of palm oil sustainability issues within Europe right now. We plan to have sufficient certified oil and processing capacity in order to make wholesale

conversion to sustainable palm oil a reality in the UK market.

As we become able to deliver finished food ingredients, we will increasingly be looking for long-term partnerships with our customers. In 2009, this strategy was kicked off with two significant agreements. We signed a two-year supply agreement for traceable, certified sustainable palm oil with UK-based United Biscuits, which will aid the company in its target to source 100% traceable certified sustainable palm oil (CSPO) by year-end 2011. We also announced a five-year supply agreement with Ferrero, a high quality confectionary maker based in Italy and Luxembourg. These agreements have generated positive responses and interest from other food manufacturers, and we believe that such publicity is crucial in driving consumer awareness and increasing demand for sustainable palm oil. In turn, we believe this helps to deliver the message that sustainable palm oil is wanted and will, therefore, help to encourage our industry peers in seeking certification.

### Premiums and trading mechanisms

Many producers in our industry are holding back on RSPO certification, on the basis that the investment required will not be covered by a matching premium. We have taken the view that certification is – or will be – a basic "license to operate" requirement in order to supply the EU market and we require all of our operations to achieve RSPO certification. In addition, we also find that we are recuperating much of the initial cost for audits and assessments simply through efficiency



savings and productivity gains from better use of resources and more contented employees. We therefore price our certified sustainable palm oil similarly to our standard production, with only a small margin added due to the smaller volumes currently involved.

We are certified under RSPO's supply chain system for both segregated and mass balance arrangements. In addition, we trade PKO and a small volume of CPO via the Greenpalm certificate system, a book-and-claim arrangement that ensures support of RSPO certified palm oil.

### Strategies for sugar and beef

While a relatively minor contributor to our global profits, our sugar and beef production is highly valued in Papua New Guinea, and we see a number of synergies between these activities, such as through mutual use of production waste as soil nutrients and a successful programme of integrated cattle and oil palm plantations. We therefore expect to continue these activities, and seek to enhance the productivity and quality of both to the benefit of the domestic PNG market.

# Leading Responsibly

## Corporate Governance and Management

### The Board of Directors is the highest decision-making body of the NBPOL Group.

The Board is responsible for the overall direction and performance of the company. It is the Board's responsibility to formulate and monitor the company's business strategies and to oversee the company's budgets and financial position. The Board is also responsible for approving major transactions including capital expenditures, disposals and acquisitions.

#### Board responsibilities, composition and committees

the Board consists of eight Directors, and the composition of the Board reflects the international nature of our business and includes nationals of Papua New Guinea, the UK, Brazil and Malaysia. There is one woman on the Board.

In 2009, an Independent Chairman was elected. In addition, the Board comprises two non-executive Independent Directors, as well as the CEO, the Director of Finance and the Commercial Director of NBPOL and two Directors representing our majority shareholder Kulim (Malaysia) Bhd.

The Board has in place Remunerations, Nomination and Audit Committees, all chaired by non-executive Independent Directors.

#### Performance review

The Board conducted its first performance review in 2009. The outcome of the questionnaire review shows that the Board has a good balance of skills and experiences and is working well though there is acknowledgement that there is room

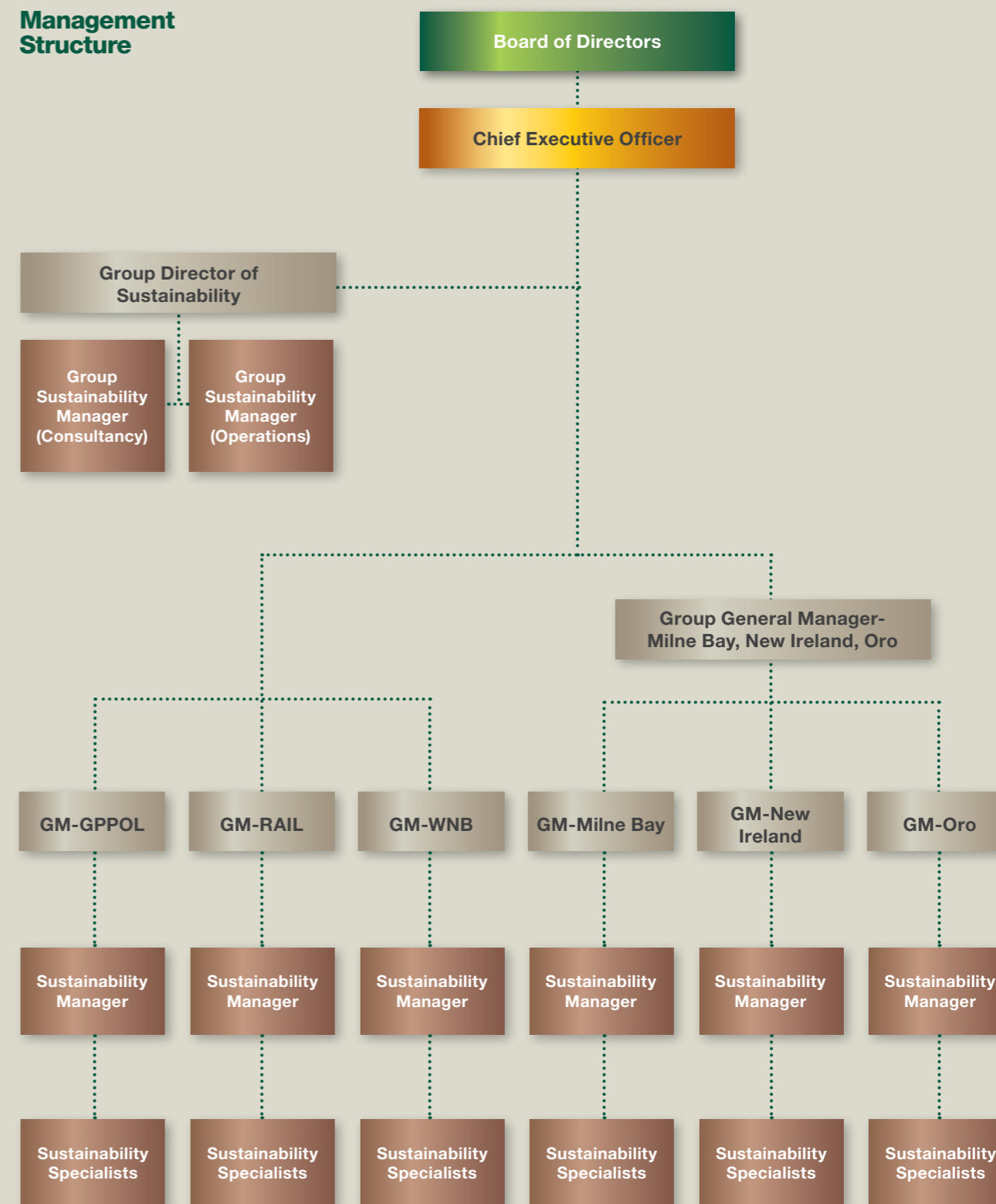
for improvement. The Board may engage independent consultants to assist in the review process in the future.

#### Conflicts of interest

The Board has a formal process for managing potential and actual conflicts of interests. Each Director is required to give advance notice and disclose his or her interests (or change thereof) in any matter that is to be considered by the Board. The Company Secretary in consultation with the Chairman will forward the issue for consideration at the next Board meeting. Pursuant to the Company's Constitution, the Papua New Guinea Companies Act 1997, the relevant sections of the listing rules issued by both the UK Listing Authority and by Port Moresby Stock Exchange. The Board, where required, will obtain the advice of the company's financial advisors concerning the disclosed interests to ensure that the company remains in proper and full compliance with the listing rules. Where the conflict of interest is authorized by the Board, the approved conflict of interest will be registered in the Register of Interests maintained by the Company Secretary.



#### Management Structure



## Leading Responsibly Corporate Governance and Management

### Shareholder and employee recommendations

In addition to our Annual General Meetings, which allow shareholders to question the Board and pass resolutions, we adhere to the PNG companies act, which allow shareholders to call a special meeting, provided the requester carry more than 5% of the voting rights.

Employees and other stakeholders can make use of our grievance procedure and whistle-blowing policy, which is publicly available in our Sustainability Handbook.

### Linking remuneration and sustainability

All Executive Directors are remunerated in accordance with a vigorous set of KPIs and targets which are composed of four aspects; contributions to profitability, growth, 30:30 (productivity) and sustainability (ISO14001 and RSPO). Performance in these four areas determines salary increases and bonus payments. Non-Executive Directors are not remunerated based on company performance, and do not receive shares.

Members of senior management, including all General Managers (GMs), are also remunerated in accordance with their performance. A key target for all GMs is obtaining or maintaining RSPO certification. This is a crucial aspect, as the failure of one unit to achieve certification could lead to the suspension of certification for the entire Group.

Targets pertaining to RSPO are therefore cascaded throughout the performance evaluation system. Estate managers, specialists and field supervisors all have specific responsibilities and failure to achieve these have a significant effect on salary increases and bonuses.

### Sustainability management structure

Over the past two years we have continuously improved Group support for sustainability and the way it is embedded in the business. While we believe that sustainability must be integrated in both everyday operations and strategic decisions, we are also aware that we must have in place a structure that allows for sharing of lessons and implementation support. The CEO and Board are assisted by the Group Director of Sustainability. Although not a formal member of the Board, the Group Director of Sustainability reports directly to the Board of Directors and attends all Board meetings. The Board receives a monthly report that tracks sustainability KPIs for the group.

The Group Sustainability Managers report to the Group Director of Sustainability, and it is their role to support the GMs in realising sustainability objectives. In addition, our operations in PNG have dedicated sustainability teams with relevant specialists to support the implementation and development of sustainability.



# Institutionalising Improvements

## Commitments and Certifications

**We have maintained ISO14001 certification since 2004, and continue to use the ISO process approach as the framework for implementation of the RSPO standard.**

### RSPO certification

In 2008, our WNB operations achieved RSPO certification and became the first company in the world to certify both its plantations and associated smallholders. The certification runs for five years but requires annual surveillance. In 2009, WNB was re-evaluated against this standard and again all plantations and small-holders were recertified. Also in 2009, a joint program between NBPOL and British Standards International saw the first ever integration of the ISO and RSPO standards into a single audit procedure. RAIL passed its RSPO audit in March 2010, and is currently awaiting formal certification. GPPOL is scheduled to achieve certification by Q3 2010.

The target for all third party audits is (re)certification with zero major non-conformances and not more than five new minor non-conformances. This has been achieved with both ISO and RSPO integrated audits.

### ISO14001

Our WNB operations were among the first plantations in the world to achieve ISO14001 certification. The ISO framework has helped us tremendously to structure our sustainability activities, and as a result we are now undertaking integrated ISO14001 and RSPO audits in WNB.

All of our activities operate under principles based on ISO14001. In 2010, we will be evaluating the need and usefulness in achieving full certification for RAIL and GPPOL.

### HACCP (Hazard Analysis and Critical Control Points) certification

As we are becoming more directly involved in food manufacturing at New Britain Oils, Ramu Sugar and Ramu Beef, food safety is a priority. New Britain Oils is already on track to achieve HACCP, the leading food manufacturing safety standard. We also plan to implement HACCP in our abattoir in Ramu by 2011, and are considering certification for our Ramu sugar factory and our refinery in WNB.

### Sustainability standards for non-palm operations

Although purely produced for the domestic PNG market, we are committed to upholding parallel standards for our beef and sugar operations. Our RSPO-based approach to high conservation values, customary land rights, occupational health and safety (OHS) and labour standards is of course applied across all land operated by NBPOL. In addition, we are asking these operations to account for and manage chemicals usage, emissions and effluent in line with ISO14001. We are monitoring emerging sustainability standards for sugar and beef, and evaluating how they can guide our practices, perhaps culminating in further certification.

### Inspiration from international standards

While our certification focus is ISO14001 and RSPO, we make use of best practice standards where relevant. For example, our social impact assessments are based on SA8000, while our health

and safety management is guided by OSHAS18000. Of course, a commitment to RSPO certification also includes a commitment to upholding the International Labour Organisation's (ILO) core labour standards, and respecting international conventions such as the Convention on International Trade in Endangered Species (CITES).

### Beyond certification

The RSPO standard is our baseline, which is a minimum requirement. We believe that the standards required are basic to our license to operate and will in time become a basic customer demand in our main markets, perhaps even an import requirement. However, our approach to the RSPO is not simply about compliance, or a tick-box exercise. At the core of sustainability is

a willingness and an ability to adapt to a constantly changing world and the stakeholder concerns that follow.

Our starting point is therefore not certification, but an overall vision and strategy to operate as a producer of sustainable palm-based food ingredients. Likewise, we do not see certification as the final step, but the starting point for communicating and engaging with our stakeholders. In addition, we are committed to reporting in a responsive, material and complete way against the GRI guidelines, and to share our experiences, listen and build partnerships. We believe that this approach will keep us agile and able to understand emerging challenges in our industry.

**RSPO**

Roundtable on Sustainable Palm Oil



ISO14001  
EMS 553595

### Overview of our sustainability framework

Strategy	Commitment	Corporate values Corporate goals
	Targets	
Activity	Implementation	Process approach ISO14000 RSPO OSHAS18000 SA8000 Internal audits HCV SIA
	Monitor	
	Measure	
	Evaluate	
Verification	Certification	RSPO P&C (PNG) STF ISO RSPO Supply Chain
	Supply chain	
Reporting	Transparency	Published report GRI KPIs
	Materiality	
	Completeness	
Engagement	Communication	Investor Relations Partnerships Employees Marketing
	Responsiveness	
	Promotion	
	Positioning	



# Investor Comment

Juan Salazar, F&C

We would like to take this opportunity to commend NBPOL for publishing stand-alone sustainability report that aims to set the sector standard in sustainability reporting. Our assessment below focuses on how this year's report meets F&C's needs and includes our recommendations for improvements.

## Why sustainability reporting is important for investors

We consider that disclosure of environmental and social performance data is critical to investors, as it allows us to evaluate:

- Financial health and risk management, as this information enhances financial analysis by indicating material risks and potential liabilities that are often overlooked by general accounting standards.
- Management quality, as management of relevant environmental, social and governance ("ESG") issues can be used as a proxy for strong corporate governance and serve as an indicator of a company's overall management quality.
- Competitive positioning, as firms in emerging markets are increasingly competing globally and will be assessed according to their ability to implement evolving international standards, such as the principles of the Roundtable on Sustainable Palm Oil.

Growth potential, as companies that spot new sustainability opportunities and manage ESG risks are more likely to protect investor value.

## F&C's assessment of NBPOL's sustainability report

- The report addresses key ESG risks that NBPOL faces as a palm oil manufacturer operating in Papua New Guinea, including challenges relating to protection of high-conservation value forests, customary land rights, community relations). Furthermore, it includes specific ESG-related business opportunities NBPOL has identified, such as the construction of the refinery in the UK, and the set up of Global Sustainability Associates.
- The report includes relevant information on the governance of sustainability issues at NBPOL, including board accountability and indicates that NBPOL aims for sustainability to be an integral part of its business culture. The introduction of sustainability-related targets in the remuneration structure indicates sector best practice and is welcome. Furthermore, the company's 'Vision 30:30' business strategy involves consistent investment in R&D and sustainable agricultural practices, indicating its commitment to sustainable business practice.
- The report aims to discuss setbacks and challenges (e.g. customary land rights, RSPO certification for newly acquired plantations) in a transparent manner, as well as success stories (UK refinery built and ready to operate in record time), which we find helpful for our investment analysis.
- In the environment and social sections, policies and implementation processes covering relevant sustainability issues are mentioned. However, we recommend that going forwards, ESG policies, processes for implementation and its management systems are presented in a more structured way, as presented in the company's 2009 Sustainability Handbook. The report does not describe sufficiently what systems are in place to monitor compliance against ESG policies, which is a key area in need of improvement in future reporting. Describing the main features of the company's environmental and social management systems would be a step in the right direction.
- Information on some key performance indicators and ESG-related targets is disclosed, but key data related to HCVF and FIPC is missing – we believe this is a key area that must be addressed next year given the sector in which the company operates. We aware that the company is working on the compilation and reporting of relevant data, and welcome its commitment to improving in this area.
- The report includes a comprehensive section on the company's approach to stakeholder engagement, as well as separate sections dedicated to the views of a wide range of stakeholders. We welcome the decision to work with an external consultant to conduct a more structured dialogue with stakeholders.
- The report was prepared following the GRI G3 Guidelines. To increase credibility, we suggest the company considers undertaking a formal third-party review and assurance process.

## What F&C expects from future sustainability reports

The recommendations below indicate where we consider the company needs to improve the quality and nature of its disclosure. Sustainable business practice and transparent disclosure are particularly important for a company operating in the palm oil industry, where sustainability may affect overall business performance.

(We note that the third version of NBPOL's sustainability handbook, published in June 2009, contains some of the information that we mention below)

We encourage NBPOL to:

### Policies and management systems

- Present the company's environmental and social policies in a more structured manner.
- Describe in more detail systems in place to monitor compliance with the company's environmental and social policies.
- Provide sufficient information on the successes and challenges in implementing NBPOL's sustainability commitments across plantations and mills the company acquires from third parties.

### Environment

Protection of high conservation value forests and peat areas is of particular importance to the sustainability credentials of palm oil producers. As investors, it is important for us to have detailed information on initiatives companies undertake to ensure those areas are effectively protected. We encourage the company to:

- Provide investors with details of high conservation value forest areas within its operations, including hectares and location of these. Publishing this data in a sustainability report is helpful to investors and would demonstrate transparency and commitment to good practice to broader stakeholders, including environmental NGOs.
- Ensure that when entering new license agreements or purchasing new land, the company assesses high conservation value forests and peat areas in its due diligence process. We would expect the company to ensure this is conducted if land or licenses are purchased through third parties.
- Provide detailed information on how the protection of high conservation value forests and peat areas is monitored, including in land used by smallholders.

In addition:

- Include description and results of training programmes on sustainable agriculture and environmental protection for smallholders.
- Continue providing a progress report on the company's carbon emissions reduction strategy, including targets and performance.

### Social

- Report on frequency of stakeholder consultations by type and by stakeholder group.
- Disclose key information generated in stakeholder consultations and how the company plans to use it.
- Describe how community grievances and concerns are dealt with.

Throughout its dialogue with F&C to date, NBPOL has indicated a strong commitment to producing palm oil in a sustainable way. We encourage the company to use its expertise, experience and influence to build a sustainable palm oil industry in Papua New Guinea. We look forward to effective implementation of the company's commitments, particularly for protection of high conservation value forests and good relations with local communities.



### About F&C

F&C is a worldwide leader in providing responsible investment strategies, managing more than £3 billion in our range of ethically-screened and thematic funds. We have over 20 years experience, and a track record of strong performance.

F&C's responsible investment approach is fundamental to our global investment philosophy across all our funds. We strongly believe that the prudent management of environmental, social and governance (ESG) issues is key to creating shareholder value. Companies that are successful in minimising ESG risks, and also at identifying and capitalising on the opportunities, will outperform over the longer term.

We seek to encourage good practice through constructive and credible dialogue with company management and by fully exercising voting rights in all global markets. In addition, we actively participate in the public policy process to communicate what types of policies will improve ESG standards in a way that also enhances value and business competitiveness.

# Strengthening Dialogue

## Stakeholder Engagement

**If there is one lesson we have learned in our journey to RSPO certification, it is the value of stakeholder engagement at all levels of operations.**

We have realised tremendous value from structured debates and discussions with both commercial and non-commercial stakeholders at local and international levels. Although not always easy, we have realised that continuous improvement in sustainable business successes can only be achieved through ongoing consultation.

### Roundtable on Sustainable Palm Oil (RSPO)

We continue our active engagement within the RSPO, supporting programs and resolutions that help pioneer sustainability. We see the RSPO as a platform to promote better practices and create partnerships with likeminded organisations. We were actively involved in the PNG National Interpretation Working Group, and our GM for WNB has been on the PNG National Implementation Working Group since 2006. We are also engaged in the National Interpretation Working Group for Solomon Islands. In 2009, we were represented on the first Greenhouse Gas Working Group, and are members of the New Plantings Working Group.

At the 5th General assembly in 2008, together with WWF, we co-sponsored

a proposal to strengthen consultation in the certification process, and a resolution on new plantings. In the 6th General Assembly in 2009, we joined a group of producers from "The Rest of the World" category committing to voluntarily implement the greenhouse gas standards proposed and a moratorium on plantings on peat, although these had been rejected by the RSPO membership.

### Driving industry change

While we can seek to minimise negative impacts and maximise benefits of our own operations, we recognise that land we choose not to develop due to biodiversity or social concerns may yet be developed by other producers. As the biggest corporate actor in Papua New Guinea and Solomon Islands, we are therefore working with industry bodies, NGOs and government bodies to develop Codes of Practice for oil palm development in these countries, effectively embedding RSPO Principles and Criteria into national legislation. We believe that such Codes will not only help the two nations develop in a sustainable manner, but will also benefit the reputation of the country and its agricultural industry for the benefit of all.

### Social impact assessments and audits

We see our social impact assessments and RSPO audits as an integral part of our engagement with communities, workers and landowners in the areas where we operate. These assessments include meetings with key social groups, such as local women, church leaders or smallholders, and always bring to light issues which we might not have discovered through our normal communications channels.

### Downstream and finance engagement

We have actively promoted the benefits of sustainable palm oil in our upstream supply chain for several years, working with smallholders, outgrowers and contractors. In 2008-09, we expanded our engagement to include our customers and our investors. We have hosted a number of visitors from consumer goods manufacturers in Europe, and are including a significant range of information on sustainability in standard investor materials and presentations.

### Overview of main direct engagement 2008-2009

Stakeholder groups	Organisations	Type of engagement
NGOs – international	Greenpeace	Ad-hoc meetings Solomon Island NIWG
	WWF	Memorandum of Understanding Solomon Island NIWG
	The Nature Conservancy	Memorandum of Understanding Solomon Island NIWG
NGOs – local	Mahonia Na Dari	Board membership
	CELCOR	Development of a Code of Practice for PNG Oil Palm Industry
Employees	Trade unions at all sites	Structured ongoing dialogue
	Individual employees	Social Impact assessments and audits Grievance procedures Training and workshops Ad-hoc meetings as required
	Gender committee	Policy review Training Consultations
Communities	Community representatives	Social impact assessments and audits Public consultations
Smallholders and outgrowers	Individual smallholders	Training, support and grievance mechanism through Smallholder Affairs offices Social impact assessments and audits
	Incorporated Landowner Groups	Scheduled meetings
Government	Provincial governments	Ad-hoc meetings
	National governments	Ad-hoc meetings
Investors	Fund managers	Investor roadshows
	Socially Responsible Investment (SRI) analysts	SRI questionnaires
	Individual banks	Bespoke presentations on sustainability
Customers	Ferrero United Biscuit	Mutual site visits
Industry bodies	PNG Oil Palm Research Organisation (OPRA)	Funding and active membership
	RSPO	Member of PNG and SI NI working groups Member of first RSPO GHG Working Group Member of RSPO New Plantings Working Group

## Strengthening Dialogue Stakeholder Engagement

### Expanding relations with NGOs in Papua New Guinea

Over the past years, we have developed structured engagements with the main conservation groups in Papua New Guinea such as The Nature Conservancy and Mahonia Na Dari (an NGO that conserves the natural environments of Kimbe Bay), but our relations with social NGOs has been on an ad-hoc level. In 2009, we engaged Aidenvironment (a not-for-profit consultancy) to assist us in opening up a more structured dialogue with local and national groups. The initial engagement was conducted in July 2009, and involved a series of interviews in Port Moresby and West New Britain, two fieldtrips (to Silavuti and Talasea) and feedback discussions. As a result of these activities, we were able to discuss a broad agenda with organisations like CELCOR, FORCERT and the West New Britain Sustainable Development forum. Some of the key areas for discussion were:

- Countering illegitimate oil palm projects in Papua New Guinea
- Developing and lobbying for a PNG Palm Oil Code of Practice
- Promoting sustainability beyond certified plantations
- Improving functioning of Incorporated Land Groups
- General information sharing about oil palm, RSPO, nature and poverty

### Sustainability reporting as an engagement tool

We see our reporting as a key tool on which to base our engagement. By being transparent on our performance, we give stakeholders a clear overview of our activities, and a means of assessing and comparing us with others. We also enhanced our transparency by joining Sedex (The Supplier Ethical Data Exchange), a membership organisation for businesses committed to continuous improvement of the ethical performance of their supply chains. By entering our data into this system, customers have easy access to key sustainability information.

### Critical voices

As we grow and develop, we come across critical voices that do not agree with our approach or find flaws in our performance. While in some cases, we believe the criticisms are unwarranted, we often find that such criticisms help us improve our business and our relationships with those affected by our activities. There are of course stakeholders who are opposed to any development of oil palm in the areas where we operate.

### Stakeholder grievances

In line with our commitments to the RSPO National Interpretation of PNG, we measure and monitor all enquiries. In 2009 we had 2,770 such enquiries (1,582 from external stakeholders) and we succeeded in resolving 84.5% of them. The majority of these were concerned with the social aspects of our operations and together with environmental and OHS concerns these accounted for 44% of all enquiries.



# Managing Resources

## Water, Effluents and Waste

Key performance indicators have been set for individual units who report monthly in performance on environmental management. This approach is set to cover all operations by the end of 2010. Increased diligence has resulted in a 20% reduction in the number of significant environmental risks occurring as a consequence of the control measures employed.

### Protecting water supply

All water usage is drawn from bore wells, local rivers and aquifers and in accordance with relevant environmental permits. While water shortage is only a very rare phenomenon in Papua New Guinea and Solomon Islands, both countries have very low rates of access to safe drinking water, as water treatment facilities are scarce. Our most important responsibility is therefore to ensure that our operations do not affect the quality of drinking water in the areas where we operate.

In WNB and GPPOL, rainfall is sufficient for our needs, and we do not irrigate our fields. A small volume of water is used for irrigation of our nursery. In RAIL, we need to periodically irrigate both in oil palm and in sugar. Our main water usage is in the mill, where steam is used for processing.

Our management practices include buffer zones and strict controls of chemical usage around watercourses.

Work has commenced on sampling water quality within our habitat management zones. Base line measurements have been taken on Temperature, pH, Turbidity, Suspended and dissolved solids, Nitrates and phosphates and Dissolved Oxygen. Control rivers, from pristine sites have been selected and readings taken and compared with water bodies flowing through our plantations. Results for Nitrates and Phosphates are very variable, sometime below the control and sometimes above. As we do not

have full confidence in the data and methodologies, we will repeat this work using our own environmental laboratory in 2010.

### Effluents, BOD and COD

Work has begun on a new Tertiary effluent treatment plant at the GPPOL Tetera mill, (target completion March 2010). This plant will result in discharge water that is five times below the legislative standard. The discharge will be used for land application throughout the dry season and also used to wash down the mill area and recycled back through the pond system. This land application is a means to prevent any discharge as part of our initiative to achieve zero discharge mills.

Pond performance in WNB has also been improved through rehabilitation improving quality and reducing odours.

At the Ramu sugar factory, BOD measurements are not currently in place, but COD is tracked.

### Smoke and air pollutants

Since 2008, we have made significant progress in monitoring and controlling smoke levels. All palm oil mills now have smoke meters that enable reporting against the Ringelmann Index. The real time data generation from these smoke density meters allows rapid correction to furnaces to control emissions.

There are some significant issues with dust from our Ramu sugar factory. While not an environmental or health hazard, local residents see it as a significant nuisance. We expect to address this in 2010 by applying increased filtering.

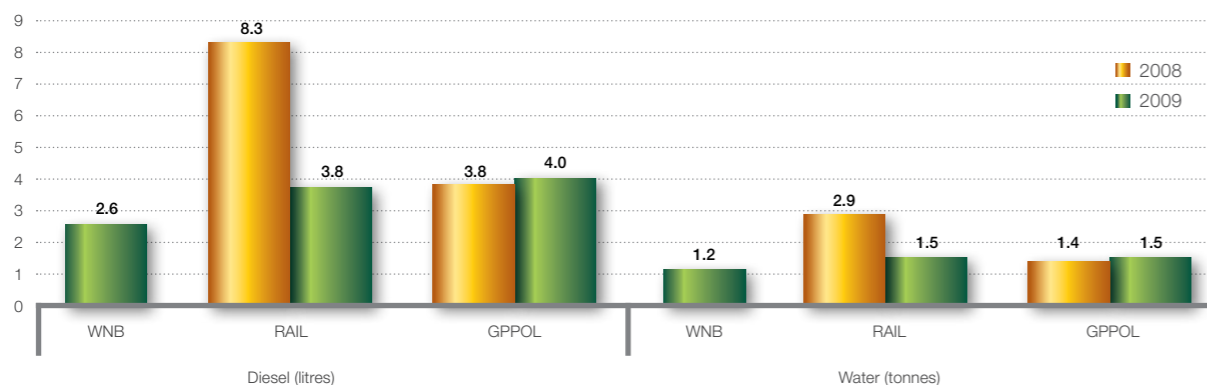
### Non-conformities and fines

In our 2009 West New Britain surveillance audit there were no major non-conformities.

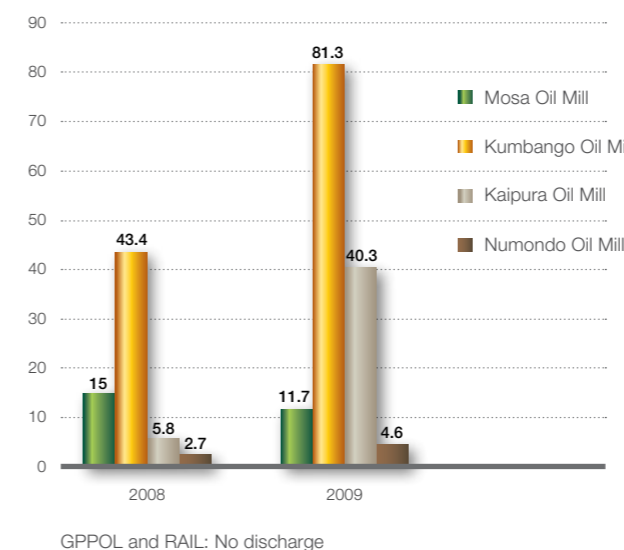
In July 2009, following a site visit by officers from the Department of Environment & Conservation (DEC), NBPOL was advised that it had commenced earthworks at the Waraston mill site without an environmental permit. The appropriate documentation had been sent by NBPOL in September 2008; however, due to management staff changes at both NBPOL and the DEC, the follow up mechanisms by both parties were compromised. After the DEC provided clarification of interpretation for parts of the Environment Act (2000), further documentation was submitted and the full environmental permit was issued by the DEC in September 2009 with a date of commencement in October 2009.



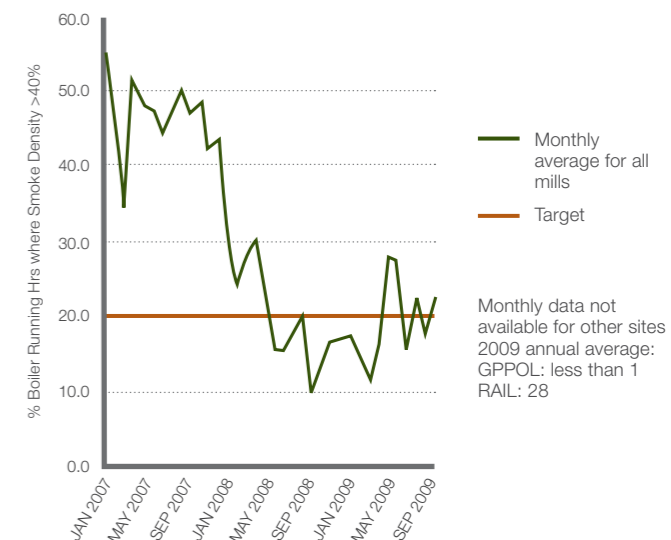
### Water and diesel use per tonne of processed FFB



### Biological oxygen demand levels West New Britain – target 90 ppm



### Smoke density West New Britain 2007 – 2009



# Controlling Impacts

## Chemicals Usage

**NBPOL has a strong commitment to integrated pest management (IPM), and all of our activities are geared towards a continuous reduction in chemicals.**



### Oil palm

In oil palm, we adhere to the RSPO Principles and Criteria, and do not engage in prophylactic spraying. Our sprayers are trained extensively. They are required to wear full personal protective equipment (PPE) and are required to change clothing and to shower before leaving the estate. In addition, all sprayers undergo mandatory medical check-ups twice a year.

For 2008 and 2009 we did see a rising trend in pesticide usage. We recognise that we may not have been sufficiently vigilant in enforcing precise measuring and application techniques as set out in our Standard Operating Procedures. However, we remain committed to a continuous reduction in chemicals usage.

We use small quantities of paraquat for young palms, as well as for the control of small grass weeds in newly planted fields of sugarcane. We believe that our use of paraquat is safe and responsible. However,

as part of our RSPO commitment, usage is constantly monitored, and we are actively trialling alternatives in collaboration with external parties

### Sugar cane

Our sugarcane pest management is also based around IPM, but requires a different chemicals regime. As an indigenous crop, sugar in PNG is extremely vulnerable to localised pests and diseases. The problems have been exacerbated due to a short period from 2004-2006 where the pest management (prior to NBPOL) was neglected. As a result, certain weeds, such as *Rottboellia cochinchinensis*, have taken hold and will require up to 10 years of treatment to achieve acceptable declines. As we are currently implementing an effective IPM programme, we are confident that we will start seeing significant reductions in chemicals usage over this period, once we have overcome "inherited" problems. Our target is to reduce use of active ingredients by 10% by 2014 and 30% by 2019.

Our sugarcane operations apply chemicals registered for application



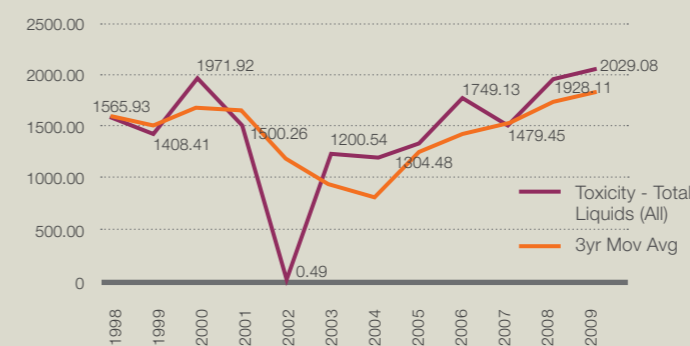
to sugar cane in Australia, of these pesticides less than 1% are aerially applied. The aerial operations are necessary to ripen the cane at the end of the rains and control economically damaging moth borers. Our pilot is certified by the Aerial Agricultural Association of Australia and highly trained in pesticide handling. Sophisticated, GPS guided application equipment is used to achieve targeted results and weather conditions are continually monitored to ensure compliance with AAAA procedures and minimise drift.

As an added precaution, even when the wind is blowing away from areas of human settlement, we do not aerially apply pesticides on fields adjacent to villages.

### Cattle operations

Chemicals usage in ranching operations is minimal, requiring only a negligible amount of glyphosate for boundaries and paths, as well as small volumes of chemicals for veterinary use.

### Total toxicity per hectare – herbicides (West New Britain)



2009 - herbicide usage per hectare – active ingredients (kg)	
West New Britain	0.825
RAIL (oil palm)	3.683
GPPOL	2.82

### Herbicide usage sugar



# Conserving the Natural Environment

## Biodiversity

**Operating in one of the world's most biodiverse and sensitive regions, we understand that monitoring and managing our impacts on the landscape is crucial.**

Operating in one of the world's most biodiverse and sensitive regions, we understand that monitoring and managing our impacts on the landscape in accordance with the precautionary principle is crucial. Over the past three years, we have therefore undertaken a number of internal and third-party biodiversity assessments in our existing operations and new development. We have also set aside significant portions of land for buffer zones and high conservation value areas.

### Management plans

To date, we have mapped ten distinct habitat landscapes within existing plantations and are implementing a Management Plan for each. Over 20 "Biodiversity Factsheets" have been developed to assist managers to identify and manage high conservation values (HCV), other conservation values such as species refuges both within and outside of the plantations. Some 13 sites within our plantations have been assessed to hold one or more HCV.

The factsheets map these areas and assess the level of threat to each landscape type whilst also providing the ongoing mitigation measures required. This approach is also being implemented at GPPOL. At RAIL, two sites of HCV have been identified and a third is being developed as a recreation area through tree planting and rehabilitation of an existing wetland.

### Assessing new developments

Our main expansions over the past years have been through acquisitions or on previously cultivated land. Most notably the, ex sugar, cattle and grassland areas of the Ramu Valley. Our largest new development is at Silavuti in WNB and comprises of approximately 7,000 ha. The process of land mobilisation in WNB is complicated and protracted. The project was initiated in 1997 when the land owners approached NBPOL. For the next 10 years we worked together so that both the process and the

outcomes of the development were fully understood by local stakeholders. Such a time period, whilst unusually protracted, demonstrates our commitment to the principle of Free, Prior and Informed Consent (FPIC), but we still struggle with this aspect

In 2008, work began on assessing the area in terms of soil suitability, HCV areas and in conducting both social and environmental impact studies. The work on HCV assessment was particularly detailed and used a combination of satellite imagery, helicopter transects as well as the more conventional (and laborious) ground surveys of the area. This work was completed in late 2009 and a lease-leaseback agreement was signed. Some 2,000 ha were assigned a HCV as lowland forest and in a departure from normal practice NBPOL agreed to include this area in the lease to enable the area to be conserved and preserved.

Wildlife in the eco-region - New Britain and New Ireland		IUCN Red List status
Threatened endemic bird species	White-eyed Starling New Britain sparrow hawk Moustached Kingfisher Chestnut-bellied Imperial-Pigeon Solomon Sea-Eagle Imitator Sparrowhawk Yellow-legged pigeon	Endangered Vulnerable Vulnerable Vulnerable Vulnerable Vulnerable Vulnerable
Threatened mammal species	Montane Monkey-faced Bat Emperor Rat Guadalcanal Rat Poncelet's Giant Rat Bougainville Monkey-faced Bat Guadalcanal Monkey-faced Bat King rat Makira Flying Fox Sanborn's Flying Fox Makira Leaf-nosed Bat New Guinea pademelon Dugong	Critically endangered/endemic Critically endangered/endemic Critically endangered/endemic Critically endangered/endemic Endangered/Endemic Endangered/Endemic Endangered/Endemic Endangered/Endemic Vulnerable/Endemic Vulnerable Vulnerable
Number of mammal species	New Britain: 47 Solomon Islands: 45	

# Conserving the Natural Environment

## Biodiversity

The current PNG HCV toolkit was developed for sustainable forestry, not for land clearing situations and substitution and our external consultants have struggled to apply the principles resulting in a stringent application of the precautionary approach and a slow process.

### Buffer zones, reserves and wildlife management areas

As part of our RSPO commitment, and to enable effective protection of waterways, we are constantly expanding and improving buffer zones. We are working to reinstate riparian buffer zones at replanting and in addition two trials have been established with The Nature Conservancy to improve the methods employed in minimising disruption of the original vegetation. A total of 12,697 trees have been planted along our riparian zones and these have been native species. To assist our managers we have developed a species identification booklet to help in collection of wild seeds.

A mangrove replanting program, in partnership with a local NGO – Mahonia Na Dari – and Patanga Primary School to plant over 5,000 trees of *Bruguiera gymnorizha*, *Rhizophora apiculata*, *Barringtonia asiatica* and *Xylocarpus* species has been only partly successful and we need more expertise in these areas.

The PNG government has gazetted two sites adjacent to our properties. The Garu Wildlife Management Areas is 8,700 ha and the Pokilli area is 8,840

ha in size, and both are seen as important sites for Megopdius eremita (mega pod scrub fowl) and hot spring habitats. The smaller Loroko area (100 ha) has been gazetted as a national park. Within our own operations, we are also proactively protecting biodiversity. We have set aside 3,699 ha as reserves within its plantations and maintains some 1,306 ha of riparian reserves. This represents 14% of our land holdings. The new Silavuti reserve will add a further 2,000 ha to this figure.

### Birds and avi-fauna research

Monoculture can impact bird populations by reducing their habitat, limiting their range and by direct reduction through hunting. Work continues with increasing awareness and re-establishing significant areas. NBPOL is working with Mahonia Na Dari and Walindi Plantation Resort (a destination for a number of bird watchers) to help improve the current situation. In Silavuti a 2,000 ha reserve – has been identified as a site for long term studies on both endemic and migratory birds.

### The social-environmental divide

The Silavuti development has particularly highlighted dilemmas between the wish for socio-economic development by local landowners and conservation considerations. The local land owners depend strongly on the Silavuti project, not only for



palm oil income but also as a means to get access to infrastructure such as roads, which will come with this development. However, Silavuti has also prompted criticism from some environmental NGOs, which felt that the land had significant biodiversity value. After undertaking extensive HCV assessments and designating significant land areas for conservation, we believe that we have found a balance which will benefit both communities and the environment.

While we feel that we have reached a balance with Silavuti development, we understand that we will continue to face dilemmas of this nature. In the past, we have consistently had to turn down requests for other developments in West New Britain, as these contained one or more high conservation values. This is a concern that we will need to address in consultation with conservation groups and local communities.

# WWF Comment

Dr Matthias Diemer, WWF Switzerland

### A spotlight on RSPO

When looking back at the past six years since its inception it's evident that RSPO has been extremely successful compared to similar initiatives. Its membership exceeding 300 regular members, RSPO comprises the most relevant producers and buyers of palm oil, as well as a good cross-section of investors and civil society organizations. Certified volumes of palm oil now exceed 1.6 Million tonnes and European demand for CSPO is on the rise. This supply should expedite the availability of segregated palm oil at fair prices.

However there is also a down side: RSPO's success has increased public scrutiny by NGOs. A number of producers, but also some buyers have appeared under the spotlight, because of indiscriminate forest conversion or poor procurement policies. In some recent allegations of obvious wrongdoing RSPO has not risen to the

challenge with swift action. Such hesitancy creates a reputational risk and does little to restore the confidence of concerned consumers or the major brands selling them palm oil. I hope that the RSPO's Executive Board has the courage to take some hard but fair decisions when members are shown to have violated the rules. It will restore confidence by external stakeholders and it will also incentivize those RSPO members that are trying hard to make sustainable palm oil a reality.

### A spotlight on NBPOL

In the course of a recent fact-finding mission on NBPOL's West New Britain's operations two themes became evident: 1. NBPOL is making great efforts to embrace the concept of sustainability throughout its operations and stakeholder relations, and 2. in doing so they are embarking on a long journey. The challenges are formidable, since RSPO certification is a mere starting point. More work is

needed on on-site conservation measures, e.g. replanting and expansion of buffer strips, as well as on outreach to independent smallholders, in particular on re-settlement schemes. It will also take considerable effort until the sustainability agenda is permeated throughout the entire company.

In a place where infrastructure and many basic services are lacking, NBPOL has contributed significantly to local development. These contributions are impressive and in some cases exceed RSPO requirements.

NBPOL is unquestionably one of the forerunners in the RSPO and can serve as a positive example for other plantation companies. But achieved successes should not lead to complacency. Further collaborations with likeminded RSPO members should be pursued to share experiences and to advance sustainable production of palm oil.

### About WWF

WWF (also known as the World Wide Fund for Nature) founded in 1961 is one of the oldest and largest conservation organizations. Present in more than 100 countries, WWF aims to preserve biodiversity, promote sustainable use of resources and to decrease the ecological footprint of the world's consumption. In order to address the adverse impacts of palm oil expansion on tropical forests WWF initiated the RSPO back in 2003.

Matthias Diemer is the director of the International Projects Unit of WWF Switzerland. A biologist by training Mr. Diemer has an extensive research background in ecology and on effects of anthropogenic changes on ecosystems. In 2003 he joined WWF Switzerland and subsequently represented WWF on the RSPO's Executive Board from 2004 until 2008.



# Reducing Our Footprint

## Climate Change

In 2002, as part of our RSPO commitment, we made formal commitment to reduce all our emissions, including Greenhouse Gases. Some elements had already been established, such as our zero-burn policy for new developments since 1963. In 2009, we began a new chapter by initiating carbon footprint measurement, engaging specialist consultants to develop this approach.

### Main impacts of oil palm

The three main greenhouse gases (carbon dioxide, nitrous oxide and methane) are all produced and consumed in oil palm plantations. Carbon dioxide is found in the largest quantities and mainly arises from land clearance and fossil fuels used in transport. Nitrous oxide emissions come mostly from the soil and fertiliser applications and whilst methane may be emitted or consumed by soils it is produced in significant quantities from mill effluent ponds.

Although each gas has a different global warming potential, methodologies such as 'carbon footprinting' and 'life cycle analysis' (LCA) use similar concepts to quantify and express all in terms of carbon or energy budgets along the production chain. We have identified our major sources of GHG emissions and believe the following are the most significant:

- Emissions arising from changes in carbon stocks, during the development of new plantations, and during the operations of plantations. This includes in particular changes in above ground and underground biomass and soil organic matter (including peat).
- Methane emissions from Palm Oil Mill Effluent (POME)

- Emissions related to the use of fuels in the palm oil mill, and the use of palm oil mill by-products
- Emissions related to the use of fossil fuels for plantation internal transport and machinery
- Emissions related to the use of fertilisers (mainly nitrous oxide)

### Reducing emissions from land use change

The RSPO principles and criteria prohibit development in primary forests or in forests with high conservation, but they do not take into account carbon stocks of land which could potentially be used for development. However, reliable data on the amount of carbon left standing in degraded forests is not yet available.

Faced with this dilemma we took two steps. Firstly we took an active role in pushing the RSPO for a working group on GHG as a means to establish credible data on land use change and emissions. Secondly we sought development in low carbon areas publically committing to no development on peat soils. Our rehabilitation of the abandoned plantations in the Solomon Islands (2005), our development on former agricultural grasslands in the Markham valley area of PNG (2008), and most recently the acquisition of the ex Cargill plantations in PNG (2010), were the tangible outcomes of these commitments.

We continue to work on our own determination of emissions associated with land use change that are being incorporated in our carbon footprint model.

### Methane emissions POME – Clean Development Mechanism

In 2002 NBPOL began work on co-composting POME with EFB at our Numundo mill. Such a system resulted in zero discharge and virtual elimination of methane production. However, improved technology has overtaken this approach to GHG reduction. We are currently now implementing a CDM program at all our four mills in West New Britain, which we aim to launch by December 2010. The projects will capture methane from the POME discharge stream and use it to generate electricity. Green House Gas emissions will be reduced through methane capture and diesel substitution. Site preparation is well advanced on these methane capture projects at all four mills but progress has been slow. At two of these Mills the power generated will be available for community use in a rural electrification program. At these mills the WWF Gold Standard applies and in partnership with WWF some of the income generated from the sale of carbon credits will be used in Landscape Biodiversity studies. Once completed the combined reduction from these four mills will be equivalent to over 170,000 tonnes CO2 per year.

It is our intention to roll out this technology to our other mills in Papua New Guinea and the Solomon Islands.

### Emissions related to the use of fuels in the mills and the use of fossil fuels for plantation internal transport and machinery

In 2009, some 3 litres of fossil fuel were consumed to process 1 tonne of FFB. The use of biomass fuelled boilers to generate steam using

milling by-products has reduced fossil fuel consumption in NBPOL and we continue to monitor the renewable versus non-renewable fuels. However, this is an interim measure until we complete our CDM projects. We are currently modelling our transport fuel usage but have struggled with assimilating the level of detail required to make the model viable.

### Emissions related to the use of fertilisers and during land occupancy

In terms of C sequestration, oil palm is among the most effective of crops because of its high rates of net primary productivity and biomass growth. However, much of the C sequestered in biomass during a crop cycle is returned to the atmosphere when the palms are felled. The only long-term (over multiple crop cycles) change in C storage in an oil palm system will be the change in soil C, but there have been no long-term studies to quantify changes in soil C under oil palm. In 2003, we established baseline chemical characteristics of each and every field of oil palm in WNB and in 2010 completed the first round of surveys. In the intervening seven years indication are that the organic matter (carbon) content of the soils has increased by 2.08%. In 2009, together with OPRA and Australian Centre for International Agricultural Research, a further five-year study aimed at determining changes in soils and improving our knowledge of current indicators commenced. Such studies must run over a significant period of time and we will continue to report on progress. In 2009 NBPOL used an average of 3.22 kg of nitrogenous fertiliser and 6.9 kg of total fertiliser/palm of artificial fertilisers.

### Supply Chain - New Britain oils

Although not yet completed, the Liverpool refinery estimated energy usage at full capacity is 8,100,000 kWh of electricity and 45,000,000 kWh gas, which equates to 12,819 tonnes of CO2.



Estimating the carbon cost of the freight in our supply chain has not been easy. Department of Environment, Farming and Rural Activities don't provide figures for exact weights of ships and as freight is based on the number of ships, their weight, and transit route (e.g. via Suez Canal) an official conversion factor has yet to be verified. However, we estimate that for 144 tonnes, given 8 x 18 tonne shipments on a 13,000 mile trip, the carbon output for these would be 9,360 tonnes. We are looking at the various options to offset these emissions.

### Findings on the impact of oil palm on climate change

Based on the literature review:

- GHG emissions from removal of aboveground and underground biomass in intact primary forests are in the order of 635 +/- 330 tonne CO2-eq/ha.
- GHG emissions from removal of aboveground and underground biomass in tropical grasslands are in the order of 43 +/-28 tonne CO2-eq/ha. These figures equal a carbon stock change of 171 +/- 89 tonnes Carbon/ha for intact primary forests, and 11.5 +/- 7.5 tonnes Carbon/ha for grasslands.
- GHG emissions related to the use of diesel plantation internal transport and machinery, are in the order of 180-404 kg CO2-eq/ha\*yr. Based on a yield range of 3.2-4 tonne CPO/ha\*yr, GHG emissions per tonne of CPO are in the order of 45-125 kg CO2
- Efficient re-use of palm oil mill by-products and residues saves significant quantities of fossil fuels. Based on the literature review, it is assumed that no net GHG emissions arise from the use of fuels in palm oil mills, and from the useful application of the palm oil mill by-products and residues."
- GHG emissions from POME, are in the order of 2,500 – 4,000 kg CO2-eq per ha\*yr, or 625 – 1,467 kg CO2-eq per tonne CPO (based on a yield range of 3.2-4 tonnes CPO/ha). Various technologies have the potential to significantly reduce methane emissions from POME, including biogas capture, decanters, co-composting with EFB, and denitrification.
- Emission reduction efficiencies for biogas capture technologies vary considerably in practice. For other technologies, no quantitative data on emission reduction efficiency have been found.
- The time averaged carbon stock in an oil palm plantation appears to be in the order of 35 tonnes carbon/ha, calculated over a 25-30 years standing period. Some literature sources quote higher time averaged figures, while others quote lower figures. With multiple planting cycles, the time averaged standing stock is expected to remain close to 35 tonnes/ha, as biomass is removed prior to re-planting.

Source: Brinkmann Consultancy in Greenhouse Gas Emissions from Palm Oil Production- Literature review and proposals from the RSPO Working Group on Greenhouse Gases



## Providing Fair Employment Labour Standards

**Creating long-term employment with decent conditions and pay is one of the most significant contributions to the countries in which we operate.**

With 12,000 employees in Papua New Guinea and in the Solomon Islands we are the biggest private employer in both countries. We adhere to the core labour standards of the International Labour Organisation (ILO) to ensure that every employee is treated fairly. Through third-party social impact assessments and our RSPO audits, we constantly monitor these basic conditions.

### **Freedom of association and collective bargaining**

Both Papua New Guinea and Solomon Islands have relatively well-developed legislation protecting the rights of workers to join or form trade unions and to bargain collectively. Union membership varies greatly between sites, from 12% in West New Britain to 61% in GPPOL. However, all staff

below supervisor level are covered by collective bargaining agreements.

In 2009, we had three “stopworks” (strikes) in WNB, each involving less than 200 employees, and each resolved within a week. At GPPOL there was a five-day strike as a result of an alternative union, which wanted recognition. The case is currently being handled by the Solomon Island Trade Dispute Panel. There were no stopworks at RAIL in 2009.

### **Disciplinary measures, grievance procedures and non-discrimination**

Our procedures for disciplinary measures are well-established and implemented across all of our operations. Any use of physical

punishment or deduction in wages is prohibited, and employment termination is always handled by the personnel department.

We are constantly working to improve our grievance procedure to ensure that all employees are comfortable airing workplace grievances. We have particularly focused on creating effective routes for lodging sexual harassment cases. We believe that the new routes are effective as we are seeing an increasing number of cases being reported. Such cases are now dealt with via gender committees, which not only deal with individual cases, but are also able to make wider-reaching policy recommendations if they find any institutional discrimination issues.

# Providing Fair Employment Labour Standards

## Decent pay

All employees are paid on a structured scale, starting at a minimum of PGK 137/SBD 320.32 per fortnight - considerably above the national minimum wages. In PNG, the national minimum wage will be raised in 2010, from PGK 74.4 to PGK 201.6. We are currently benchmarking our wage levels to ensure that all our operations are in compliance, as the new legislation allows for reductions when the employer provides free housing and medical care.

To understand the real living standards for workers, we have developed the "Billum Index", which tracks the cost of living in the areas where we operate (billum is the name for a traditional woven bag). The Index looks at a number of scenarios, such as the availability of food gardens, cost of transport and schooling and discrepancies and price-hikes in local shops. The latter is often a concern, as the cost basic goods such as rice may be priced at a premium around the fortnightly payday, or shops in more remote locations may impose prices double those in towns. We found, for example, that the retail price of rice had doubled in 2009, for no apparent reason. In some

cases, we are able to rectify this, as the shops are concession under our control. In other cases, we may be able to issue advice to workers on shops with lower prices.

**Working hours and overtime**  
Our employees have a standard working week of 44 hours in line with national legislation. We have had some issues with excessive overtime, and this was addressed as a minor non-compliance in our 2008 RSPO audit. We pay overtime at a premium rate, and we do not require workers to take on overtime. This has been a difficult issue to resolve, as many of our workers are migrant workers who prefer to work long hours and earn overtime pay. However, to make sure that we comply with RSPO and ILO standards we have tightened monitoring to ensure that no workers have a regular working week exceeding 44 hours, and that all have at least one day off in seven.

## Housing

Operating in remote areas with difficulty in obtaining building materials and contractors, housing is one of our most difficult issues, both in terms of quantity and quality. In 2009, this was exacerbated by the rapid growth in employees for the oil palm operations in RAIL and in Silavuti, where we have yet to establish permanent housing.

The issues are worsened by a significant problem with "passengers", friends and relatives living unofficially in our workers' houses. Our records indicate that each official resident has approx 10 sq metres per person, which we consider reasonable. However, the real situation can often differ greatly, as unofficial occupants



might be double or even triple, with or without the consent of the official occupants. We undertake regular housing inspections to ascertain the actual number of occupants.

As a result, we are concerned that even with the full renovation and house building programme finalised in 2011, we may still experience some overcrowding.

## Forced labour and child labour

All workers at New Britain Palm Oil have full freedom of movement, and we do not allow retention of workers' identity or travel documents, or require any type of bond from any of our employees.

Child labour is strictly prohibited, as prescribed by national legislation and ILO conventions. We do not hire workers younger than 16 years of age, and monitor to a standard which states that no workers under 18 work at night or carry out tasks that may be hazardous.



# Protecting Workers

## Health and Safety

Building on our previous experiences with ISO14001 and 9001, our occupational health and safety (OHS) initiatives are based on OHSAS18000 and are integrated in our existing management systems.



We are progressing with implementing standardised accident reporting in all our operating units to ensure that we share best practices and can set ambitious improvement targets.

### Accident rates

For 2009, lost time accident rates average 3.66, which is 0.66 above our group target. However, accident rates vary significantly across the group, and across activities.

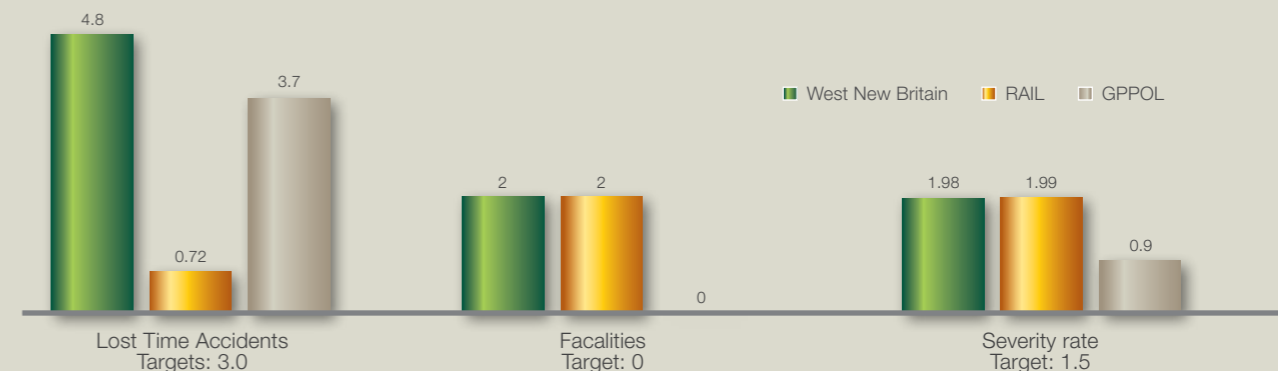
At 0.72, (across Oil Palm, Sugar and Cattle operations) the accident rates at RAIL are the lowest in the Group. Separating out oil palm, the level is slightly higher at 1.0 (which is still 66% under target). This reflects a combination of very strong OHS management, but also the maturity profile of the oil palm operations. There is a significant proportion of immature palm in our current operations, thus avoiding typical harvester injuries such as thorn pricks and cuts.

Our sugar operations have very low accident rates and have been the recipient of numerous safety awards over the years. There are few field accidents, as most harvesting is done mechanically, minimising traditionally hazardous activities found in manual harvesting regimes, such as machete injuries.

The biggest improvement is at GPPOL, where accident rates dropped by 70% over the year. The newly established OHS workers committee's coupled with the Red Cross training program may be assisting this decrease. Although the average annual rate is 3.09, at year-end, the monthly rate had been reduced to 1.25 and well below target.

At 4.8, accident rates at our WNB operations have not improved, but targets for reducing these have been

### Occupational health and safety



set and examples of mitigating action taken include the following: all 104 contractors engaged by the company have undergone induction into OHS practices whilst working on NBPOL sites, 13 new site safety management plans have been drawn up, and a total of 35 workplace inspections were undertaken in the last two quarters of 2009.

to seek immediate medical assistance, and by guidance on how to reduce risk of infection, we believe we can achieve the desired reductions.

### Fatalities

While the majority of worker accidents in our plantations are relatively minor, we sadly experienced four fatalities across our operation in 2009. In WNB, a child was electrocuted at a house, and an employee drowned in a swollen river, while at RAIL an employee was killed in a road traffic accident and another in a field fire. We are saddened by these events and recognise that each death is unacceptable. Every fatality is treated with the utmost gravity and we make every effort to ensure that action is taken to avoid future incidences. We have, for example, ordered checking and upgrading of all electrical wiring in our housing compounds and rigorous enforcement of directives on use of electrical appliances.

### Community health and safety

Our medical facilities comprise four main medical centres, 33 aid posts and day clinics in or near each housing compound and a staff of over 80.

Our objective is to provide the 32,000 people who are employees or dependents with easy access to health services. Acute medical care is given at the main medical centres whilst common illnesses such as malaria,



respiratory tract infections, childhood diseases and minor injuries are treated at the various aid posts, health centres and day clinics. In 2009, we treated a total of 133,835 cases as out-patients and handled a further 138,731 re-attendance visits, including 3,600 antenatal visits. In PNG and Solomon Islands, antenatal care is not widely available, and infant mortality is very high, so this type of service is crucial to communities.

### Reviewing lost time accident reporting

In May 2010 (just prior to publication of this report), we conducted a review of our accident reporting through a field survey in WNB. On the basis of this review, we believe that many accidents are misreported in our clinics and that our lost time accident rate is significantly higher than we have previously reported. Severity rates may be also be affected, but fatalities are not. For our 2010 Sustainability Report, we will report our findings and set new targets to reflect this.

### Severity rates

Severity rates at WNB and RAIL are slightly above our target of 1.5, while GPPOL's efforts have managed to achieve a result well below target, at 0.99. Due to the nature of the injuries – primarily cuts and thorn pricks, which can cause infections – it is extremely complex to reduce severity rates. However, by encouraging employees

## Thinking About Living

HIV and AIDS

**NBPOL sees HIV/AIDS and other sexually transmitted diseases as a significant societal problem, particularly in Papua New Guinea.**

In addition to a comprehensive non-discrimination policy on HIV/AIDS, we have gone further and developed a number of programmes in collaboration with national government, international aid organisations and civil society to create more awareness of HIV/AIDS.

### Tingim Laip

Our RAIL operations are located near an important junction between the cities of Lae, Madang and the Highlands Highway. This makes the operation particularly vulnerable to HIV infection.

RAIL supports two programmes: The RAIL funded, AusAid programme Tingim Laip, (Think about living) is managed by the Burnet Institute, and the HIV Prevention Project funded by the Asian Development Bank, facilitated by the National Department of Health but managed by RAIL.

Tingim Laip is based around four pillars; ready provision of condoms, volunteer counselling and testing, support of people living with HIV and the reduction of all sexually transmitted infections (STI's). As a result of increased awareness, voluntary testing has risen by 80%. Encouragingly less than 3% tested positive. Of concern is that only 4% of those tested were female.

The HIV Prevention Project has two components; rehabilitation of medical services repair and maintenance of medical facilities and housing for staff in the provinces and training for health workers to ensure these newly upgraded facilities are properly run. Twenty developments have been earmarked, 10 have been completed and the remainder are due for completion in 2010.

### PNG Business coalition against HIV/AIDS (BAHA)

NBPOL is a member of BAHA, a business coalition, which aims to focus private sector attention on the growing HIV epidemic, and to assist in coordinating and promoting the effective HIV workplace programs already underway in a number of businesses. The NBPOL HIV committee in West New Britain works closely with the National Department of Health, the National AIDS Council and the Provincial AIDS office in Kimbe. The committee continues to be fully involved in all the activities and programs presented by these entities.

In 2009, the WNB Health Section continued to provide ongoing awareness and teaching programs to the company compound communities. Mosa Clinic is functioning as a Voluntary Counselling and Testing site and these are now routine functions of this clinic. As part of a capacity building program, two senior nursing officers have completed training in 2009 in Advanced Counselling and Training of counsellors and in Integrated Management of Adult Illnesses and HIV/AIDS. This has strengthened our ability to run our own HIV counsellor training and to initiate and monitor the treatment of patient diagnosed to have HIV/AIDS. Both activities will be central to the 2010 programs.

# Activating Human Value

## Employee Development and Diversity

With our operations based in countries with low education levels and a competitive labour market, it is crucial that we are able to attract and retain the best staff and workers. Developing our employees and creating an environment with opportunities for all, regardless of background, is therefore a key priority.

### Training and development

All our sites have broadbased training programmes in place covering all employees. We spend between 1-2% of our total payroll on training – not including in-house programmes - and virtually all of our employees go through some skill-upgrading every year.

For manual workers, we have ongoing on-the-job and health and safety training, and we offer apprenticeships or qualification as trade assistants to those who want to qualify in trades. At year-end 2009, we had over 100 apprentices.

Staff undergo training on an ongoing basis. Depending on the role, we also support a number of diploma courses and in some cases we sponsor further

academic qualifications as well. All of our staff have annual appraisals which include a structured personal development plan.

### Sharing learnings

Our growth over the past years has also given way to new opportunities for our employees. Many of our staff are travelling across our sites to exchange learning with new colleagues, either on permanent assignments or shorter visits. To encourage further communications between sites, we have also introduced a monthly employee magazine which ensures that everyone can share experiences and successes

### Ethnic and national diversity

In both Papua New Guinea and the Solomon Islands, the population consists of hundreds of ethnicities, subdivided into tribes and “wontoks” – those from the same area or village. In this environment, we are conscious that we need to create a harmonious balance to prevent ethnic tension or claims of favouritism. At WNB and RAIL, we often find it difficult to recruit

locally, as communities here often have land of their own to cultivate, so there is a relatively high number of workers from the Central Highlands. We are particularly aware of the ethnic balance in the Solomon Islands, where ethnic divisions caused a four-year civil strife in 1999. At GPPOL, we are therefore committed to ensuring that we recruit primarily in the local province. At year-end 2009, 43% of employees were natives of the Guadalcanal Province, where GPPOL is based.

### Encouraging and supporting women

Inclusion and support of women in the workforce is an important aspect in our strategy to foster local talent and resources. Over the past year, all of our operations have established gender committees, which are mandated to address issues of particular concern to our female employees as well as women in the wider community. We have made this conscious decision not to focus solely on workplace issue, as some of these problems are often underlying in enabling women to enter and

succeed in formal employment. The committees therefore address a wide variety of problems, from workplace issues such as sexual harassment, to wider community issues such as domestic violence and educational opportunities for young women.

We also have a longstanding programme to increase income opportunities for female dependents of workers and smallholders through the Lus Frut Mama and Lus Frut Meri programmes.

The gender distribution in our workforce is largely reflective of our industry and of the countries in which we operate. In Papua New Guinea, few women are active in the formal labour market, unlike in the Solomon Islands where more women are in active employment.

We hire solely on the basis of merit, but we recognise that we can take action to create an enabling work environment to create opportunities for all, as well as a culture free from discrimination. Although women still form a relatively low percentage of

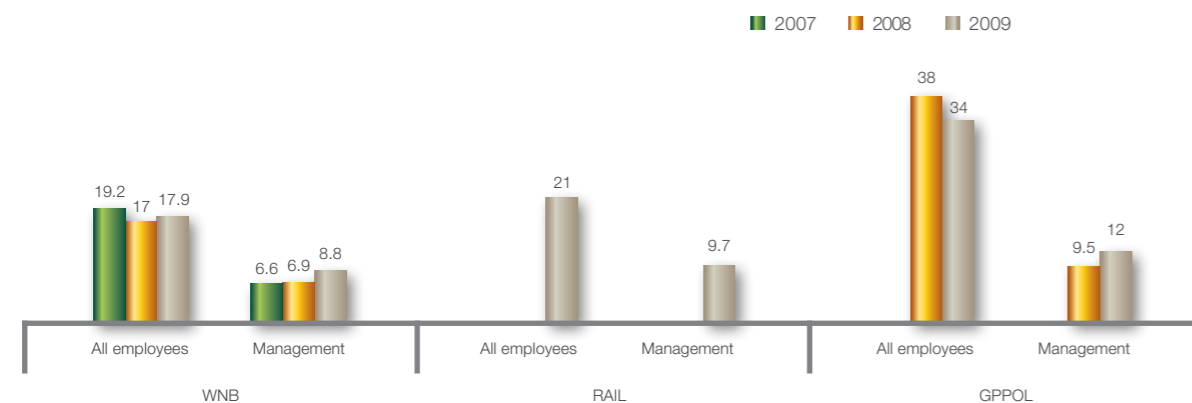
our management, we are starting to see a rise in numbers. We hope that this is partly a result of our efforts in addressing issues facing women in the workplace.

### Turnover

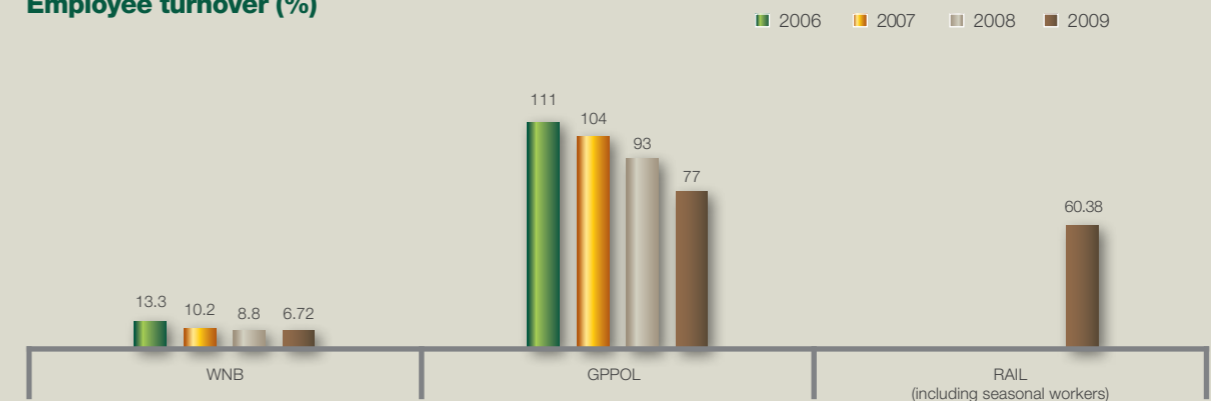
Employee turnover varies greatly across our three sites. In WNB turnover is very low, and continues to decrease. At 77% it is highest in GPPOL, but here it has dropped considerably over the past 3 years, as the operations are becoming known as a stable employer with decent conditions and prospects for long-term development. In PNG we expect to see a small increase in turnover over the coming years, as Liquid Natural Gas and oil exploration projects are developed, increasing the competition for skilled workers and staff.



### Female employees % of total employees and % of management



### Employee turnover (%)



## Promoting Good Practices

### Smallholders and Outgrowers

**The almost 8,000 smallholders and outgrowers supplying fruit to our mills are both a core part of our corporate responsibility and crucial in our journey towards sustainability.**

Our Smallholder Affairs offices support these growers on an ongoing basis, providing advice and resolving grievances. Over the past years, we have increased our focus on the integration of smallholders in our sustainability efforts and are making significant progress.

#### Assistance in improving practices

Our policy is to ensure that 100% of our fruit is certified against the RSPO Principles and Criteria, and we are making continuous headway in socialising the standard among smallholders, who are extremely supportive in implementing better management practices. Among the real improvements we are seeing are more efficient use of fertiliser, management of high conservation values within smallholder blocks and a strict ban on burning. Pesticide usage is also strictly controlled, as we provide pest control services which are undertaken by our own professional teams, rather than supplying chemicals which would require complex handling and storage.

At our last survey in August 2009, we found that a small group of smallholder were unable to meet the requirements. Taking into account all smallholders as at 31 December 2009, 93.6% are

With 7,464 outgrower blocks on over 25,000 hectare, West New Britain has the vast majority of smallholders, but also a longstanding and constructive relationship with the community. At RAIL, with 130 blocks and GPPOL, with 217 blocks, the engagement is somewhat more straightforward, but relationships and support networks are less developed. At all our operations, smallholders are, in principle, independent. We do not have contracts or require smallholders to sell their fruit to us. However, we refer to them as "associated", as in most areas, our mills are the only ones accessible, making our outgrower communities dependent on our demand.



## Promoting Good Practices

### Smallholders and Outgrowers

compliant. Although we feel positive about the progress so far, we realise that the figures show some discrepancy based on an additional program NBPOL was running under the POPSI program with Solidaridad. This programme focuses on the independent extension service and its capacity to implement sustainable practices. The programmes demonstrated that certain areas, for instance in relation to High Conservation Values, will need significant attention and we will have to work hard to achieve 100% compliance by the year-end of 2010.

#### Distribution of RSPO premiums and price transparency

When we achieved certification in 2008 we made a commitment to pass on 100% of any RSPO premium we received on a proportional basis to smallholders. However, as this premium has been very limited, the amount each smallholder would have received would be insignificant. We are currently determining how the premium can be used collectively to provide real benefits to the smallholder community, and the money is currently held in an interest-earning account.



#### Results of West New Britain smallholder survey in August 2009

Rating		Number of smallholder blocks	% of surveyed
Poor	Do not meet requirements	10	0.14
Good	Meet requirements	2,228	31.83
Excellent	Exceed requirements	4,761	68.02
Not surveyed*		100	1.41

\* Could not be surveyed due to either no plantings or the land was being disputed over at the time of the survey.

## Perspective from a Local Landowner

### Oil palm has given us an income and access to development that we didn't have before.

#### Tony Lakame, Chairman of Incorporated Landowner Group (LABENA) – Garu village, Talasea

Our village is part of an Incorporated Landowner Group with 365 members. Out of a total 777 hectares, we are leasing 685 to NBPOL for a 20 year period. It's swamp land, so we really wouldn't be able to cultivate it ourselves, as it requires specialist machinery.

In return for the use of our land, we get 50 Kina per hectare of planted oil palm per year, and we get a monthly royalty of 10% of FFB. Last year, this was about 34,000 Kina in a year. Apart from the money, we also have better access to aid posts, schools and roads, which are maintained by NBPOL.

Overall, my village has done really well out of oil palm. We used to be a really "backward" people. We were a very poor community, because few people wanted to take initiative. Oil palm has given us an income and access to development that we didn't have before, but the ILG scheme also keeps people lazy. They just sit and wait for the royalties to come in, but don't want to work for it.

Our ILG is a bit different. A lot of the money we receive is kept for community purposes. For example, 75% of all Jan-Feb payments are distributed to cover school fees for community children.

We also spend the money to invest in community goods. We now have two Hyundai trucks, a saw mill and chainsaws. This helps us run an independent forest timber business producing rough sawn timber.

I think that lease-leaseback can be of real benefit to communities like ours, but it does require strong management. I often see other ILGs which are corrupt, or which simply distributes the funds, without investing in long term development for their communities. I think that accountability and transparency can be much improved in this area, and hope that NBPOL and the government can help promote this.



#### About the stakeholder

Tony Lakame was born on 3rd March 1960. He is 50 years old with six children. After spending his adolescence in West New Britain province, he attended PNG University of Technology to do a mechanical engineering degree. He is currently Chairman of two separate Incorporated Land Groups, LABENA and KARATO respectively. Tony comes from Garu village in the Talasea area of West New Britain province. He is very keen on Oil palm development with his two ILG's and thinks that more will be done to improve their life style in their two communities.

# Supporting Development Communities



Good community relations are a crucial to our success and a basic part of our license to operate. Our access to land depends on lease of customary rights land, and investment in community health and education provides us with a strong future labour pool.

## Relationship with landowners

97% of land in Papua New Guinea and 88% in Solomon Islands is customary rights land. The majority of our land bank is therefore secured via a lease-leaseback system. Typically agreements are 40 years and never lower than 20 years, in which customary land owners receive royalties, company shares and rent for our use of their land. Our main engagement with landowners is through the Incorporated Landowner Groups (ILGs), which represent the community land owners. The role of the ILGs is to negotiate terms for leases, and to distribute and manage income to their respective communities. The effectiveness of these ILGs varies greatly, and we are currently working to support these ILGs in setting up stronger governance systems, ensuring that communities benefit both in the short and the long term.

## Free, Prior and Informed Consent

We are often approached by communities wishing to lease their community land for oil palm. As part of our RSPO commitment, we are required to ensure that the community really understand the implications and options for such a long-term commitment. Over our RSPO journey, this has proven to be one of the most complex issues. It is not always easy to determine which individuals are truly representative of the community. We have had examples of land where all except one or two individuals wished to enter a lease agreement, and we have had to consider whether the rights of community minorities should supersede those of the majority. There are no easy answers, but we believe that we are learning and continually developing our engagement and consultation.

## Community investment

The New Britain Palm Oil Foundation was established in 1997 with the mission to contribute to the health and welfare of the community in and around our operations in West New Britain. As a registered charity in PNG donations are allowable deductions under the PNG Tax laws. In 2009, USD 181,516 was spent by the Foundation on assistance to local primary, secondary and technical schools, as well as to the Kimbe General Hospital and facilities for the local police station. The Foundation also contributes to Mahonia Na Dari (a local NGO working to protect the marine environment around Kimbe Bay).

In 2010, the setup of the Foundation will be reviewed. Firstly, its scope will be expanded to cover all areas in which we operate in Papua New

Guinea. Secondly, we are reviewing the governance structure, to allow stronger representation of local stakeholders in decisions on funding allocation.

In the Solomon Islands direct assistance to the social development of the province is provided through a 2004 MOU between the company and the Guadalcanal Provincial Government. In 2009 GPPOL committed 500,000 Solomon dollars (approx USD 58,000) to the Provincial Government for community development projects in an around the Guadalcanal Province. This contribution was distributed to projects in 21 wards of the province, channelled via community and church groups. To ensure full transparency and accountability, all contributions are disclosed in national newspapers annually.

## Community conflict

PNG is a relatively volatile environment, and physical conflict between tribes is a regular occurrence. However, we have not had any violent conflicts deriving from company practice or actions in recent years.

Our RAIL operations are often faced with significant issues on fire. Communities in the mainly grassland based landscape traditionally use fire to clear land prior to cultivation of crops. In addition, fire is also used by some to settle personal grievances with the company and its employees. As a result, we experience hundreds of small and large fires in the valley during the dry season. This is a particular challenge is the sugarcane fields where fires are difficult to contain. We are continuously engaging with communities to educate them on the benefits of alternative means of land

## 2009 Recipients of NBPOL contributions

GPPOL	Papua New Guinea
St. Barnabas Youth Instrument Suagi Community	Hoskins Secondary School
St. Peter Youth Instrument Tavughi Community	Volupai Primary School
Good Samaritan mini-hospital	Kimbe General Hospital - General
Sali Youth and community	Kimbe General Hospital – Establishment of Eye Clinic
St. Michael Youths Instrument & Tumurora Community	Kimbe Police Station & Police Housing
Navola COC Community	Tamba Primary School
St. Matthew Chapel Youth Group	Patanga Primary School
St. Mary Makile Community Generator	Malalia Primary School
All Hallos Bubulu Community Generator	Dagi Primary School
St John Chapel Tumunagela Community	Mahonia Na Dari (Guardian of the Sea) – Local NGO
Youth Instrument Assembly of God Papagu	Moramora Technical School
Women Group Matepona Upper Stream	
Nguvia Sport Carnival	
Popoli Poultry Project	
Jeriko Piggery Project	
Reconciliation between Santa Cruz & Reef Islands with Weathcoast and Ngalmibi	
Ghaobata Tribes Meeting (Matanga)	
Personal request from some families for school fees	
Ngalmibi Primary School furniture	
Christ the King Papagu Community	

clearing, and to ensure that grievances are addressed through direct engagement with the company.

Our GPPOL operations are affected by a different type of fire. Our main office has been set on fire twice since commencing operations. In 2009, this led to the complete destruction of the office and a number of key documents and archives. Through our ongoing engagement with communities, we have concluded that arson is the work of individuals, and not reflective of community sentiment. Indeed, community members have expressed outrage at the repeated incidences of arson.

## Community security

We employ a professional security force, trained by Australian constabularies. While not armed, they are reasonably successful in keeping our housing compounds safe.

However, due to “passengers” causing overcrowding in some areas, as well as the ongoing influx of people seeking work local towns such as Kimbe and Ramu, we are seeing security-related issues rise in some location. In our social impact assessments, a number of women were concerned with the lack of activities for young girls, which often led to them getting involved in prostitution. We are actively attempting to develop opportunities for girls to curtail this problem.

## Education

Public educational facilities in our main areas of operation are very scarce. In West New Britain, a rough analysis undertaken by us in 2009 estimate that the area would require at least 7,000 more places in order to ensure schooling for all primary school age children. This means that at least 35% of children do not receive a basic education.

We do not have the capacity to build and run schools on such a scale, but continue to support local school infrastructure and maintenance. All employees can request subsidies for secondary school fees for up to three children

Children of staff are provided educational facilities and financial assistance with school fees. We run two international schools, one at West New Britain and one at RAIL. These schools enrol children of both expatriate and national executive staff with intakes from foundation to Year 6 at WNB and Year 8 at RAIL. Teaching staff are both at expatriate and nationals. After Year 6 children either go overseas or proceed to a local school to do their secondary education. School fees attract a 90% subsidy for up to three children in any one year; transport is also provided for children to and from school each day.



# Creating Value

## Our Economic Impact

**Our plantation operations are based in two of the world's poorest countries, and we provide livelihoods for many thousands of families in Papua New Guinea and Solomon Islands.**



Our taxes are a major income sources for the provincial governments in areas in which we operate. We understand that our size is not a license to set our own terms. In many cases, communities and provinces have alternatives to oil palm and have chosen to work with us in developing their regions. We are conscious that as we grow, we must remain aware of our responsibility as a good corporate citizen by supporting sustainable economic development.

### Direct employment

In both Papua New Guinea and Solomon Islands we are the largest private employer, paying out USD 39.79 million to 10,616 employees and USD 2.8 million to 1,783 employees respectively in payroll annually.

### Indirect employment and access to employment

In addition to our direct employees, our operations also bring significant opportunities for local contractors, shopkeepers and tradesmen. Our developments also require us to build, upgrade and maintain infrastructure such as roads, which has a significant impact on the ability of local communities to access local markets, wider employment opportunities and educational facilities. Finally, our outgrower and smallholder schemes bring significant incomes to communities who wish to sell fruit or lease their land to us.

### Integrity in our dealings with authorities

Having operated in Papua New Guinea for over 40 years, we have established formal and stable relations with both national and provincial governments. While we are aware that the country ranks poorly in international tables pertaining to corruption, we have rarely experienced this first-hand. Similarly, we have not experienced issues with corruption in Solomon Islands.

We are strongly opposed to bribes in any form, and will take severe action against any employee at any level who engages in extra-legal payments, whether it is for individual or company gain.

We have occasionally faced requests for facilitation payments from foreign officials in our export markets. Such requests are always refused and will always be handled personally by senior management to ensure that our principles in this regard are strongly and clearly voiced. This firm policy has on occasion had an impact on sales.

### Tax Credit Funded Infrastructure (PNG)

The tax credit scheme makes provision for maintenance and upgrading of public infrastructure and allows up to 1.5% of a company's taxable revenue to be utilised on such projects. Approval is required, from both the National and specific

Provincial Governments, before expenditure and deduction from the company's tax liabilities.

Both NBPOL and RAIL continue to work closely with the National and various Provincial Governments to agree on projects to implement this scheme. In West New Britain, tax credit projects worth in excess of 9.4 million kina (up from 5.7 million kina in 2008) were approved and consisted of repairs to the national highway, its bridges and feeder road networks within the province. A further 28 projects (amounting to 6.8 million kina) have been identified and awaiting government approval.

	Papua New Guinea	Solomon Islands
Population (million)*	6.45	0.51
Population average growth rate per year 2005-2010 (est.)	2.5	2.4
Gross national income per capita (atlas method)*	1,010 USD	1,180 USD
Adult illiteracy rate (% aged 15 and above), 1999-2007	42.2	23.4
Infant mortality**	45.9 per 1,000 live births	19.03 per 1,000 live births
Life expectancy at birth	65.75	73.69
Estimated HIV prevalence	2.56% of adult population (aged 15-49 yrs)	200 cases**** (0.04%)
Malaria incidence	243 cases per 1,000 people	Not available
Population using improved water sources (2006)	40%	70%
Population living below \$2 a day (%), 2000-2007	57.4	Not available
Corruption perception index 2009 (out of 180 countries***)	154	111

Source: UNDP, \* World Bank, \*\*CIA World Fact Book, \*\*\*Transparency International, \*\*\*\* US State Dept  
 Note: National statistics for Papua New Guinea and Solomon Islands are based on a variety of surveys and censuses and is hence subject to significant variations between sources. However, trends from the above sources are largely reflective of the differences between the two countries.

# Global Reporting Initiative G3 Index

## GRI DISCLOSURE

	TYPE	LOCATION – SECTION
<b>Strategy and analysis</b>		
1.1	CEO statement	Welcome
1.2	Description of key impacts, risks, and opportunities	Welcome Developing our Business
<b>Organizational Profile</b>		
2.1	Name of the organization	Our business in brief
2.2	Primary brands, products, and services	Meeting customers needs
2.3	Operational structure	Our business in brief
2.4	Headquarters location	Our business in brief
2.5	Countries of operation	Our business in brief
2.6	Nature of ownership and legal form	Our business in brief
2.7	Markets served	Our products and services
2.8	Scale of organization	Our business in brief
2.9	Significant changes during the reporting period regarding size, structure, or ownership	Our plantations Our products and services New Britain Oils
2.10	Awards received during the reporting period	Commitments and Certifications
<b>Report Parameters</b>		
3.1	Reporting period	About this report
3.2	Date of most recent previous report	About this report
3.3	Reporting cycle	About this report
3.4	Contact	Contact us
3.5	Process for defining report content	About this report
3.6	Boundary of the report	About this report
3.7	Limitations of the scope or boundary of the report	About this report
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that could affect comparability	About this report
3.9	Data measurement techniques and assumptions	Data notes
3.10	Explanation of the effect of any restatements of information provided in earlier reports	Data notes
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Data notes
3.12	GRI content index	GRI Index
3.13	Policy and current practice with regard to seeking external assurance for the report	About this report
<b>Governance, Commitments, and Engagement</b>		
4.1	Governance structure	Governance
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Governance
4.3	State the number of members of the highest governance body that are independent and/or non-executive members	Governance

■ Fully reported  
■ Partially reported

4.4	Mechanism for shareholders and employees to provide recommendations or direction to the board	Governance
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	Governance
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Governance
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	Governance
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	Commitments and Certifications
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	Governance
4.10	Processes for evaluating the board's own performance	Governance
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	Conserving the natural environment
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Commitments and Certifications
4.13	Memberships in associations or advocacy organizations	Commitments and Certifications Stakeholder engagement
4.14	List of stakeholder groups engaged by the organization	Stakeholder engagement
4.15	Basis for identification and selection of stakeholders with whom to engage	Stakeholder engagement
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Stakeholder engagement
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Stakeholder engagement

## Economic Performance

Disclosure on Management Approach		Core	Economic Impact Community Annual Report
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	Economic Impact Employees Community Investment
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	Labour standards
EC6.	Policy, practices, and proportion of spending on locally based suppliers at significant locations of operation	Core	Smallholders and Outgrowers
EC7.	Procedures for local hiring and proportion of senior management hired from local community of significant operations	Core	Employee development and biodiversity
EC8.	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro-bono engagement	Core	Community Economic Impact Health and Safety
EC9.	Understanding and describing significant indirect economic impacts, including the extent of impacts	Additional	Economic impact

Not reported: EC3, EC4

# Global Reporting Initiative G3 Index

Environmental		
Disclosure on Management Approach	Core	Commitments and Certifications
EN1. Materials used by weight or volume	Core	Water, effluents and waste
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	Biodiversity Water, 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	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	Biodiversity
EN13. Habitats protected or restored	Additional	Biodiversity
EN14. Strategies, current actions, and future plans for managing impacts on biodiversity	Additional	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	Biodiversity
EN16. Total direct and indirect greenhouse gas emissions by weight	Core	Climate Change
EN17. Other relevant indirect greenhouse gas emissions by weight	Core	Climate Change
EN18. Initiatives to reduce greenhouse gas emissions and reductions achieved	Additional	Climate Change
EN21. Total water discharge by quality and destination	Core	Effluents and Waste
EN23. Total number and volume of significant spills	Core	No significant spills
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	Effluents and Waste Biodiversity
EN26. Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Core	Climate Change Biodiversity Effluents and Waste
EN28. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Core	No non-compliances
EN29. Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	Additional	Climate Change
Not reported: EN2, EN3, EN4, EN5, EN8, EN10, EN19, EN20, EN22, EN24, EN 27, EN30		
Social		
Labor Practices and Decent Work		
Disclosure on Management Approach	Core	Employees
LA1. Total workforce by employment type, employment contract, and region	Core	Employees NBPOL in Brief
LA2. Total number and rate of employee turnover by age group, gender and region	Core	Employees
LA4. Percentage of employees covered by collective bargaining agreements	Core	Employees
LA6. Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Additional	Not reported
LA7. Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	Core	Health and safety
LA8. Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	Core	Health and safety

■ Fully reported  
■ Partially reported

LA11. Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Additional	Employee development
LA12. Percentage of employees receiving regular performance and career development reviews	Additional	Employee development
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	Governance Activating human value
Not reported: LA3, LA5, LA9, LA10, LA14		
Human rights		
Disclosure on Management Approach	Core	Employees Smallholders Communities
HR1. Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Core	Communities
HR2. Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Core	Smallholders
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	Labour standards
HR6. Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	Core	Labour standards
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	Labour standards
HR8. Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	Additional	Community
Not reported: HR3, HR4		
Society		
Disclosure on Management Approach	Core	Economic Impact Community
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	Economic Impact Community Plantations
SO2. Percentage and total number of business units analysed for risks related to corruption	Core	Economic Impact
SO4. Actions taken in response to incidents of corruption	Core	Economic Impact
SO5. Public policy positions and participation in public policy development and lobbying	Core	Stakeholder engagement
SO6. Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	Additional	Economic Impact
SO7. Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	Additional	No legal actions
SO8. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Core	No non-compliances
Not reported: SO3		
Product Responsibility		
Disclosure on Management Approach	Core	Commitments and certification
PR2. Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes	Additional	No non-compliances
PR4. Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	Additional	No non-compliances
PR8. Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Additional	No complaints
PR9. Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Core	No non-compliances
Not reported: PR1, PR3, PR5, PR6, PR7		

# Base Data and Notes

Category	Indicator	Measurement unit/ breakdown	2009	2008	2007	2006
<b>Group market and legal data</b>						
	Total sales (' 1000 USD)		323,835	352,219	224,954	133,764
Sales by geography (' 1000 USD)	Asia-pacific		4,770	13,864	6,022	
	Domestic PNG		80,031	36,808	14,616	
	Europe		239,034	301,547	204,164	
	Americas		0	0	126	
	Africa		0	0	26	
Sales by product type	Palm oil		272,481	323,877	221,728	
	Seed		4,040	11,774	2,391	
	Cattle		3,979	2,110	834	
	Sugar		43,335	14,458		
Number of legal non-compliances	Cases resulting in fines or non-monetary sanctions by a regulatory body		0	0	0	0
<b>Employees</b>						
Total number of employees	Full time equivalents - permanent		13,584	11,889	8,649	8,247
	WNB (PNG)		8,212	8,521	7,053	6,405
	RAIL (PNG)		3,589			
	Solomon Islands		1,783	1,759	1,596	1,842
	Singapore		12			
	UK		7			
	Employee turnover	WNB		6.72	4.47	10.2
	RAIL (Includes casual and seasonal)		60.38			
	GPPOL		77	93.00	104	111
<b>Land</b>						
	Total titled land Group		86,754			
	Total hectares oil palm - Group		48,907			
	Total titled land WNB		45,997	45,997		
	Total hectares oil palm WNB		34,859	34,388	33,610	32,586
	Total hectares cattle WNB		394			
	Total titled land RAIL		33,180	33,150		
	Total hectares oil palm RAIL		7,687			
	Total hectares sugar RAIL		8,200			
	Total hectares cattle RAIL		9,335			
	Total titled land GPPOL		7,577	7,577		
	Total hectares oil palm GPPOL		6,361	6,361		
Area set aside for conservation	WNB		4,761			
	RAIL		240			
	GPPOL		0			
Peat developed	WNB only		400	400	-	-

Category	Indicator	Measurement unit/ breakdown	2009	2008	2007	2006
<b>Production</b>						
	CPO extraction rate - Group	Crude Palm Oil per tonne of FFB processed	22.81			
	PKO extraction rate - Group	Palm Kernel Oil per tonne of FFB processed	5.05			
	Yield per hectare - Group	FFB per hectare	25.99			
	Yield per hectare - WNB	FFB per hectare	28.41	25.8	27.4	26.7
	Yield per hectare - RAIL	FFB per hectare	13.85			
	Yield per hectare - GPPOL	FFB per hectare	20.98			
	Sugar rendement	FFB per hectare	8.33	8.5		
<b>Smallholders and outgrowers</b>						
Oil palm smallholders supply base - hectares	WNB		25,276	25,218		
	RAIL		260	234		
	Solomon Islands		706	706		
Outgrower sugar - hectares	RAIL		1,639	1,439		
Number of oil palm smallholders (blocks)	WNB		7,464	7,305		
	RAIL		130			
	Solomon Islands		217	217		
Total oil palm smallholder payout	WNB USD (Million)		37.2	54.1	36.7	18.3
	RAIL (PGK ' 1000)		25.6			
	GPPOL SBD (Million)		6.2	11.7		
<b>Health and safety</b>						
	Number of Company aid posts		30	28*	27*	27*
	Number of Company Health Centres		7	7		
	Fatalities		4			
	Lost time accident rate	Incidents per 200,000 working hours	3.66			

# Base Data and Notes

Category	Indicator	Measurement unit/ breakdown	2009	2008	2007	2006
<b>Environment - oil palm</b>						
(mill input)	Total water usage	Tonnes	1,689,259			
	Total diesel usage (CPO mills only)	Litres	3,741,005	3,624,431	2,748,526*	2,738,523*
	Total FFB processed	Tonnes	1,471,401	1,267,326	1,216,119	1,054,529
(mill output)	Total effluents	Tonnes	989,171			
	Crude palm oil	Tonnes	335,528	293,912	274,489	235,099
	Palm kernel expeller	Tonnes	38,309	32,871	35,219	33,946
	Palm kernel oil	Tonnes	30,723	25,963	25,571	23,789
	BOD level - Mosa Oil Mill	ppm (measured at EIP)	11.7	15		
	BOD level - Kumbango Oil Mill	ppm (measured at EIP)	81.3	43.4		
	BOD level - Kapiura Oil Mill	ppm (measured at EIP)	40.3	5.8		
	BOD level - Numundo Oil Mill	ppm (measured at EIP)	4.6	2.7		
	Smoke density (Ringelmann index) - Mosa Oil Mill	(Unit is a %age of opacity with 0 being clear and 100% totally opaque)	14.20%	14.90%		
	Smoke density (Ringelmann index) - Kumbango Oil Mill	(Unit is a %age of opacity with 0 being clear and 100% totally opaque)	26.90%	25.00%		
	Smoke density (Ringelmann index) - Kapiura Oil Mill	(Unit is a %age of opacity with 0 being clear and 100% totally opaque)	15.20%	20.20%		
	Smoke density (Ringelmann index) - Numundo Oil Mill	(Unit is a %age of opacity with 0 being clear and 100% totally opaque)	18.70%	25.50%		
	Field	Soil quality - Mosa group	Organic C% Sampled every 5 years. 2003 = 3.00%	3.50%		
Soil quality - Kapiura Group		Organic C% Sampled every 5 years. 2003 = 3.00%	4.50%			
Soil quality - Numundo Group		Organic C% Sampled every 5 years. 2003 = 3.00%	7.30%			
Herbicide usage per hectare - WNB		Note: change to a.i.	0.825			
Herbicide usage per hectare - RAIL (oil palm)		Active ingredient (kg)	3.683			
Herbicide usage per hectare - GPPOL		Active ingredient (kg)	2.82			
Paraquat usage per hectare -WNB		Active ingredient (kg)	0.177			
Paraquat usage per hectare -GPPOL		Active ingredient (kg)	0.887			
Total number and volume of significant spills			0	0		

Category	Indicator	Measurement unit/ breakdown	2009	2008	2007	2006
<b>Environment - Sugar</b>						
	Herbicide usage per hectare - Sugar	Active ingredient	13.2	11.7		
	Paraquat usage per hectare - sugar	Active ingredient	0.172	0.102		
<b>Training (WNB only)</b>						
	Total training cost as % of payroll	Divided into management/ Non-executive staff/workers	2%	2%		
	Number of workers receiving vocational skills training		8,828	8,986		
	Number of apprentices being trained		64	60		
	Total number of sponsored and industrial placement students		156	142		
	Total training hours as a % of total work hours		0.12%	0.15%		

2006 and 2007 WNB and GPPOL only, except \* WNB only

## Calculations

Lost time accident rates are calculated by the formula Number of accidents\*200,000/number of man hours (employees\*44\*48). An LTA is triggered when an employee is referred to the clinic and based on the number of absentee days assigned by the clinic.

## Restatements and data quality

We have adjusted our accident rates against 2007/2008 report due to calculations errors. This has resulted in a slightly higher level than assumed, but this will not affect our targets and commitments.

In May 2010 (just prior to publication of this report), we conducted a review of our accident reporting through a field survey in WNB. On the basis of this review, we believe that many

accidents are misreported in our clinics and that our lost time accident rate is significantly higher than we have previously reported. Severity rates may be also be affected, but fatalities are not. For our 2010 Sustainability Report, we will report our findings and set new targets to reflect this.

In order to calculate employee breakdowns, data for RAIL have been combined from two separate sets of data. In 2010, a single employee registration system will be implemented, and this is likely to result in minor restatements for 2010 of all employee-based figures, including OHS data. We do not expect such restatements to have a material impact on trends or targets.

BOD measurements for WNB have been restated against 2007/2008 figures. They were discovered to

be inaccurate due to incorrect measurement points, and we have therefore found that these were significantly lower than reported in 2008, and fully within our targets.

BOD levels for RAIL and GPPOL not reported, as there are currently no discharge from these sites.

Diesel usage from WNB include infrastructure (housing, schools, office, construction, nursery etc). This may account for up to 1000,000 additional litres of diesel reported for the site.

As we are still in the beginning of our reporting journey, and as two sites are reporting for the first time, we recognise that restatements are likely to occur in future reports. However, we believe that the trends and overall content of this is a fair and accurate reflection of our performance.

# About the Report

## Scope of the report

The report and data cover all our estates and mills as at 31 December 2009, unless otherwise noted. This is a significant change to our previous report, which covered only our West New Britain operations. Plantations and mills acquired after this date are noted, but not included in the main content and performance sections of the report. We have included an introductory section on our UK refinery, but have not included further details on its policies and practices, as it will only become operational in 2010. However, it will be included in subsequent reports. The report also does not include detailed information on our small office-based operations in Singapore, London or any joint ventures in which we hold less than 51%.

The report contains updated information on some 2010 events, notably the acquisition of three new sites from Cargill, and the latest status of the Group's RSPO certification, as we consider these to be of material importance to our stakeholders. The report does not address the wider strategy and implications of the Cargill acquisitions, as these areas will be elaborated by the NBPOL management in 2010 and reported in-depth in our 2010 Sustainability Report.

## Materiality and responsiveness

The report content has been determined through an internal process to establish key issues of concern to the company and its stakeholders. The process has been facilitated by an independent third party. In August-October 2009, each of the three sites covered went through a full day workshop prioritising the top local issues and jointly organised these into a materiality matrix.

To ensure responsiveness and balance of the report, the consultant also reviewed social impact assessments, HCV reports and complaints registers. This was supplemented with interviews of external and internal stakeholders, including landowners, workers and local NGOs.

## Reporting standards

The report content was determined and modelled based on the AA1000 assurance principles of Materiality, Responsiveness and Completeness. In addition, the GRI G3 Framework was used to determine boundaries and selection of indicators. We believe that this report achieves GRI application level B.

## Report cycle

This is our second Sustainability Report, and the first to be aligned to our financial year. Our previous report was published in November 2008. We will continue to report in accordance with our financial year, but have not determined whether to report on an annual or bi-annual basis. This will be decided based on stakeholder feedback.

## Assurance

We continue to believe that stakeholder assurance is of value to readers of this report. We have engaged an expert with strong links in the NGO community to provide an opinion about the materiality and responsiveness of the report, and we have included the voices of stakeholders who we believe to be representative of the discussions we have with stakeholders. The stakeholders have been chosen and invited by the NBPOL Sustainability team, and their statements were edited only for language.

# 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.

## Chemical Oxygen Demand (COD)

A measure of the oxygen requirement of organic matter in water. It is used as an indicator of dissolved organic carbon, often in conjunction with biological oxygen demand (BOD).

## CO2 Equivalents

Carbon dioxide equivalents (CO2 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 Extraction rate

## 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.

## ILO (International Labour Organization)

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

## 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 (IPM)

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

## 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

## Ringelmann Index

A chart used in air pollution evaluation for assigning the degree of blackness of smoke emanating from a source. The observer compares the shades of grey (white to black) with a series of shade diagrams formed by horizontal and vertical black grid lines on a white background. A corresponding number, the Ringelmann number, is then assigned to describe the best match; numbers range from 0 (white) to 5 (black).

## 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".

# Contact Us

We improve by listening to our stakeholders comments. If you have any comments or questions on the contents of this report or on our sustainability performance, we would welcome your contribution.

Please contact us on email [sustainability@nbpol.com.sg](mailto:sustainability@nbpol.com.sg), or through our Singapore office:

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# Further Resources

**AA1000**  
[www.accountability21.net](http://www.accountability21.net)

**Global Reporting Initiative (GRI)**  
[www.globalreporting.org](http://www.globalreporting.org)

**Global Sustainability Associates**  
[www.gsa-sustainability.com](http://www.gsa-sustainability.com)

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

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

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

**Sedex**  
[www.sedex.org.uk](http://www.sedex.org.uk)

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Lined area for notes.





