

# Sustainability Report 2010/11



Bebere Plantation  
Mosa  
KIMBE  
West New Britain Province  
Papua New Guinea  
Tel: +675 985 2177  
Fax: +675 985 2003  
[www.nbpol.com.pg](http://www.nbpol.com.pg)



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# CEO Welcome

**Welcome to our third Sustainability Report which covers our activities for the year ending 2011. Since our last report in 2009, our business has undergone the biggest transformation in the history of NBPOL**

In 2010, we acquired three new palm oil estates in Papua New Guinea from CTP, substantially increasing our capacity, and at the same time we commissioned our first European refinery based in Liverpool. Our business continues to be focused on the production of sustainable, traceable palm oil, so that consumers have assurance over the integrity of their ingredients.

It is encouraging to see the market is also valuing our business model, evident in the impressive uptake from both our Liverpool refinery and more recently via a collaboration in Brake, Germany.

Without sustainability being at the core of our business we would not have been able to differentiate our oil. Without the dedicated refinery capacity in Europe we would not be able to deliver the benefits of that sustainability. We now have a supply chain model that directly links European food companies with the people that grow the crop. Our integration brings us closer to the end user, and we can now engage in a discussion about the needs of the food industry and what we can do to improve the quality and characteristics of our palm oil, so that it can be tailored to their needs. This is a remarkably simple concept, but one that has been absent in the palm oil industry for 50 years, due to the fragmented supply chain.

The Group enjoyed a very successful 2011 with record crops and record prices which of course resulted in record revenues and profits, not only for us but also our smallholders who grow and sell their palm oil fruit to us and provide some 30% of our crop. The smallholders in New Britain are the most productive and have of course become the most successful as a result of that productivity. However, smallholder yield levels on our new sites are still low and we are now providing the technical, financial and material support to assist them to double their yields and profitability.

Whilst we have expanded by acquisition over recent years, with first GPPOL in Solomon Islands in 2005, second RAIL in Papua New Guinea in 2008 and most recently the Higaturu, Milne Bay and Polilamba estates acquired in 2010 we are also expanding organically most notably in New Britain and the Ramu valley. Obviously one of the immediate consequences is the growth in employee numbers to the point where we are the region's largest employer with close to 25,000 employees. We are acutely aware of the responsibility of providing a safe and rewarding environment for our employees. We have made some progress in reducing the incidence of industrial accidents and injury but much more needs to be done to reach our target of zero fatalities. We are aware of this and are focusing efforts to improve our occupational health and safety performance.

We continue to research and understand our environmental footprint and have just released our first carbon footprint report. We believe that this report is the first of its type in the palm oil industry. Some may ask why would we be interested in understanding the carbon accounting for a tonne of palm oil? There are a number of reasons of which the most obvious is the effect that palm oil production can have on the emission of greenhouse gases. By accurately modelling our production profile, including its previous land use, we can see what detrimental and beneficial effects our choices may have on the carbon equation. The fact that there is so much debate on the loss of the world's forests and the effect of palm oil production has on carbon emissions; we felt that until we understood our own carbon emissions we were not in a position to make logical comment or take sensible business decisions that were based on scientific data. Global palm oil production accounts for only 3% of the 300 million hectares that have been deforested during the period 1990 to 2010. This estimate of 3% also covers crop conversion into oil palm from the likes of rubber and cocoa etc. By unravelling the complexities of historical land use and measuring present emissions we can work for a future where palm oil has a more balanced approach to carbon issues.

We believe that responsiveness to stakeholders and a precautionary approach is part and parcel of being a responsible palm oil producer. In 2012, we will be ceasing use of the herbicide Paraquat. Whilst we have used this chemical safely for many

years, our decision is a response to concerns from stakeholders over the risks this herbicide may cause to workers. There are currently no cost effective alternatives, but that is a challenge we now face and I am sure that we will find alternative solutions that are less toxic.

The New Britain Palm Oil Foundation has had a serious overhaul of its governance and strategic direction. Over the coming year we will seek to identify the areas of greatest need for the communities in which we operate, in terms of health and education. To ensure maximum impact of the Foundation's work, we have increased funding this year to one million PGK, in addition to the dividends from NBPOL shares.

I would like to close with a few personal observations surrounding the Roundtable on Sustainable Palm Oil (RSPO). We have been involved with the RSPO since its start, and its achievements in changing mindsets and practices within the upstream side of the industry have been nothing short of remarkable. However, we need stronger market support. While we in NBPOL have been able to build a segregated supply chain, other producers may not have this option. Unless there is a real sea change over the next couple of years in terms of consumer demand for sustainable palm oil, we run the risk of the whole process stalling. We see food companies jettisoning palm oil for other oils, based on the notion that palm oil is a risk. Such decisions are economically, environmentally, morally and socially wrong. If we are to sustain this planet and the people who live on it, sustainable palm oil needs to be encouraged and sought after as the oil of choice. Producing approximately 36% of the world's oils and fats from 6% of the world's oilseed acreage is a compelling story in terms of land use efficiency. Sustainable palm oil is needed in increasing quantities if we are to avoid rampant food inflation and increasing poverty and of course poverty is one of the world's biggest drivers of deforestation. So paying fifty US cents per tonne to a palm oil producer who does not have access to a segregated supply chain via an offset certificate, whilst the same consumer pays an unsustainable palm oil producer eleven hundred dollars per tonne makes no sense to me at all.

The past two years have been truly transformational years in realising these principles for NBPOL and for the palm oil industry. I look forward to the coming years, and hope to see the market supporting this through the increased uptake of, and investment in, traceable, sustainable palm oil.

**Nick Thompson**  
Chief Executive Officer  
New Britain Palm Oil Ltd



# Targets and Achievements

## STATUS FROM 2009 SUSTAINABILITY REPORT TARGETS

Targets	Status	Comments
No legal non-compliances	Not achieved	Achieved in RAIL, HOP, POL, GPPOL and Liverpool
Reduce lost time accidents rates by 5% annually	Achieved at Group level	
No work related fatalities	Not achieved	6 fatalities in 2010 5 fatalities in 2011 No fatalities at MBE, HOP, POL or Liverpool
No land developed on peat	Achieved	
BOD levels below 90 ppm for all existing mills	Not achieved	Not applicable at RAIL and MBE where effluent is applied to the land
BOD levels below 20 ppm for new mills	Achieved	Warastone mill (WNB) no discharge yet
Reduce smoke density to less than 40% for 20% of the operating period for 4 existing mills	Achieved	
All employees paid above living wage	Achieved	
No employees work more than 12 hours overtime per week	No non-conformances noted	
All employees have minimum 1 day off per 7 days	No non-conformances noted	
No Expansion without FPIC	Achieved	
No expansion into HCVF	Achieved	
All smallholders complying with RSPO certification	Achieved*	
100% of RSPO premium paid to smallholders	Achieved	
RAIL certified to RSPO standard	Achieved	
GPPOL certified to RSPO standard	Achieved	
Develop and report on sediment and nitrate loading of major rivers	Achieved	
Develop and report on a comprehensive carbon reduction strategy	Achieved	

\* For RSPO certified sites

## NEW OR ONGOING TARGETS

Targets	Target dates (year-end)
No legal non-compliances	2012
Reduce Group lost time accidents rates by 5% annually	2012
No work related fatalities	2012
No land developed on peat	2012
BOD levels below 90 ppm for all existing mills	2012
BOD levels below 20 ppm for new mills	2012
Reduce smoke density to less than 40% for 20% of the operating period for all mills	2012
All employees paid above living wage	2012
No employees work more than 12 hours overtime per week	2012
All employees have minimum 1 day off per 7 days	2012
No Expansion without FPIC	2012
No expansion into HCVF	2012
All sites ISO14001 certified	2014
100% of RSPO premium paid to smallholders	2012
All sites RSPO certified (inclusive of smallholders)	2012
Carbon for all sites completed	2016
CDM projects complete for HOP, MBE and WNB	2016
Cease use of Paraquat at all sites	2012

\* Compliance with ongoing targets will be reported annually

## HIGHLIGHTS AND RECOGNITIONS 2010-2012

- Around 90% of biscuit factories in the UK will be using traceable certified sustainable palm oil from our plantations from Spring 2012
- World Economic Forum named NBPOL as a 'New Sustainability Champion', one of 16 chosen among 5,000 companies
- GPPOL and Poliamba were certified to RSPO standard
- West New Britain and RAIL achieved re-certification to RSPO standard
- West New Britain, GPPOL, RAIL and Liverpool achieved RSPO supply chain certification



# Overall Assurance Statement

## NBPOL's third sustainability report provides a fair and balanced representation of the company's performance. In my opinion, it is in line with the principal reporting principles of Materiality, Inclusiveness and Responsiveness

Since its previous sustainability report, NBPOL continued to develop and implement an overwhelming number of sustainability policies. This is particularly impressive, given that this work is done parallel to the upgrading of the larger part of its newly acquired plantation landbank, and actions to vertically integrate the company's supply chain.

NBPOL's sustainability policies are ambitious and continuously improved. Verification of compliance against sustainability standards is realized through ISO respectively RSPO certification. In addition, the company has intensified dialogue with a wide array of local and international stakeholders. These inputs, combined with firm board level support and a committed team on the ground make it possible that NBPOL works to achieve the highest level of sustainability practice known in the palm oil sector. The speed and breadth in which the company implements its commitments is truly impressive, and can only be fully appreciated if one realizes the meteoric growth the company has gone through over the past five years.

NBPOL sets a standard in sustainability that very few other palm oil producers in the world achieve. The company is also showing the way forward to RSPO, the certification initiative to which NBPOL is a member since 2004. Unfortunately, like all RSPO members, NBPOL suffers from RSPO's slow progress with full accreditation of certification bodies.

In my previous assurance statements, I have called for more tangible insights in results achieved from protection of High Conservation Value Forests and work to ensure that communities are aware of the company's plans and give their consent. I repeat the suggestion that more must be done to systematically assess, monitor and report tangible results in these fields.

Many RSPO certified palm oil producers tend to complain about lukewarm market uptake of their products. NBPOL too is dissatisfied with market responses to its certified products, but it is already on its way by exploring new approaches in the market place. The company has already created a productive partnership with Ferrero Rocher and it closed an innovative marketing arrangement with Wilmar International in Germany in 2011. I hope that the company will continue to explore this work, because sustainability is not just something one does in plantation landscapes; markets and consumers too must be taken along in the path of sustainability.

NBPOL's responsiveness to external stakeholder concerns has improved tremendously over the past few years. Significant effort is put into understanding the company's stakeholders, and in addressing their concerns. Some of these concerns are serious, and have triggered the company's immediate response on the ground and review of its policies. A good example is the Milne Bay CPO spill in 2011. This spill, of course, should not have happened and NGOs were rightly vigilant in seeing NBPOL clean up the mess and calling for review of the company's management systems, which has been done.

In other instances, NBPOL finds itself constrained to uphold the highest ethical standard. In 2011, environmental NGOs were understandably dismayed to see boxes with NBPOL seeds in Jackson's Airport. The boxes were destined for plantation expansion project in Papua New Guinea that very likely come at the expense of forests and landowners' constitutional rights. The NGOs questioned NBPOL, who looked into the matter but had to reach the uncomfortable conclusion that legal and technical constraints hinder it from stopping or restricting the sale of seeds.

Another point in case is the laudable decision to ban the use of Paraquat. Manual labour can technically replace the effect of the herbicide but it is for pure economic considerations that glufosinate will now replace Paraquat. I hope that NBPOL will set up a research programme to carefully monitor potential environmental impacts of Basta and take findings into account in its use and share these findings with the rest of the world.

These are the types of challenges and dilemmas faced by a company that is committed to perform above and beyond an internationally negotiated sustainability standards. Such commitment also puts NBPOL in a position to fulfil roles that, strictly taken, should be taken on by government. I am sometimes surprised to see how far the company is willing to go in fulfilling expectations, although there is always an element of enlightened self-interest. In 2011, NBPOL put a great deal of effort in revamping the management structure of the New Britain Palm Oil Foundation, and boosted its budget with PGK 1 million, thereby enabling it to work on development and poverty alleviation projects that would otherwise not likely be realized.

Lastly, it is interesting to see that NBPOL's sustainability performance goes along with healthy financial achievements. This suggests that there really may be a hard relationship between sustainability and profitability. This is what all stakeholders are hoping to see proven, so that more players in the palm oil sector will be convinced to accept this premise.

**Eric Wakker**  
Director  
Aidenvironment Asia

**aidenvironment**

### BASIS FOR THE OPINION

Eric Wakker is senior consultant at Aidenvironment, a consultancy foundation based in the Netherlands. Eric has worked on forestry and plantation issues in Southeast Asia Pacific for over 20 years and has frequently visited Papua New Guinea. In 2004, he first engaged NBPOL in discussions over sustainability in 2004. He participated to NBPOL's first RSPO audit as an independent observer in 2008. A year thereafter, he assisted NBPOL in a first effort to engage grassroots NGOs in dialogue over the company's practices. Early 2011, Eric facilitated a two day consultative workshop with social NGOs, which will be given follow up in 2012. This process is co-sponsored by the Dutch DOEN Foundation.

This assurance statement was compiled on the basis of aforementioned dialogue and various field visits, as well as the company's previous sustainability, annual and RSPO audit reports.



# Our Business in Brief

**We have over 78,000 hectares of planted oil palm plantations, a further 10,000 hectares under preparation for oil palm, over 7,700 hectares of sugar cane and a further 9,200 hectares of grazing pasture; twelve oil mills; two refineries, one in PNG, and one in Liverpool, UK, as well as a seed production and plant breeding facility**

New Britain Palm Oil Limited (NBPOL) is a large scale integrated, industrial producer of sustainable palm oil in Australasia. We have over 78,000 hectares of planted oil palm plantations, a further 10,000 hectares under preparation for oil palm, over 7,700 hectares of sugar cane and a further 9,200 hectares of grazing pasture; twelve oil mills; two refineries, one in PNG, and one in Liverpool, UK, as well as a seed production and plant breeding facility. NBPOL is fully vertically integrated, producing its own seed (which it also sells globally) and planting, cultivating and harvesting its own land and processing and refining palm oil, in both PNG and the UK. It also contracts directly with its end customers in the EU and arranges shipping of its products.

Our company headquarters are in West New Britain Province, 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 2011, we reported a turnover of USD 780.1 million, up 69% from USD 461.2 million in 2010. Our pre-tax profits were also significantly higher at USD 275.5 million (2010: USD 131.2 million). These tremendous results are partly due to higher CPO prices, but also reflect increased productivity and the strong performance of our integrated supply chain.

## PAPUA NEW GUINEA:

Home to our largest operations. The sites cultivate a combined 72,014 ha of oil palm, as well as 7,720 ha of sugar and 9,282 ha of pasture and 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. Our Guadalcanal operations cover 6,318 ha of oil palm and has its own bulking terminal



## UNITED KINGDOM:

Our New Britain Oils refinery in Liverpool was the world's first to specialise in certified sustainable and fully traceable palm-based food ingredients. The CEO and investor relations functions are also based in the UK.

Liverpool

## SINGAPORE:

The Chief Operating Officer, Group Finance Director, Group Technical Director and Group Sustainability team are based here, coordinating activities across all fields and markets. This is also the home of GSA, our advisory services company.

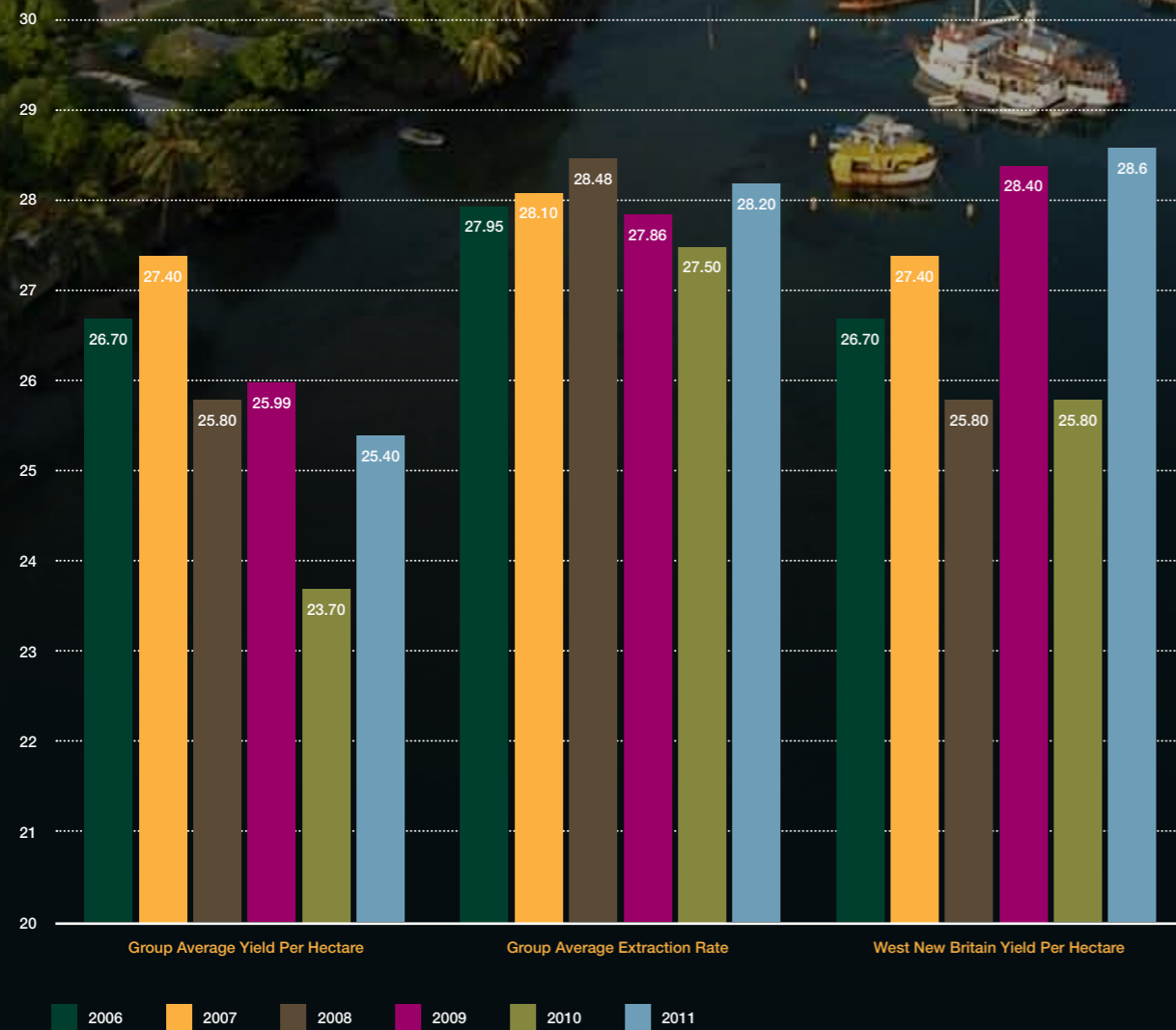
Singapore



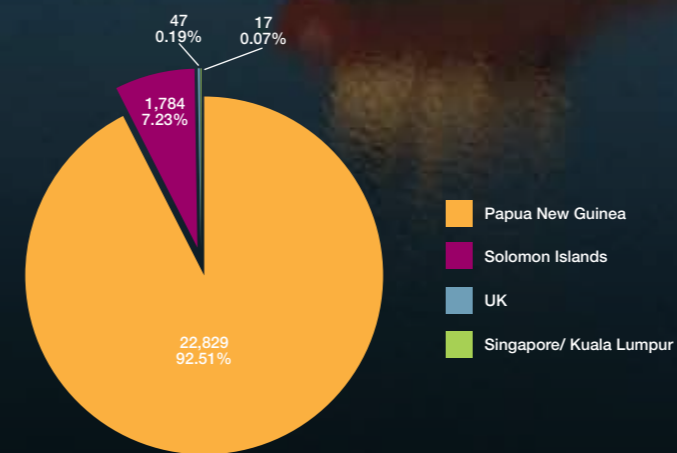
# Our Business in Brief



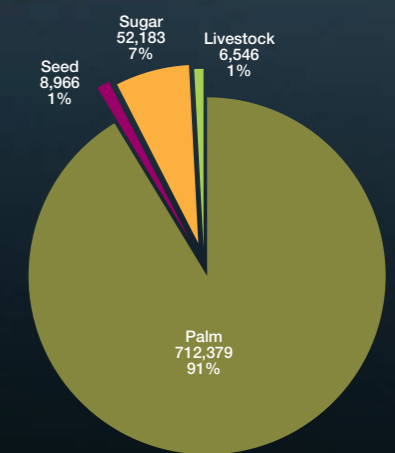
## TOWARDS 30:30 – OUR TARGET FOR INCREASED PRODUCTIVITY



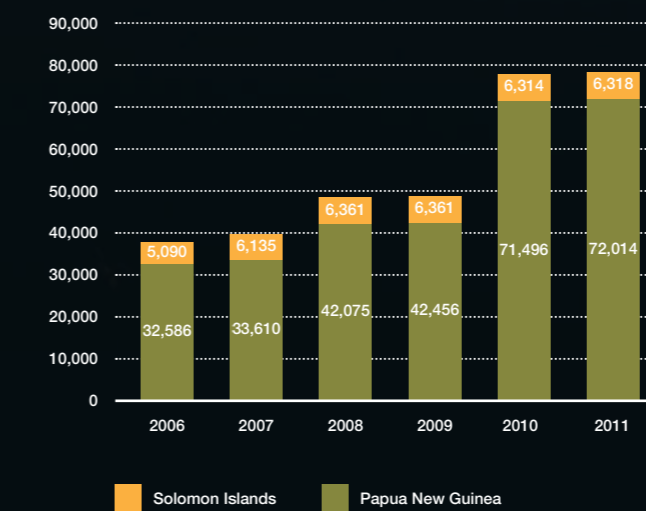
## PERMANENT EMPLOYEES BY REGION



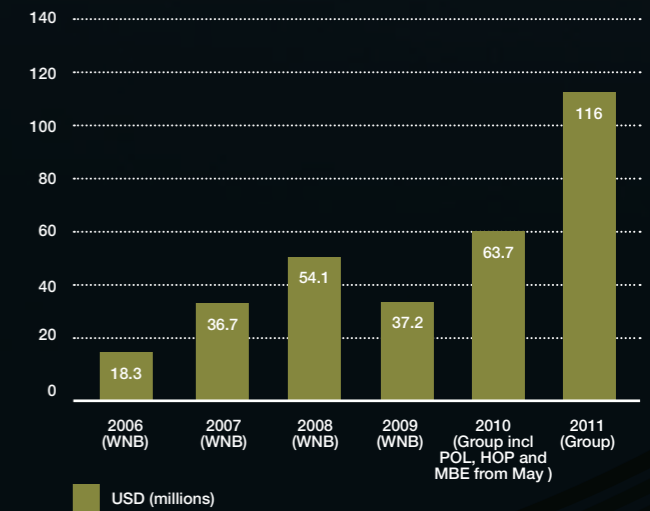
## REVENUES BY PRODUCT AREA (USD'000)



## TOTAL HECTARES OIL PALM



## TOTAL SMALLHOLDER PAYOUT





# Developing Our Business

## Strategies For Growth

**Our overall strategy is one of sustainable growth, through acquisitions, productivity increases and increased vertical integration of our supply chain. Since 2005, we have been on a growth trajectory, combining a strong focus on productivity increases with acquisitions and improvements of plantations in the pacific. We have also grown our business vertically, getting closer to our markets and end-users**



### VERTICAL INTEGRATION TO MEET MARKET DEMANDS

We are encouraged by the success of our vertically integrated supply chain, and will continue to expand this model. We constantly engage with customers in Europe to understand future needs and requirements. Our new bakery fats plant in Liverpool, and the Ferrero Rocher fractionation plant in WNB were prime examples of partnerships which benefit our customers, our business and help promote traceable sustainable palm oil. We believe that our adaptability and responsiveness to market needs will continue to grow our business into ever more vertical integration.

## Sustainable Growth

### IMPROVING PRODUCTIVITY – 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 and achieve 30% combined crude palm oil and palm kernel oil extraction rates per tonne of fruit. In 2011, our group average yield was 25.4 tonnes per hectare and our extraction rate per tonne of fruit was 28.2%

Increases in fruit yields can be achieved through continuous improvement in management practices and rigorous replanting programmes. This ensures optimal age of palms and continuous breeding efforts to improve seed quality. Our 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.

### ACQUISITIONS

We intend to continue our growth through expanding by acquisition. We also wish to diversify our geographical reach, to minimise transport and political risk. We explore opportunities on an ongoing basis, and have in the past years reviewed options in all the major palm oil producing regions in the world. At present, we believe that the best opportunities lie in Asia, as this will enable us to leverage our expertise in the region.

Naturally, we are committed to traceability and sustainability regardless of location.



# Our Plantations At A Glance

As at year-end 2011, our plantations covered 95,334 hectares and were based in six locations; in the provinces of West New Britain, Morobe, Milne Bay, New Ireland and Northern (Oro) in Papua New Guinea and the Guadalcanal Province of Solomon Islands. We are the biggest private sector employer in both Papua New Guinea and in Solomon Islands, and the largest producer of palm oil in both countries as well as of sugar and beef in Papua New Guinea



### WEST NEW BRITAIN (WNB), PAPUA NEW GUINEA

ISO14001 certified since 2004  
RSPO certified since 2008

36,126 hectares oil palm  
5 mills  
326,103 tonnes of CPO produced in 2011  
Refinery  
Bulking terminal  
7,501 smallholder blocks produce 32.6% of fresh fruit bunches  
17.78 million seeds produced in 2011  
3,551 head of cattle  
394 hectares of pasture

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

### HIGATURU OIL PALM (HOP), PAPUA NEW GUINEA

Acquired by NBPOL in 2010  
RSPO certification targeted for 2012

8,533 hectares oil palm  
3 mills  
86,778 tonnes of CPO produced in 2011  
5,708 smallholder blocks produce 44.2% of fresh fruit bunches

Land is primarily customary rights land

### RAMU AGRICULTURAL INDUSTRIES LTD (RAIL), PAPUA NEW GUINEA

Acquired by NBPOL in 2008  
RSPO certified since 2010

10,685 hectares oil palm  
1 mill  
22,782 tonnes of CPO produced in 2011  
148 hectares set aside for conservation  
130 smallholder blocks produce 1.5% of fresh fruit bunches  
16,566 head of cattle  
8,888 hectares of pasture  
7,720 ha of sugar – 80% of commercial sugar in PNG

Land is primarily state-owned with a direct lease

### POLIAMBA (POL), PAPUA NEW GUINEA

Acquired by NBPOL in 2010  
RSPO certified in 2012

5,536 hectares oil palm  
1 mill  
29,834 tonnes of CPO produced in 2011  
1,410 smallholder blocks produce 14.9% of fresh fruit bunches

Land is primarily customary rights land

### GPPOL, GUADALCANAL PLAINS PALM OIL LIMITED, SOLOMON ISLANDS

Acquired by NBPOL in 2005  
RSPO certified since 2011

6,318 hectares oil palm  
1 mill  
31,592 tonnes of CPO produced in 2011  
268 smallholder blocks produce 9.8% of fresh fruit bunches

Land is primarily customary rights land

### MILNE BAY ESTATES (MBE), PAPUA NEW GUINEA

Acquired by NBPOL in 2010  
RSPO certification targeted for 2012

11,134 hectares oil palm  
1 mill  
54,569 tonnes of CPO produced in 2011  
795 smallholder blocks produce 5.4% of fresh fruit bunches

Land is primarily customary rights land

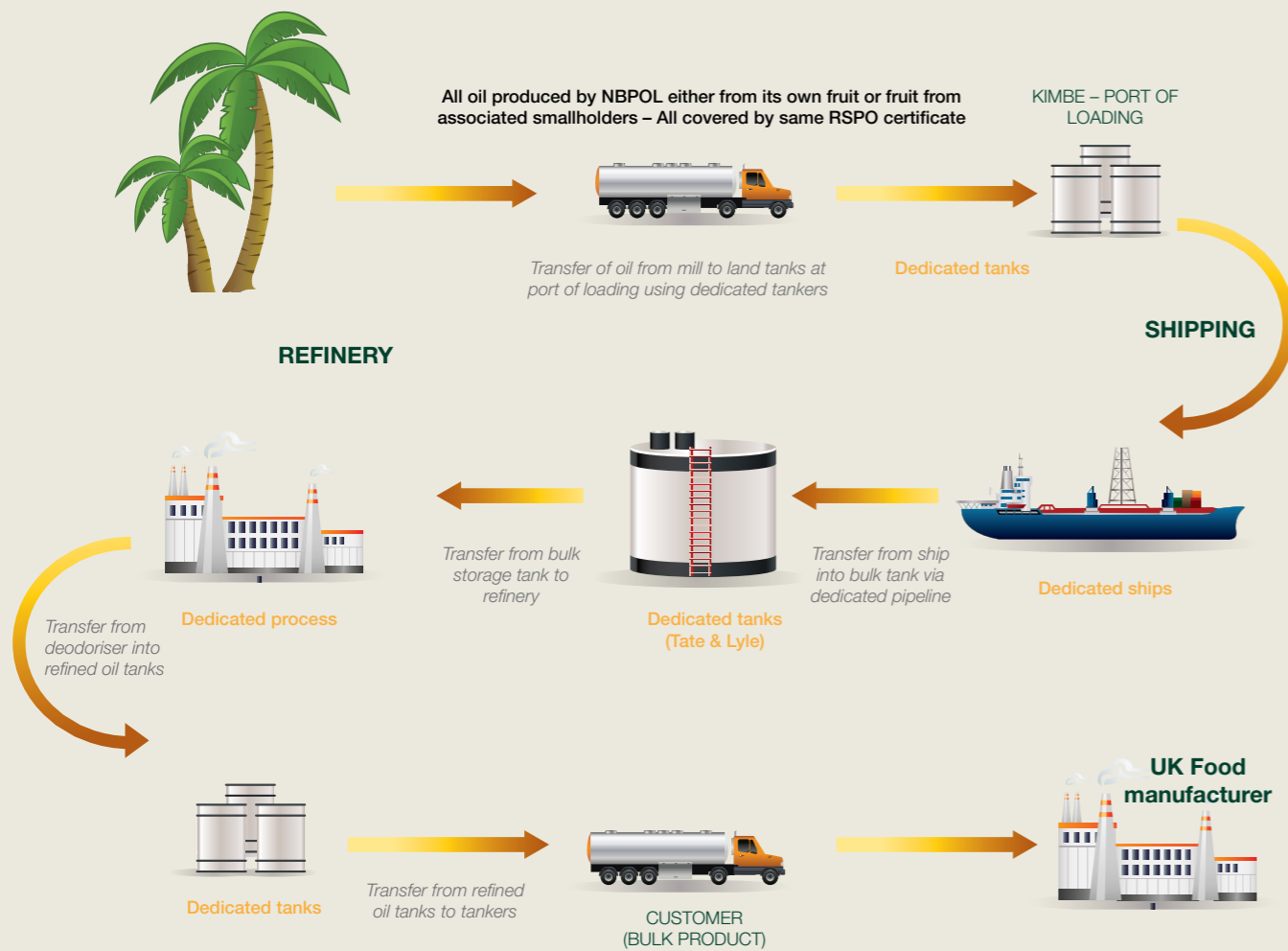
## SOLOMON ISLANDS

Guadalcanal  
Plains  
Palm Oil Ltd



# Downstream Processing/ Vertical Integration

We believe that palm oil should be sustainable and traceable to source. The customer and the end consumer have a right to know where their oil comes from, and what principles and practices have been applied in the production. In 2010, we opened the doors to New Britain Oils in Liverpool – the first refinery in Europe to process only segregated, certified sustainable and traceable oil



## BUILDING ON THE SUCCESS IN THE UK

Since being commissioned in 2010, New Britain Oils Ltd has continued to capture market share and deliver both operationally and financially, proving that the market will support segregated oils, if they are supplied at commercially sensible prices. On the back of this performance we will double the refining capacity of NBOL with the addition of a second deodoriser ready for commissioning in 2013. Over the past 12 months, we have further developed the scope and capacity with the construction of a plant that will produce bakery and packed foodservice products. The bakery fats sector represents an important part of the UK's palm market and is under increasing pressure from consumers and retailers to use sustainable palm based ingredients. We intend to commission the plant in early 2012.

## TRACEABILITY IN GERMANY

The success of New Britain Oils has demonstrated to the market that there is strong demand for segregation, and we are now expanding the segregation model to Germany, via a partnership with Wilmar International. The partnership includes an integrated supply chain and joint marketing arrangement for supplying continental Europe with fully traceable and segregated sustainable palm oil from NBPOL's certified plantations in Papua New Guinea and Solomon Islands. The palm oil will be available from Wilmar's refinery in Brake, Germany in a whole range of products in 100% segregated sustainable format from mid-2012. The refinery in Brake has a full capacity of approximately 700,000 tonnes per annum of which 300,000 will be dedicated to palm oil supplied from NBPOL's estates.

## DEDICATED FRACTIONATION PLANT TO MEET CUSTOMER NEEDS

We work closely with customers to ensure we meet their specific needs. As part of a long-term agreement, we completed a fractionation plant in WNB in October 2011, which supplies super-olein and palm-mid-fraction to Ferrero Rocher, one of the world's largest confectionary manufacturers. Built alongside our existing refinery and fractionation facilities at Kumbango, the Ferrero Rocher plant adds further fractionation capacity that will in turn lead to the supply of highly specialised palm oil for export to Italy and the United Kingdom.





# Customer Comment

**Due to NBPOL's unwavering commitment to make segregation the new normal, we are pleased to bring to market the first personal care product in the US to carry the RSPO certified sustainable palm oil seal**

Since its inception, Seventh Generation has worked hard to formulate the best household and personal care products, using renewable plant-based ingredients instead of those derived from petroleum. This choice, of plants over petroleum, has been the foundation our business for almost 25 years

But like all things, choices are never black and white. And while we still believe that the fundamental decision to formulate using plants not petroleum is better for people and the planet, we now know we have to ensure that our plant-based materials and ingredients, including those derived from palm oil, are produced sustainably. For Seventh Generation, palm kernel oil is the single largest feedstock used to power our best-selling cleaners. For that reason, we sought a deeper understanding of the ecological and social dimensions of our palm oil derivatives.

The more we looked, the more we discovered that using this widely-traded commodity has far-reaching consequences for the future of our planet. Palm oil is the top-selling and most productive vegetable oil in the world. But the six-fold growth in the global demand over the past few decades has created tremendous pressures on the tropical forest and peat lands of Southeast Asia where most of world's palm is cultivated.

Seventh Generation joined the Roundtable on Sustainable Palm Oil (RSPO) in 2008. RSPO is a global alliance of businesses, environmental and social non-governmental organizations (NGOs), and financial institutions. The RSPO is at the forefront of moving the palm oil industry towards protecting forests, species, and local communities and away from destructive practices.

We made a commitment in early 2009 to source RSPO-certified sustainable palm kernel for our cleaning products. Right now, because we source highly processed and derivatized palm kernel oil, we are primarily purchasing palm kernel oil credits under the Book and Claim system. In fact, we were the first household and personal care company in North America to purchase Green Palm certificates equivalent to our annual company-wide use, across our entire product portfolio. As our volumes continue to grow and we expand into new product categories such as personal care products, we plan to evolve our strategy and move up to the most direct type of sourcing – Segregation and/ or Identity Preservation.

Seventh Generation has formed trading links with New Britain Palm Oil (NBPOL), one of the most progressive palm oil companies in the world. We have been working with NBPOL and others in the value chain to transition to a fully segregated supply of palm oil as segregated supplies become more established. Finally, in 2012 we are launching the first segregated RSPO sustainable palm-derived bar of soap. Due to NBPOL's unwavering commitment to make segregation the new normal, we are pleased to bring to market the first personal care product in the US to carry the RSPO certified sustainable palm oil seal. We couldn't have done it without the industry leading work of NBPOL.

**Reed Doyle**  
Director, Global Strategic Sourcing



**ABOUT SEVENTH GENERATION**

Seventh Generation is the nation's leading brand of household and personal care products that help protect human health and the environment. Established in 1988, the Burlington, Vermont based company remains an independent, privately held company distributing products to natural food stores, supermarkets, mass merchants, and online retailers across the United States and Canada.

We believe our products are healthier solutions for the air, surfaces, fabrics, pets and people within your home—and for the community and environment outside of it. As a pioneer in corporate responsibility, we want our products to make a difference—from their development through to their production, purchase, use, and disposal. We are always evaluating how to reduce their environmental impact, increase performance and safety, and create a more sustainable supply chain. We believe our products set a course for a more mindful way of doing business, where companies act as partners with other stakeholders to create a brighter future for the whole planet.



# Products and Services



## CERTIFIED, SUSTAINABLE AND TRACEABLE PALM OIL PRODUCTS

Our most significant product is palm oil and its derivatives, used in food preparation, personal care and the confectionary manufacturing industries. Through our integrated supply chain, 89% of our palm oil sales go to Europe, where we are now the leading supplier of traceable, sustainable palm oil products. In fact, we believe that from spring 2012, around 90% of all the UK's biscuit factories will be using palm based ingredients from NBPOL.

Crude Palm Oil (CPO) is the primary oil produced by pressing the fruit followed by clarification and drying, before the crude oil is further processed and fractionated – ready for use in consumer goods production.

Through New Britain Oils Ltd, we operate the world's first palm oil refinery dedicated to processing certified and traceable graded palm oil. From here, we supply refined palm, olein, stearin and palm kernel oils. In addition, from early 2012, thanks to a new state of the art packing plant alongside the refinery in Liverpool, New Britain Oils will be offering bakery fats and foodservice products. We also expect to supply high IV olein and palm-mid-fractions.

In West New Britain, a fractionation plant specifically dedicated to Ferrero Rocher has been commissioned. Built next to our existing refinery and fractionation facilities at Kumbango, the Ferrero Rocher plant will add further fractionation capacity that will in turn lead to the supply of highly specialised palm oil derivatives for export to Italy and the United Kingdom.

## WORLD-RENOWNED DAMI SEEDS

Throughout the world, Dami is known as a leader in the production of high-grade oil palm planting material, thanks to the following proven characteristics of its seeds and planting material:

- High yields of fresh fruit bunches (FFB)
- Very early yields
- Exceptional extraction rates
- Best yields to total palm products
- No dura contamination
- Seed free of potential disease



## SUGAR

Ramu Sugar is a household name in Papua New Guinea. 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

NBPOL is the largest producer of beef in Papua New Guinea. In 2011, our combined 20,000 head of cattle produced more than 1,284 tonnes of beef. 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

Dami Research was set up to assist NBPOL fast track projects which require a high degree of scientific input from the development stage and into the working environment. Today it has become a service provider in its own right and offers services within biotechnology, precision agriculture and agronomy.

Global Sustainability Associates (GSA) was established to share this knowledge and insights from our pioneering implementation of the RSPO Principles and Criteria. To date, GSA has undertaken projects in Brazil, Peru, EU, Cambodia, Malaysia, Indonesia, PNG and Solomon Islands.

Much of the current work is focused on smallholder issues associated with certification and on due diligence of the supply chain. We offer bespoke evaluation of sustainability compliance requirements and quality standard implementations for RSPO, OHSA, ISO 14001, amongst others. Other key services include Strategy and Policy Development, Implementation of Policy and Standards, Organisational Capacity Building, Progress Assessment, Research and Innovation, Stakeholder Engagement and Good Governance.

For more detail on our products and services, please visit our website: [www.nbpol.com.pg](http://www.nbpol.com.pg)



# Leading Responsibly

## Corporate Governance and Management

The Board of Directors of NBPOL takes an active role in guiding, reviewing and formulating our sustainability strategy, which is considered central to the overall success and financial performance of the company

The strategy is supported by a robust management and incentive structure which ensure that sustainability is embedded and supported throughout the Group.

The Board is led by an Independent Chairman, and 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. The Board comprises two non-executive Independent Directors, as well as the CEO, the Commercial Director of NBPOL and two Directors representing our majority shareholder Kulim (Malaysia) Bhd. 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 Manager reports to the Group Director of Sustainability, and supports the General Managers at each site in realising sustainability objectives. In addition, each of our sites in Papua New Guinea and Solomon Islands have dedicated sustainability teams with relevant specialists to support the implementation and development of sustainability.

### LINKING REMUNERATION AND SUSTAINABILITY

All Executive Directors are remunerated in accordance with a set of 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.

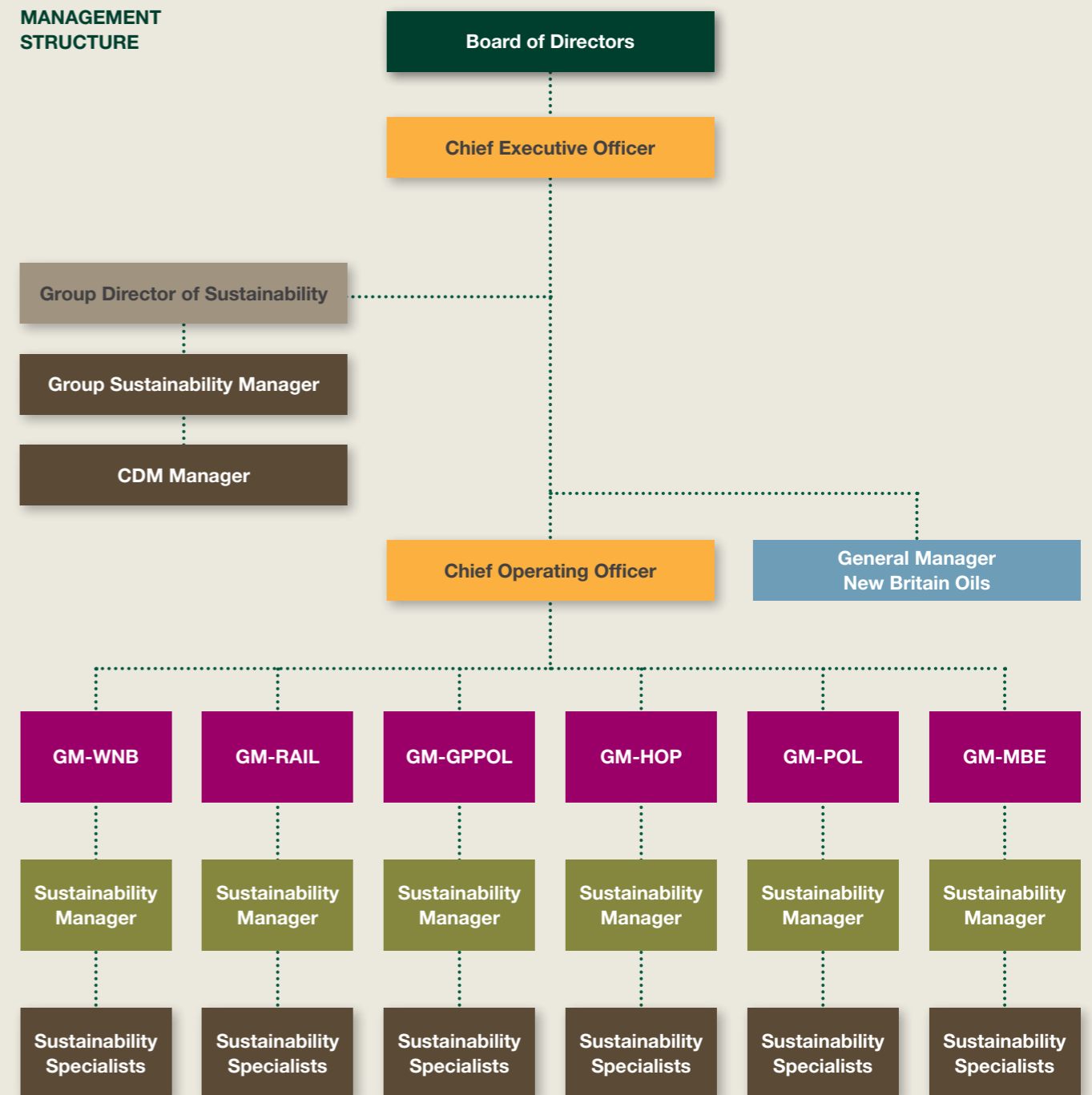
Targets pertaining to RSPO are therefore cascaded throughout the performance evaluation system.

Estate managers, specialists and field supervisors all have specific responsibilities and failure to achieve these have a significant effect on salary increases and bonuses.

### RISK REGISTER AND ISSUES MANAGEMENT

In 2011, the Board approved the establishment of an Issues Management Committee (IMC), charged with identifying and evaluating non-financial risks. The IMC is chaired by the Group Director of Sustainability and includes representatives from all parts of the Group, as well as the Company Secretary and is guided by external expert advisers. In 2012, the IMC met to evaluate and develop a detailed risk register, which is used to create mitigation plans and guide Group and site-level priorities. The committee meets quarterly and makes recommendations to the Board of Directors.

### MANAGEMENT STRUCTURE



A full corporate governance statement, details of committees, remuneration and significant policies are disclosed in our Annual Report, which is published parallel to this report, and is available on [www.nbpol.com.pg](http://www.nbpol.com.pg)



# Policies and Standards

Our management systems are linked to international standards. The Roundtable on Sustainable Palm Oil, as well as ISO14001 form the basis for our production, as does HACCP for our refinery business. We also draw inspiration from frameworks such as OSHA18000, HACCP, SA8000, ILO Core Labour conventions, the Universal Declaration for Human Rights, the GRI and the UK Bribery Act, which we believe to set out best practice.

## BEYOND CERTIFICATION

While ISO14001 has provided us with a management structure, and the RSPO standard has determined priority areas, we believe that a responsible producer should address issues of concerns to stakeholders and go beyond the minimum requirements. Over the past years, we have therefore been looking at such 'beyond compliance' issues such as carbon reductions, Clean Development Mechanism, Millennium Development Goals and business ethics – issues which are not currently included in the RSPO standard.

## PARALLEL STANDARDS

We are committed to the sustainability principles which underpin our business, regardless of operations. We therefore strive to develop parallel policies for non-oil palm operations, such as sugar, cattle and food production. For example, our HR policies meet the ILO Core Labour Standards regardless of location. In some areas, we introduce operations specific standards, such as HACCP and Halal for food.

## POLICY DEVELOPMENT

As a company which has grown significantly through acquisitions over the past seven years, and now comprises seven operational units, we have spent significant resources aligning operational policies across the sites.

In 2011, we started work at two levels: All operational policies and standard operating procedures are benchmarked to ensure consistency. As a result we have changed practices across a range of areas, including wages, maternity policies and OHS reporting systems.

We also took the first step in developing high-level principles which set out our commitments to international standards. The initial outcomes of this were the Human Rights Policy and the Business Ethics Policy, which apply to all parts of the NBPOL Group globally. To ensure that any gaps in compliance are identified, that future challenges are understood and that the implications of the new policies are understood and accepted, senior management from across the Group is consulted. For example, in 2011, all General Managers attended a two day workshop on business ethics, where Transparency International PNG provided an overview of current bribery issues in the local context.

Over the coming year, we will set out a full policy hierarchy, which ensures that all operational and local policies are aligned to Group commitments. These will be informed by leading international frameworks and benchmarked against the ISO26000 guidance, which is currently the most complete social responsibility standard.

Site	RSPO Certification - estates	RSPO Certification - smallholders	ISO14001	HACCP	CDM	Carbon footprint
West New Britain	Certified since 2008	Certified since 2008	Certified since 2004	No plans	2 mills completed 3 mills to be completed by 2016	Completed 2011
RAIL	Certified since 2010	Certified since 2010	Target for certification 2012	No plans	Phase in after 2016	Target for publication 2012
Milne Bay	Target for certification 2012	Target for certification 2012	Target for certification 2014	No plans	Target 2015	Target for publication 2013
Higaturu	Target for certification 2012	Target for certification 2012	Target for certification 2014	No plans	Target 2014	Target for publication 2013
Poliamba	Certified in 2012	Certified in 2012	Target for certification 2013	No plans	Phase in after 2016	Target for publication 2013
GPPOL	Certified since 2011	Certified since 2011	Target for certification 2012	No plans	Phase in after 2016	Target for publication 2012
New Britain Oils	SCCS certified since 2010	Not Applicable	Certified since 2010	Certified since 2011	Not Applicable	Completed 2011

# External View: What Are Investors Looking For

Sustainability issues look set to drive significant change in the palm oil industry over the next decade. From a demand perspective the difficulty of expanding conventional oil production, which has led to significant crude oil price increases, has been a gift to the industry. From a supply perspective there are a number of key constraints, chief among which is available land.

Palm oil's high yield per hectare compared to other vegetable oils makes it attractive. However, competition for land use is growing. Limitations deriving from issues around biodiversity and carbon storage (particularly in peat land) are the most significant factors on the environmental side, with urban use, and community and indigenous land use the most significant on the social side. Plantation companies are now turning to East Africa and many new (but contested) concessions have been granted in Papua New Guinea. However, as highlighted by last year's moratorium on deforestation in Indonesia, it will become more difficult for companies to increase their land banks in the future. This will create significant change for producers' business models, shifting emphasis away from increasing hectares under management and towards maximising production on current land areas.

For investors, the question of how growers are investing in improving yields will therefore become increasingly important and decisions made now will affect yield progression over the typical twenty-year palm oil planting cycle. Agronomic factors such as fertiliser and pesticide management are key, as is seed quality. Both Malaysia and Indonesia have national R&D centers, however, investors should look for companies moving ahead of the curve. A critical question is the level of investment in R&D and how this relates to improvements in seed quality and desired plant characteristics. These characteristics are likely to evolve due to the ongoing effects of climate change.

A second related factor is whether growers are minimising the worst effects of palm oil production. The Roundtable on Sustainable Palm Oil (RSPO) is a critical consideration. Some companies consider the RSPO to be a cost, particularly as it results in land being set aside for conservation. However, from an investor perspective, commitment and progress towards RSPO certification may improve perception of the quality of earnings. First, many of the RSPO principles are good agronomic practices that reduce costs and preserve soil structure. For investors this provides assurance that a company will have strong yields on replanting in later years. Second, due to the RSPO procedures on land tenure investors can be more confident that their holdings will not face a challenge to their land rights in future years. Taken together this presents an argument that companies with RSPO certified growers should be valued at a premium.

Two more recent developments that are now on the radar for UK listed palm oil companies such as NBPOL include the recent guidelines on gender balance and the UK Bribery Act 2010. Palm oil has not historically attracted significant numbers of women,

which may make it difficult to obtain the benefits of improved board gender balance.

The UK Bribery Act 2010 may have particular ramifications for the palm oil industry, given how frequently allegations of corruption are raised in the industry. It may be some time before the 'adequate procedures' that companies must have in place to prevent bribery are tested in the courts.

In conclusion, the environmental and social context for palm oil companies can provide significant value drivers for forward looking businesses that are positioning themselves to benefit. For those that do not take action, risks are set to increase.



## ABOUT BENJAMIN MCCARRON

Benjamin is the Head of Research at Responsible Research, a boutique that provides Environmental, Social and Governance (ESG) solutions for institutional investors relating to their holdings in listed Asian companies.

Benjamin was previously at The Co-operative Asset Management (TCAM), where he led integration of environmental and social analysis into their investment and engagement processes. During his time at The Co-operative Benjamin was the lead author of the Good Companies Guides, published in The Observer, which focused on issues such as gender balance and how sustainability affects business. He has been involved with several collaborative engagements through the Principles for Responsible Investment and sat as a steering group member on the Forest Footprint Disclosure project.

Benjamin's previous career as a fund manager included time as a small cap pension fund manager at AXA Framlington, where he managed £100m of small cap UK pension money and significantly outperformed the benchmark. He graduated with joint honours in Maths and Philosophy from University College, Oxford.



# Stakeholder Engagement

We believe that stakeholder engagement must be an integral part of our decision-making and priority-setting. This enhances our understanding of context and strengthens our ability to bring about meaningful impact and effective change. Many of the issues facing us and our industry require joint action and efforts. Our sustainability strategy and initiatives are therefore increasingly taking the form of partnerships with civil society, market players as well as governmental and intergovernmental bodies.

Issues	Stakeholder Groups	Organisations and Type of Engagement			
		Initial Engagement	Regular Dialogue and Structured Engagement	Partnerships	
Health	NGOs	Australian Doctors International		Rotary against Malaria Business Alliance against HIV/ AIDS (BAHA)	
	Government		Medical Research Advisory committee on alternative malaria treatment National Health Department: HIV/ AIDS	Provincial government: Tingim Laip (HIV/ AIDS)	
Deforestation, Biodiversity and Climate Change	NGOs	The Nature Conservancy Winrock/ LEAF London Zoological Society Wildlife Conservation Society	Critical international NGOs Partners with Melanesia: Queen Alexander Butterfly project	WWF Gold Standard/ hornbills, landscapes and livelihoods Mahonia na Dari: Board/ financial support	
	Multistakeholder organisations		BBOP: Development of biological matrix	BBOP Standards Committee Member of second RSPO GHG Working Group	
	Government	Office of Climate Change and Deforestation (PNG) DEFRA (UK)/ DEC (PNG)			
	Customers	Presentation to British Retail Consortium			
Working Conditions	Employees		Trade union dialogue Women in agriculture Social impact assessments Whistleblowing, grievance and complaints procedures	Gender Committee Collective bargaining agreements Social impact assessments and audits	
	Government		Regular dialogue with local and national authorities		
	NGOs		Tenaganita: assessment and training		
Economic Development	NGOs	World Economic Forum		Live and Learn	
	Intergovernmental organisations			VSO: partnership and MoU UN Business Call to Action membership	
	Universities			Scholarships and industrial placement (UK and PNG)	
	Government	DFID (UK) UK MPs and local authorities in PNG, SI and UK			
Promotion and Development of Standards for Sustainable Palm Oil Traceability and Supply Chain	Financial insitutions		Customer briefings and site visits SRI questionnaires, meetings and responses Palm Oil Producers' Association PNG (POPA)	Investor briefings and SRI questionnaires	
	Multistakeholder organisations	Roundtable on Sustainable Biofuels		Sedex reporting RSPO: Alternate Executive Board Member, PNG and SI NI working groups, Communications and Claims Standing Committee, Trade and Traceability Standing Committee	
	Intergovernmental organisations		EU Environment Select Committee on Sustainable Agriculture		
	Government		Lobby to create a PNG Palm Oil Council which includes NGOs	Development of a Code of Practice for PNG Oil Palm Industry	
	Customers		British Retail Consortium EU customer presentations		
	Industry bodies		Federation of Oil Seeds and Fats Association (FOSFA) Food and Drink Federation (UK) National Edible Oils Distributors Association		
	NGOs	Victoria Zoo			
	Media		Response to interview requests/ press releases		
	Improvements in Smallholders and Outgrowers' Yields and Profitability Community Land Rights	NGOs		Aidenvironment: Facilitation of community engagement Public consultations and grievance procedures Oxfam and The Prince's Trust: Report on agronomic and institutional constraints on smallholders	Solidaridad - Palm Oil Producers' Support Initiative (POPSI)
		Smallholders, landowners and Communities		Oil Palm Industry Council (OPIC)	Incorporated Landowner Groups and individual smallholders: Training, support and grievance mechanism through Smallholder Affairs offices
Multistakeholder organisations				RSPO - Member of Smallholder Task Force	
Financial institutions			IFC/ World Bank report contribution		
Research and Good Agricultural Practice	Universities			ACIAR projects	
	Industry bodies			PNG OPRA: Funding and active involvement	
Transparency and Reporting	Financial institutions		Response to questionnaires and emails Investor presentations Investor roadshows		
	Peer networks			CSR Asia Strategic Partner	
	NGOs	Transparency International PNG Making Waves			



# Stakeholder Engagement

## A NEW MODEL FOR STAKEHOLDER ENGAGEMENT

To some extent, we have changed our engagement model over the past years. Previously, we would often seek to address issues based on whether we felt we could make a difference, and were often restricted by our size, influence or expertise. Today, we take an issues-based approach – first identifying the problem we want to address, then the role we can play, and lastly the stakeholders which will need to be involved, often forging wider groupings. This enables us to tackle broader issues, through leveraging other resources and overcoming the limits of our own capacity.

## STRUCTURED LOCAL ENGAGEMENT

In 2011, we initiated a series of consultations with local stakeholders, which bring together representatives from social NGOs and other concerned individuals from Papua New Guinea to discuss the past, present and the future of plantation development in the country. The consultations aim to identify and discuss concerns that there may be with regard to NBPOL's environmental, social and economic performance in various parts of the country, and well as wider concerns about agroforestry in PNG.

A variety of issues were raised – ranging from water quality and carbon to implementation of FPIC and concrete complaints from smallholders. We have responded to each of these concerns and will continue the dialogues over the coming years.

## 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 carries 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 on our website. The Board receives a quarterly report on any use of the whistle-blowing policy.

## INCREASING TRANSPARENCY

We know that serious engagement with stakeholders depends on our willingness to be transparent and accountable for our activities. Over the past two years, we have made great efforts to increase the amount of information available to stakeholders. In 2011, we launched a new website, which contains constantly updated policies and news on recent developments for our business. We believe that the easier access to the latest information has resulted in more robust engagements. Internally, we share information across sites through a group-wide employee newsletter.

We understand that stakeholders will have different levels of information needs, and we are constantly trying to ensure that we meet expectations. In 2012, we released our Carbon Footprint Report (see page 30 for a summary). This is the first in a series of issues-based reports which will present our detailed strategies and plans for specific areas of stakeholder concern. Our second report is targeted for release in late 2012, and will focus on our contributions to the Millennium Development Goals and the PNG governments own Vision 2050.



## THE SEED DILEMMA

While seed sales account for only 1% of our revenues, they are crucial to our ability to increase yields and extraction rates, and for us to maintain 100% control over our production from planting material to refinery. We also believe that our highly productive seed help others produce more palm oil from less land, and thus has the potential to reduce pressure on natural resources. In 2010, we divested our Indonesian seed joint venture Dami Mas, which gave us even larger control over not only the production of seed, but also sales.

Stakeholders in Papua New Guinea raised their fears that the Special Agricultural Leases (SABLs – page 39) which allow for extensive development of oil palm and other crops in PNG would drive destruction of HCV and violate customary land rights. We shared this concern and in early 2010, at the request of NGOs drafted a code of practice to be used for all palm producers in PNG. This was a starting point in working towards screening unsustainable producers in PNG. It listed 20 codes and included sourcing seedling from certified vendors as a criteria. In addition we reviewed options for bans on sales without adequate documentation that seed was used only for oil palm developments which met a set of minimum criteria. Unfortunately, we found that such a ban was impossible for both technical and legal reasons: First, as the only supplier of oil palm seed in PNG, a refusal on our part to sell seed would risk the import of inferior seed, which could contain disease, or in the longer-term include genetically modified planting materials – both of which could destroy the

PNG oil palm industry. Second, the PNG legal system under the ICCA act guards against companies abusing positions to gain market advantage. As the sole seed producer in PNG our legal advisors regarded any restriction in provision of seed to such projects as a violation of the ICCA Act (Sections 50 and 58).

We have raised our concerns with the PNG authorities, and asked stakeholders to support us. However, we have had little response from PNG officials or the stakeholders who raised the issue.

As part of an initial policy review in 2011, we assessed the impact of all our activities to ensure that we could not be indirectly complicit in violations of human rights breaches or large-scale destruction of high conservation values. As a result, we decided to halt all sales of seed to Burma with immediate effect. Burma has no established recognition of customary land rights for the country's sizeable indigenous population, making Free, Prior and Informed Consent impossible.

As the situation in Burma is currently appearing to change, we are monitoring developments on an ongoing basis.





# Climate Change

## Footprint, Reductions and Risk

**NBPOL is acutely aware that the issues of climate change and reduction of GHG emissions are part of the broader definition of being a responsible palm oil producer**

NBPOL is acutely aware that the issues of climate change and reduction of GHG emissions are part of the broader definition of being a responsible palm oil producer. In 2011, we completed our first Carbon Footprint Report, and made a commitment to a 'no net carbon loss on expansion' policy, as well as commitments of net emission reductions of up to 70% over 5 years.

### ESTABLISHING A BASELINE

In February 2012, we were the first oil palm company to publish a full Carbon Footprint Report, covering 'Cradle to Refinery'. The report presented an analysis of the company's carbon footprint, mitigation strategies and projections of carbon reductions over the next 5 years. In addition to enabling internal improvement, the report also ensures that NBPOL can contribute to customers' carbon accountability and reductions, which is a cornerstone in remaining the leading supplier of traceable and sustainable palm oil.

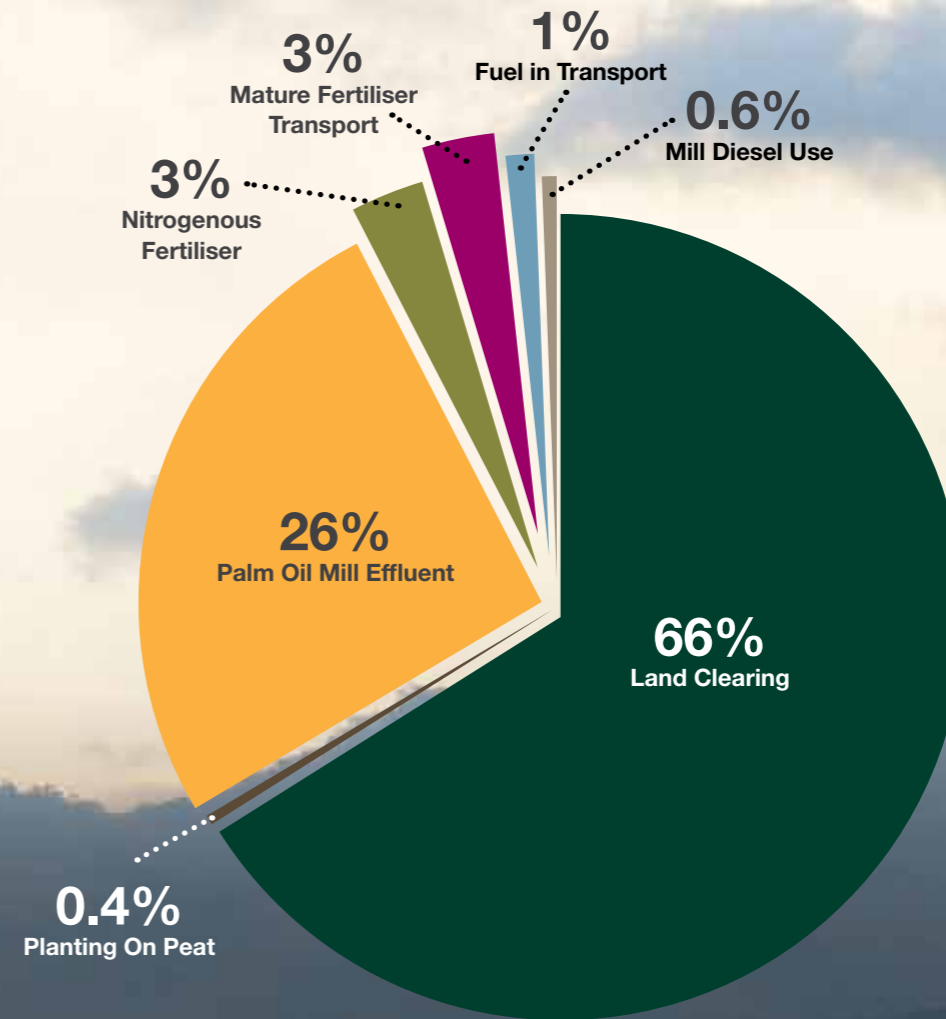
Work on the report was initiated in 2009, and is based on data from our largest site in West New Britain, as well as our New Britain Oils Refinery in Liverpool, UK. We completed the first phase of the carbon measurements in 2011 with the generation of a carbon calculator - PalmGHG - which has become the RSPO's approved methodology for calculating emissions. The report is the first phase of NBPOL's target to account for the Group's carbon footprint in its entirety by 2013.

### RAISING THE BAR- NO NET CARBON

The Carbon Footprint forms the basis of a 'no net carbon loss on expansion' commitment, ensuring that any unavoidable carbon emissions, e.g. from historical land use change, are offset by sequestration - for example by planting oil palm on grassland, which has low sequestration value.

Prior to this initiative, in 2002, NBPOL first committed to reducing all emissions, including greenhouse gases. Some elements had already been established, such as our zero burn policy for new developments which was introduced in 1969. Throughout the evolution of the RSPO, NBPOL has been active in developing and refining greenhouse gas (GHG) aspects in the standard and declared a 'no planting on peat' policy in 2010.

### OUR CARBON FOOTPRINT



Sources of Emissions within NBPOL's operations



# Climate Change

## Footprint, Reductions and Risk

The total gross and net emissions for NBPOL, West New Britain Plantations, mills and refinery and New Britain Oils, Liverpool refinery have been determined for 2010. 92% of these derive from land use conversion and palm oil mill effluent. We follow best practice in including carbon from land use over the life of the crop. This means that emissions from land clearing, as well as any sequestration, dating back to 1985 has been incorporated.

Total net emissions are:

West New Britain	269,140	tonnes of CO <sub>2</sub> eq
Liverpool Refinery	39,256	tonnes of CO <sub>2</sub> eq

This has been broken down and apportioned to palm oil products produced on site and from the refinery in Liverpool.

The carbon cost of Crude Palm Oil (CPO), Palm Kernel Oil (PKO), Palm Kernel Expeller (PKE) and Refined Products from the West New Britain operations is

0.90	tonnes CO <sub>2</sub> eq	per tonne of CPO
0.22	tonnes CO <sub>2</sub> eq	per tonne of PKO
0.22	tonnes CO <sub>2</sub> eq	per tonne of PKE
0.92	tonnes CO <sub>2</sub> eq	per tonne of Refined Product

The transport to, and production of refined products from, Liverpool resulted in a carbon cost of Refined

Deodorised and Bleached oil (RBD) and Palm Fatty Acid Distillate (PFAD) of :

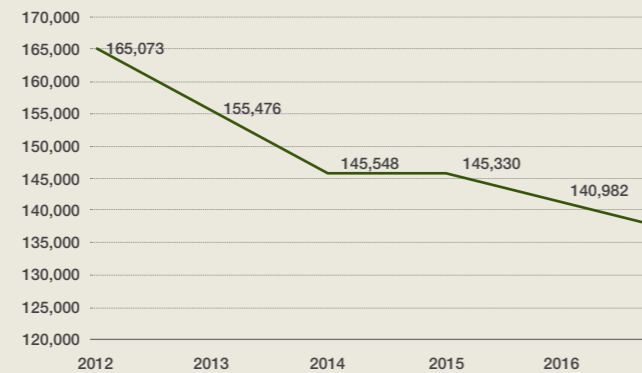
1.26	tonnes CO <sub>2</sub> eq	per tonne of RBD
0.07	tonnes CO <sub>2</sub> eq	per tonne of PFAD

### MITIGATION AND REDUCTION STRATEGIES

The Carbon Footprint Report identified four main strategies for mitigation and reduction: Methane capture of Palm Oil Mill Effluent (POME), no planting on peat, no planting on primary rainforest and replanting strategies designed to increase yield as well as increase sequestration.

Emission reductions have been estimated from work on methane capture. Reductions, based on current 2010 emissions are expected to be:

2012	30% reduction, with net emissions at 188,591 t CO <sub>2</sub> eq
2014	50% reduction, with net emissions at 134,708 t CO <sub>2</sub> eq
2016	70% reduction, with net emissions at 80,825 t CO <sub>2</sub> eq



Projected reductions in Net Emissions (2012-2016) as a result of implementing methane capture CDM projects at Mosa and Kumbango mills.



Grassland available for planting

### RISKS FROM EXTREME WEATHER

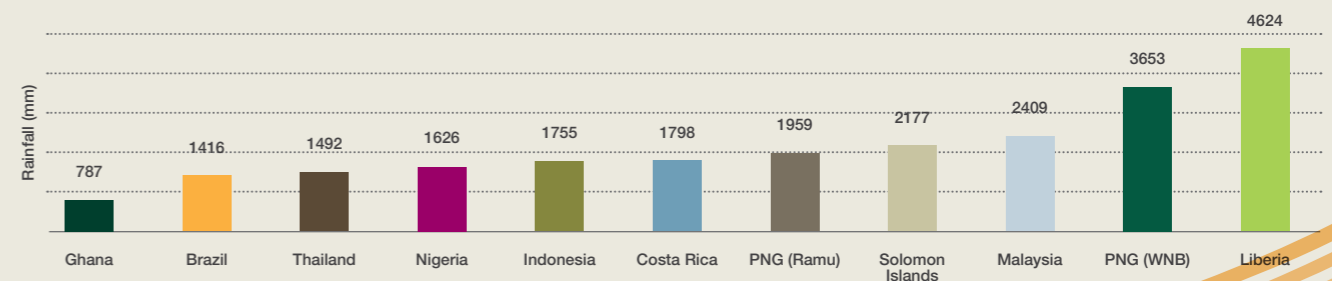
For an agricultural company, changing weather patterns due to climate change have the potential to pose severe risks. For oil palm, excessively dry conditions are a particular concern. However, all of our operations are in areas where droughts are extremely rare. We have monitored weather patterns since 1980, and have seen no sign of increases in extreme weather. In that period, our largest operations in West New Britain have seen only one year with average rainfall above 5000 mm, and we have never experienced rainfall below 2500 mm, and have always stayed well within the norms of successful oil palm growing countries.

In 2011, at the request of an investor, we analysed our operations for tsunami risks. This showed that only one of our operations – Poliamba – would be significantly affected by an extreme event, and that even the most extreme tsunami event would affect

only 2,335.26 ha out of 78,000 ha or 3% of our land holdings. In addition, data from the National Geophysics Data centre (<http://www.ngdc.noaa.gov/hazard/tsu.shtml>) shows that no significant tsunami events have been recorded in the areas of PNG where we operate since records began.

However, whilst our crops are relatively safe from extreme weather, we do recognise infrastructure, such as bridges, roads and port facilities may be vulnerable to natural disasters. While the risk of serious damage is low, this is an area identified by our Issues Management Committee, and mitigation strategies are being developed to minimise any potential business disruption.

### AVERAGE ANNUAL RAINFALL IN PALM PRODUCING COUNTRIES





# Chemicals Usage

In line with our RSPO commitments, we are constantly seeking to reduce our chemicals usage. We do this through a well-established integrated pest management (IPM) system, which seeks to minimise and replace synthetic chemicals throughout our operations. From 2012, we have made the decision to cease all use of Paraquat, a decision based on several years of stakeholder engagement

TOXICITY PER HECTARE - HERBICIDES  
(WEST NEW BRITAIN)



## PHASING OUT PARAQUAT

In 2011, we made the decision to phase out Paraquat, and as a consequence we will cease all use by May 2012. We have always believed that Paraquat is the most effective herbicide for immature palm, and that its use is safe with correct usage. However, our decision to abandon Paraquat was made on the basis of continued stakeholder concerns, primarily related to historically poor stewardship in other parts of the world.

Currently, there is no direct substitute for Paraquat, and we are looking to achieve the same level of crop protection through alternative management strategies. We will replace Paraquat usage with Basta, a significantly more expensive herbicide. We will also be supplementing with additional rounds of glyphosate and additional manual weeding.

The direct cost of these strategies are high. Our pesticide budgets for immature palm for 2012 estimates a 21% increase, whereas mature palm, where Paraquat is rarely used will increase by 5%. In addition to this, we will see significantly increased labour costs, due to additional spraying rounds and manual weeding.

## REDUCTION AND STEWARDSHIP

We remain vigilant in monitoring pesticide usage and handling. In addition to our ban on prophylactic spraying throughout our operations, we are also monitoring total use. All of our sites report monthly on pesticide usage, to track any increases. Over the past years, we are now seeing a gradual reduction as a result.

Our sprayers are trained in correct handling, and are required to wear full protective equipment at all times. We also record any injuries to sprayers caused by incorrect handling, to ensure that such incidents are eventually eliminated. In 2011, 3% of our recorded injuries were related to use of chemicals – mostly caused when workers were removing protective clothing and equipment. To remove the risk of mis-use of chemicals and re-use of containers, pesticide storage units are securely locked.

## 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 AAAAA 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.



# Stakeholder Comment On Paraquat Phase-Out

**NBPOL joins a handful of companies, all of which has made this progressive leap and continue to enjoy high productivity**

Sustainability in palm oil production entails that the health of workers and communities around plantations is respected and protected, that and environmental diversity is maintained or nurtured. The RSPO standard address the use of WHO Class 1a and 1b pesticides, pesticides listed in the Stockholm and Rotterdam Conventions, and Paraquat. "Documentary evidence that use of chemicals categorised as World Health Organisation Type 1A or 1B, or listed by the Stockholm or Rotterdam Conventions, and Paraquat, is reduced and/ or eliminated.

To date, the RSPO has failed to take appropriate action to ensure that alternatives to Paraquat have been identified, but this does not exclude RSPO members to take individual action and actively seek alternatives for this highly hazardous herbicide, bearing in mind that the right direction is working for an integrated weed management control without use of chemical pesticides.

The inherent hazard of Paraquat has made its use a major health danger to workers and users of this chemical. The elimination in the use of Paraquat by some growers or the use of non-chemical weed management technique by others demonstrates that sustainable palm oil production without Paraquat is achievable. In spite of this, the unwarranted use of Paraquat continues causing undue harm to workers, communities and the environment.

In my engagement with New Britain Palm Oil over the years, I have always experienced them as a dedicated advocate of integrated pest management strategies, and chemical stewardship. However, up till now, I was also an avid critic of NBPOL's use of Paraquat, as I believe that palm oil cannot be truly sustainable as long as companies continue to expose workers to such hazardous chemicals.

I therefore welcome the commitment New Britain Palm Oil Ltd to ban Paraquat from all operations with effect this year. NBPOL joins a handful of companies, all of which has made this progressive leap and continues to enjoy high productivity. There are other chemicals especially broad spectrum pesticides that need to be critically addressed as well. However, I am pleased to see this step, which will surely be a positive example for others to follow.

It is my hope that other oil palm growers as well as industry bodies and the RSPO will now understand that highly productive oil palm cultivation need not depend on Paraquat to the endangerment of workers but there is a need for a clear road map towards sustainable integrated weed management.



## ABOUT DR IRENE FERNANDEZ

Dr Irene Fernandez is Director and co-Founder of Tenaganita, a Malaysia-based NGO advocating for the rights of women, migrant workers and refugees. She is also on the Steering Council of the Pesticide Action Network Asia-Pacific (PANAP). In 2005, she was awarded the Right Livelihood Award for "her outstanding and courageous work to stop violence against women and abuses of migrant and poor workers". That year she was also nominated for the Nobel Peace Prize as part of the 1000 Women for Peace project.

Irene was a member of the first Criteria Working Group of the Roundtable on Sustainable Palm Oil, where her efforts ensured that workers' and women's rights, as well as responsible weed management practices were incorporated into the RSPO Principles & Criteria.



# Biodiversity

**We adhere to the precautionary principle for all new developments. There are no plantings on peat, and there is no development on land containing high conservation values (HCV). The largest new development at Silovuti in WNB proceeds in accordance with the RSPO new planting procedure. The principle of free, prior and informed consent is implemented for all new developments**

## LOCAL INITIATIVES FOR BIODIVERSITY

At each of our sites, we work actively towards enhancing biodiversity: In Solomon Islands, a rapid conservation assessment report covering the entire rehabilitated plantation (8,000 ha) was completed in March 2010. The assessment recognises that both the current area of plantations and the potential future area for expansion are highly modified environments. These findings will now form the basis for habitat management plans. In West New Britain 10 "ecosystem service" areas have been identified but development of the habitat management plans are slow. Six internal rapid HCV assessments covering over 2,000 ha have been completed. These will now await independent HCV validation. At Ramu a habitat management plan is being developed for an area called "Sasip". A further 270 hectares have been identified as containing HCVs and requiring rehabilitation.

A major focus is on enhancement of reserves and riparian buffer zones. A total of 13,964 native trees have been planted to date in West New Britain. Total reserved land in West New Britain is just over 5,000 ha, which is around 9% of the total planted hectareage. At RAIL approximately 70,000 seedlings of various native trees were raised in 2010 and 27,000 seedlings were planted within the village community. This is part of an extension program to meet the current livelihood needs of customary land owners and prevent encroachment into forests. A further 5,437 trees were planted within the estates.

At Higturu, estates are actively involved in a biodiversity support programme in partnership with the Department of Environmental and Conservation and the Oro State Provincial Administration on conservation of the Queen Alexandra Bird-wing Butterfly (QABB). Preliminary discussions are ongoing with NGO Partners with Melanesians who have been actively involved in monitoring the QABB program, and the focus for the future will be to try to find cultural ways of managing the environment of the butterfly together with the Group's research department.

Edith Cowan University researchers have also been in West New Britain for a period of 3 months completing bird surveys. The findings of the survey are expected to be published by in a scientific journal by Edith Cowan University. Work continues with the Business Biodiversity Offset Program in a partnership to ensure that there no net loss of biodiversity linked to Group operations.

## WIDER CHALLENGES

Papua New Guinea remains one of the most biodiverse countries in the world, with a relatively high ratio of pristine, primary rainforest. However, in recent years, an increasing number of companies are applying for licenses to develop oil palm. Of considerable concern in the recent years has been the approval of a series of 'Special Agricultural Business Leases' (SABLs), which enables investors to log new areas. Strong concerns and legal challenges raised by environmental NGOs and community groups have put a temporary halt to further activity.

We wish to support opportunities for the people of PNG, but we strongly believe that this should be done with strict observance of standards like the RSPO – preventing loss of high conservation values, and causing irreparable environmental damage.

We are therefore actively engaging with the National and Provincial governments, and supporting the establishment of a Code of Practice for palm oil cultivation in PNG. We are also working towards the establishment of a Palm Oil Council, which would include civil society, in order to create a forum for consultation and agreement of appropriate agricultural practices.



## CPO Spill In Milne Bay



Morning after spill



Three days after spill

In March 2011 our Milne Bay operations (MBE) experienced a leak from a valve of approximately 130 tonnes of Crude Palm Oil (CPO) from one of our CPO storage tanks. The majority of the CPO was captured behind the tank farm bund wall and was recovered and transported back to the mill for reprocessing.

However an estimated 30 tonnes of CPO escaped through a hole in the bund wall and flowed through the storm water drainage system into the sea at the main Alotau wharf. MBE staff responded immediately and moved to notify local emergency response authorities, including the Alotau Fire Brigade, National Maritime Safety Authority (NMSA) and the Emergency & Disaster Department of the Milne Bay Provincial Government, all of whom responded immediately.

MBE, in conjunction with the various emergency units worked day and night to contain and recover as much of the CPO as possible. Oil spill booms were utilised to contain the various slicks adjacent to the PNG Ports main wharf and inside Sanderson's Bay, with this oil being recovered by bucket chain and the Provincial Government's "marine oil skimmer". Dinghies were also been deployed with crews using knapsack sprayers to isolate any of the smaller CPO slicks with an oil emulsifying agent.

In the days after the spill, land-based crews patrolled the affected foreshore areas spraying any washed-up deposits of CPO with the same emulsifying spray. The boat crews were also deployed to spray the hulls of any boats in the harbour that had been exposed to the CPO. We believe that we managed to recover at least 90%.

In the interest of transparency, we also alerted local and Port Moresby-based NGOs immediately following the spill. The subsequent engagement was helpful in identifying strategies to prevent future spills and appropriate remediation to be undertaken. The NGOs also assisted us in identifying a local third party with the credibility and expertise to assess our handling of the situation, and ensure that follow up would take place. An organisation called CSV, led by Mr. Ian Poole, was selected, and he reported back to MBE and the NGOs on progress. His final report included the following conclusions:

## External Impact Review

### ENVIRONMENTAL IMPACT OF CPO SPILLAGE

The company's timely reaction to the incident, together with good co-operation from other agencies, reduced the ability of the surface scum of oil suffocate underwater marine life, through oxygen deprivation. More importantly though, crude palm oil is essentially a non-toxic vegetable oil, unslightly [sic] though it might appear when in the wrong place.

MBE has been able to account for all but about ten tonne of its product, which is quite a good result in the circumstances, and I am of the opinion that the overall impact of this spill has been minimal.

### STATUS OF REMEDIAL WORK

Fair progress has been made during the wet season but, with drier times upon us now, it is important that the company expedites the balance of the work, especially the grading of the ground within the bung wall and the fitting-out of the sump with appropriate pumping equipment.

The oil palm industry in Milne Bay Province is over twenty years old now and so are some of the weaknesses that have recently emerged, and created problems. We, the company and the community, have had a scare with this CPO spill and the lessons are there to be learned.

When all is running well, there are those who would argue in favour of the slogan, "If It Ain't Broke, Don't Fix It". Whilst this slogan is humorous and has merit in certain circumstances, I would like to offer another one, "Eternal Vigilance".

The current owner of our oil palm operation does not deserve the blame for all that has gone before, but it will be judged by how it recovers and progresses from this very public incident. May its modus operandi be "Eternal Vigilance".

**Ian Poole**  
22nd October, 2011

### CREDENTIALS OF THE AUTHOR, MR IAN POOLE

Ian Poole was born in Melbourne, Australia and graduated from the University of Melbourne in 1969 with a B.Sc(Hons), majoring in geology. After working as an exploration geologist in Australia for two years he won a similar position in PNG, arriving in mid-1971.

He has spent most of the ensuing forty years in Milne Bay Province, living largely in rural areas, and has developed a passion for the tropical environment and its people. His major preoccupation, apart from the mineral scene, has been a sixteen year stint running his own trading company on Samarai Island.

He and his late Papuan wife have three adult children. Now, with a second partner, he owns a small investment and property development company, and is currently based in her village on the shores of Milne bay.

Ian has no involvement in commercial agriculture and is not associated in any way with Milne Bay estates.



# Water, Emissions and Effluents

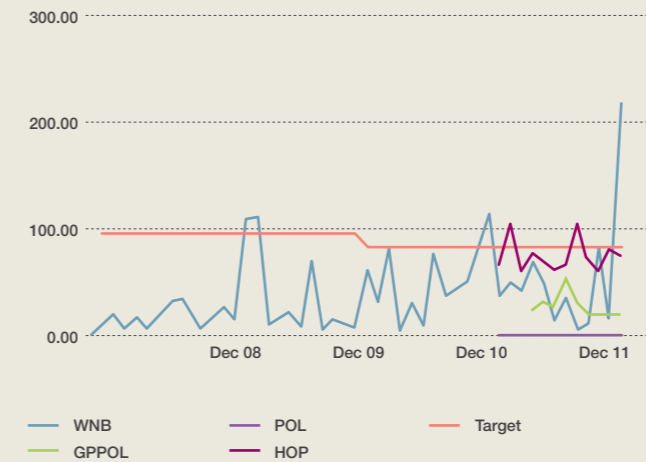
**We seek to minimise and address any immediate impact on the areas around our sites by carefully monitoring and managing effluents, water as well as air quality**



## PALM OIL MILL EFFLUENT (POME)

Effluent from palm oil mills constitute our most significant waste flow. Two of our sites now have methane capture facilities in place or under construction, and the remainder plan to implement such facilities, which will ensure that biogas emissions will be turned into energy. All POME is treated in anaerobic ponds, ensuring that Biological Oxygen Demand (BOD) levels are safe for discharge or land applications. Both PNG and Solomon Islands have strict standards for BOD levels, and we strive to achieve levels which are 10% below the legal standard.

## BIOLOGICAL OXYGEN DEMAND LEVEL



## WATER QUALITY MONITORING

In response to a growing awareness of the need to measure and monitor water quality, and at the request of local NGO's, our site in WNB set up eight water monitoring sites in 2010. These permanent sites measure water inbound and outbound from four catchment areas. Two parameters were chosen as indicators to potential water quality, nitrates and phosphates. Both of these chemicals are present in fertilisers applied to our plantations, and if contamination from adjacent oil palm fields was occurring then the likeliest source would be fertilisers, which can migrate from land to water.

Targets of 10 and 5 ppm (respectively) were selected from best available scientific evidence and the WHO recommended limits. Samples were taken at monthly intervals. Over the last three years, nitrate levels have not exceeded targets and only in two months did phosphate levels exceed the limit. We believe these two spikes are artefacts of the sampling process. Outbound water phosphate levels are on average 0.4 – 1.2 ppm higher than inbound water and nitrates between 0.3 and 0.75 ppm which suggests there is translocation, but at a very low level. All are below the World Health Organisation recommended figures. This work will now be expanded to include other parameters and more rigorous scientific management.

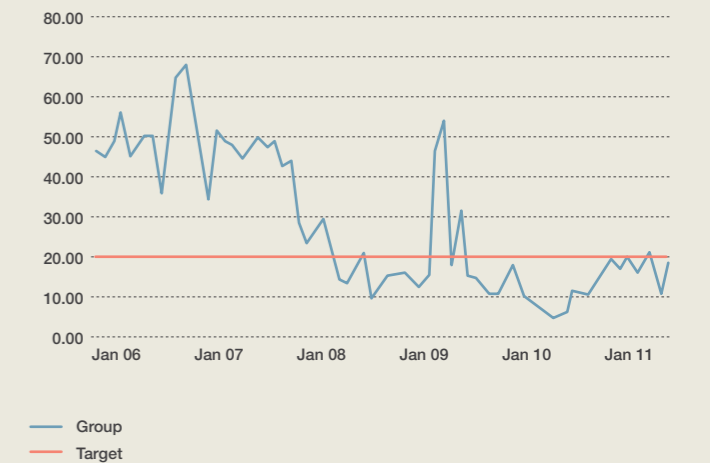
The ACIAR funded project "Sustainable management of soil and water resources for oil palm production systems in Papua New Guinea" has as one of its objectives to develop indicators of aquatic ecosystem health. The work is in its third year and is active at all five NBPOL operations in PNG.

The project assessed water quality at 60 sites in 22 stream systems and assessed Fauna at 41 sites in 21 stream systems. Some differences between nitrates and phosphates in small and large water systems were detected, but no apparent accumulation. There is some evidence of eutrophication which is tentatively identified with either domestic washing (phosphates are in soaps and detergents) mill operation or fertilisers. The study includes work on oxygen reduction potential, pH, salinity, temperature, turbidity and dissolved oxygen measurements.

## SMOKE AND DUST

Smoke emissions from all our mills are monitored using Smoke Density Sensors which replace the Ringelmann Index - a chart used in air pollution evaluation for assigning the degree of blackness of smoke emanating from a source. These new sensors provide absolute values.

## SMOKE DENSITY





# NBPOL Foundation

## A New Blueprint For Development

The NBPOL Foundation was established in 1998 to support community projects in West New Britain

With the significant growth of the company in recent years, we wished to broaden the remit of the Foundation. In 2011, a fundamental overhaul of the governance structure was undertaken, a new blueprint was approved, and the Foundation now cover all our sites in PNG. The Foundation has now set out a new strategy which focuses on meeting the needs of communities whilst seeking to address the priority areas set out in the Millennium Development Goals and PNG's Vision 2050.

### FOUNDATION GOVERNANCE

The composition of the Board of Trustees has also been reviewed to ensure that there is sufficient capacity and knowledge represented, and now consists of two Non-executive, Independent Directors from NBPOL's Board of Directors (both PNG Nationals), one external independent trustee, the Group Sustainability Manager and NBPOL's Company Secretary. The Foundation is led by the Group Sustainability Director.

### A STRATEGIC APPROACH

Since its inception, the NBPOL Foundation has supported local communities through donations and contributions to community-based projects, as well as enhancements of education and health establishments. While the work has been well-received, we assessed that the growth of the Group required a stronger focus on long-term investment, as well as focusing on the big issues of improvements in health, education and poverty reduction in and around the areas where we operate.

In addition we recognised that enhanced governance was required. Two of the main board members of NBPOL are now trustees of the Foundation with specific oversight functions.

In order to increase the overall impact of the Foundations work, and to deliver more value back to stakeholders, a long-term, strategic and collaborative approach has been adopted. This will increase the Foundations ability to:

- Engage with the wider rural communities to ensure their social wellbeing
- Better select and manage where and how funds are used
- Align priorities with PNG government needs
- Work with existing government and non-government efforts to increase likelihood of success, and provide greater access for additional funds

VSO (Voluntary Services Overseas) has been selected as the prime partner organisation to assist the NBPOL Foundation in establishing and implementing its long-term strategy. VSO is an international NGO, working in 37 developing countries worldwide. It has been operating in PNG for 50 years, working through the recruitment and placing of international long-term and short-term professional volunteers working in the development areas of Education, Health, Governance, Gender and Disability. They are a member of the International Development Committee in PNG, have a strong and positive reputation with the PNG Government and are well respected amongst the NGO community for their sustainable development practices.

### UNDERSTANDING NEEDS

Our first step will be to undertake a Community Baseline Assessment (CBA), to establish the current condition of infrastructure, services and social well-being factors affecting education and health. This include an extensive field-based study with local stakeholders.

The target for the initial baseline is for the people living in the immediate area of our operations- i.e. the population residing within a 10km contour of the site offices (not including plantation areas, as these are covered under NBPOL company provisions). The CBA will initially be undertaken in three locations, West New Britain, New Ireland and Madang/ Morobe.

VSO will co-ordinate the CBA, on behalf of the NBPOL Foundation, over a six month period. In order to ensure effective community engagement, the international volunteers work with a 'shadow-team' of locally engaged community-based volunteers to conduct the study. The CBA team will also work with the NBPOL Group Sustainability Manager and the Sustainability Managers.

The CBA will commence by identifying all key stakeholders (such as local NGOs, Ward Leaders, Church leaders, government officers and village chiefs) from the communities to ensure that their expectations are clear before any work starts.

### INTENDED OUTCOMES OF THE CBA:

- CBA report (containing quantitative and qualitative data linked to MDG and PNG Vision 2050 indicators) available and communicated to all stakeholders that provides the basis for establishing the Foundation longer term activities
- Analysis and recommendations on the priority needs within each area, along with scoped project concepts and costs ready for consideration by the board, and for further funding discussions
- Capacity development of community-based volunteers to support local projects.
- A structured approach to defining development intervention strategies for specific areas in PNG.
- A tool for NBPOL to determine how the population growth expectations impact on future capacity

### FUNDING

Currently, the main source of funding for the Foundation is the annual dividend from the 450,000 NBPOL shares held. In 2010, no dividend was paid out, but in 2011, this amounted to PGK 150,660. To ensure continuous funding, the Board of NBPOL donated PGK 1 million.

Part of the strategy of the Foundation is to demonstrate and document impact, and hence become eligible for additional funding from e.g. other corporate foundations and development agencies. In addition, we would like to develop programmes which enable end-users of NBPOL's traceable palm oil to become involved in community investment.



# Smallholders and Outgrowers

**Smallholders in PNG and Solomon Islands supply around 30% of our fruit and are our most important suppliers. Our policy has always been to include smallholders in our sustainability efforts and to ensure that they, too, can enjoy the increased yields and incomes which come with better management practices**

In WNB, RAIL and GPPOL, all of our smallholders were RSPO certified concurrently with our own estates. When we acquired Poliamba, Higaturu and Milne Bay, we realised that although the estates themselves had been recommended to proceed with immediate RSPO certification, the smallholder communities around these plantations had not been included in the scope of certification. Our policy is to ensure inclusion of smallholders in certification, and therefore put a stop to the pending certifications of the estates, in order to ensure that smallholders were prepared. Over the past years, we have placed great emphasis on the support of these smallholders, and in April 2012, the first of the acquired sites, Poliamba, successfully passed certification, inclusive of all smallholders.

## RESTORATION AND REHABILITATION OF NEGLECTED BLOCKS IN HIGATURU

Of the three new sites, Higaturu has the largest smallholder community – some 5,706 blocks covering over 14,000 hectares. Our initial assessments revealed that many of these blocks were severely impacted, having been either abandoned or neglected due to damage done by the cyclone Guba in 2007. As a result poor management practices and lack of regular harvesting average yields hovered around 9 tonnes of fruit per hectare with some blocks yielding below 2 tonnes per hectare.

In collaboration with the communities, we developed an innovative and participatory approach, providing credit, training, support and supervision in agricultural management techniques and sustainability. The project will also involve extensive replanting of close to 5,000 hectares.

The programme has been an initial success. In one trial area, an increase in yields of 120% was recorded. The current average production of this area is almost 14 tonnes per hectare with the aim of increasing the yields up to 25 tonnes in 3 years.

The project went beyond mere agricultural improvement. Our supervisors also reached out to disenfranchised communities and offered jobs to unemployed youths on the restored blocks. As a result, these youths are now engaged as active members of the community – and a significant positive side effect has been a reduction in crime and vandalism.

## EMBEDDING SUSTAINABILITY AND GOOD PRACTICE ACROSS GENERATIONS

West New Britain, RAIL, GPPOL and Poliamba have achieved RSPO certification inclusive of smallholders. This is a tremendous achievement, but we also consider this as a starting point for continuous improvement and embedding of sustainability. The certification process has enabled us to engage with smallholders, and we are now taking this engagement further by ensuring that younger generations in the smallholder communities understand the potential of good agricultural practice and sustainability in improving livelihoods. We are now engaging on broader issues, such as health and gender, including looking at ways to provide income for women through the mama card programmes.

## SHARING THE RSPO PREMIUM

When we achieved our first RSPO certification in 2008, we committed to passing on any premium to smallholders. Since our oil is sold through the integrated supply chain, we have not received a direct premium, but used the average GreenPalm certificate price per tonne of CPO as a basis to calculate premiums. In 2010, this amounted to USD 10 per tonne, which was paid to the smallholders in West New Britain based on their year's fruit production. However, in 2011, the premium dropped to less than one USD per tonne. To ensure incentives for continuous improvement for smallholders, for 2011-2012, we have therefore set a floor of USD 10 per tonne to be paid out as our premium for sustainable practices, in addition to the ordinary FFB price.

Total 'sustainability bonus' for WNB smallholders in 2010 was PGK 2,448,620 and in 2011 PGK 2,436,747. Smallholders in RAIL and GPPOL will be receiving the premium from 2012, paid out in January 2013.

In 2010 RSPO recognised NBPOL for our work with smallholders in a certificate awarding ceremony at the Roundtable conference in 2010.

## Insight

### Rehabilitating Smallholder Blocks Makes A Difference



Before rehabilitation



After rehabilitation

My name is Paul Gaiariba, I am 22 years old and I was recruited from block 060-126 under Sorovi Division in December 2010 to do rehabilitation work in smallholder blocks.

Before the rehabilitation scheme was started, the blocks were very bushy, performance in the blocks was not up to date, upkeep was very poor and fertiliser application was not up to date. Since the introduction of the smallholder rehabilitation scheme, I now observe that the blocks are clean, upkeep is well maintained, and harvesting and pruning are up to date.

Some areas in which NBPOL should improve are to maintain the roads, as poor roads are leading to no pickups of smallholder fruits and this can cause big losses in their production. It would also be good to introduce a tools issuing systems and PPE issuing system for the rehabilitating employees to carry out their duties effectively.

Our fathers or block holders are complaining, saying that the system has too many pay deductions. However, our economic problems have been solved. Before, we children of block holders were often neglected due to money being used by our fathers on beer etc. We now have our own pay envelopes that can sustain our personal needs.



# Labour Standards

**We continue to use the core labour standards of the International Labour Organisation (ILO) as the foundation of our employee policies. In 2012, we adopted a formal Human Rights policy which codifies this commitment. Freedom of association, non-discrimination and a total ban on bonded, forced and child labour form the minimum, and in addition we are also focusing on fair pay and decent housing**

## **FREEDOM OF ASSOCIATION**

All of our employees are free to form or join a union of their choice. All of our sites have active trade unions, and RAIL has a collective bargaining agreement in place. In 2011, we had a total of 31 work stoppages across the group due to industrial action. All were minor disputes, which were resolved within 24 hours. Overall, we enjoy good labour relations, and Management at each site meet regularly with union representatives.

## **FORCED AND BONDED LABOUR**

All employees have clearly communicated and signed contracts. They are free to leave employment with an agreed notice period. We never hold travel documents, identification papers or require other types of bond from employees.

## **CHILD LABOUR AND FORCED LABOUR**

New Britain Palm Oil Ltd has a strict policy to prevent and combat child labour, and will not employ anyone under the age of 16. We make great efforts to verify the ages of all employees. Including but not limited to birth certificate, school and church

records, ID card from previous employment driving license and statutory declarations. A medical examination is mandatory before commencing employment for all potential employees.

In August 2011, we were made aware of allegations that children were harvesting in our Higaturu and West New Britain estates. We took immediate action to investigate and found that the allegations were incorrect, and that visuals were in fact of children working on smallholder plots, as it is not unusual for children to help out the family. We are now working at both sites to ensure that smallholders understand the value of education and that the family business should not interfere with access to school.

## **FAIR PAY**

In 2010, we revised all wages across the Group to ensure align pay across all operations, including our new acquisitions. This resulted in significant pay increases for many workers. Our wage packet includes housing, medical care, utilities as well as some school fees and transport. These are included in our adherence to the PNG Minimum Wage requirements. The Minimum Wage

statutes were reviewed in 2010, and are likely to be reviewed again in 2012. We monitor these to ensure compliance.

In addition to the legal requirements, we have also made efforts to establish a benchmark for a living wage via the 'Billum Index' This index tells us more about the living standards of our workers, and enable us to address any shortfalls.

## **HOUSING**

Over the past years, we have made a concerted effort to improve housing conditions across our operations. This was particularly necessary on our new sites, where little ongoing maintenance had been taking place in previous years. Building and maintenance in PNG is relatively complex, due to the limited availability of materials and building professionals in our remote locations.

After a survey of housing in 2010, we committed to a program of new house building repairs of existing housing. Over 50% of this will be allocated to the new sites, where the need is pressing.

Some 160 employees are involved in pilot garden projects within the Group with the aim of increasing the availability of green vegetables to supplement dietary requirements and provide additional income from the sale of surplus vegetables.

## **NON-DISCRIMINATION**

Approx 22% of our employees are female, and we want to create an environment where all employees are free from discrimination and harassment. Four of our six sites have established gender committees, which make recommendations to management on workplace issues specifically related to women. In 2011, this prompted us to review our guidelines on maternity leave, which were inconsistent across our sites. The newly formed gender committees in the two remaining sites will be fully functional by the end of 2012.



# Health and Safety

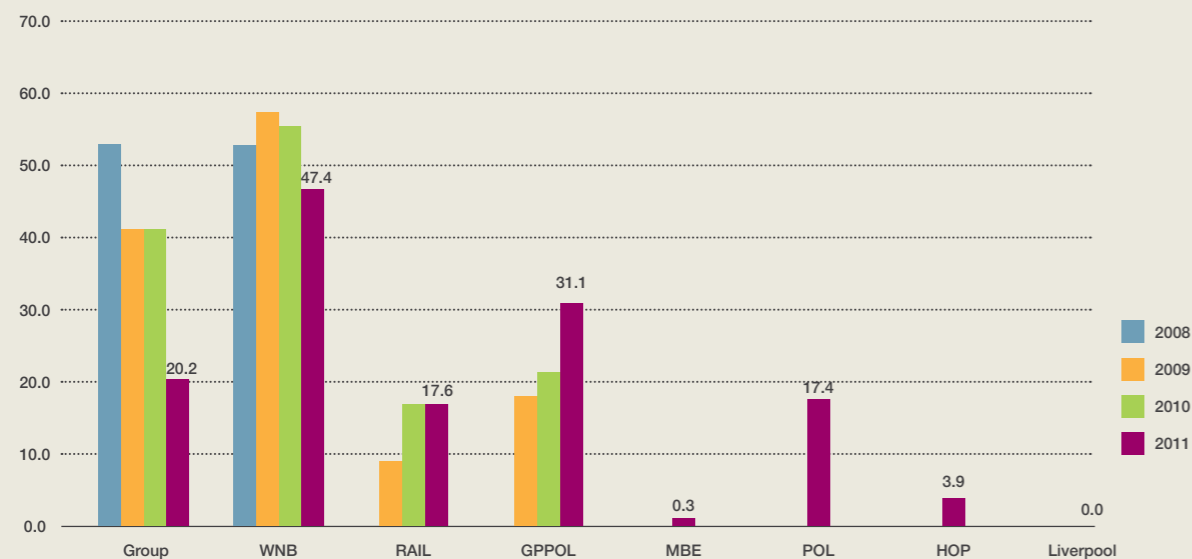
The safety of our employees remain a top priority for us. The Board of Directors monitors the situation quarterly and over the past years, we have invested considerably in training of all employees, and are continuously strengthening reporting mechanisms

## ACCIDENTS

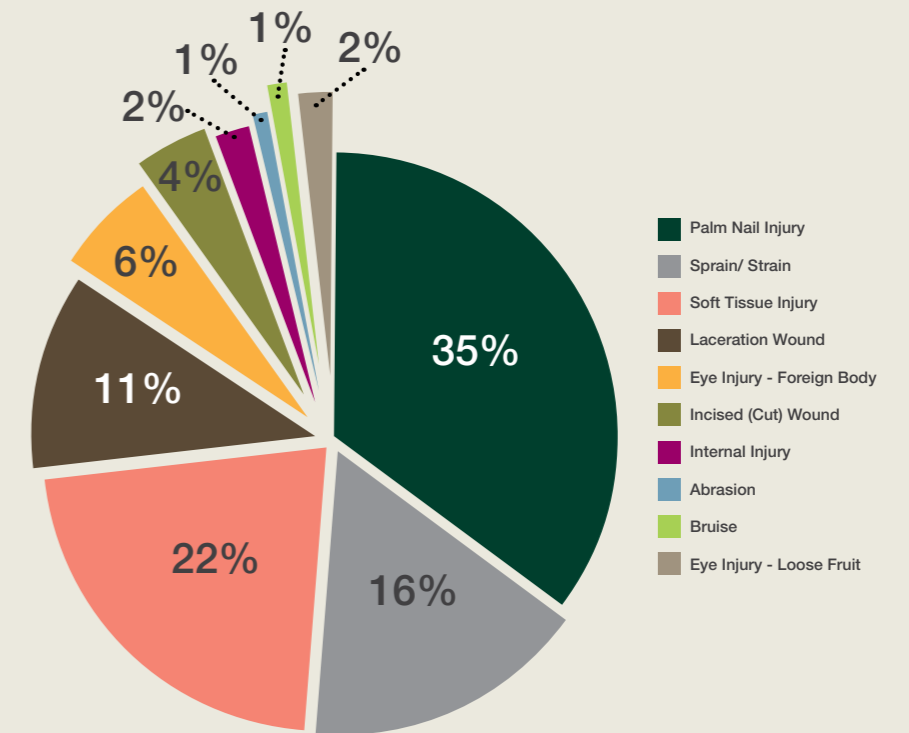
Our accident rates have been reduced in WNB and in RAIL over the past years, and remained low on the new sites of MBE and HOP. GPPOL in Solomon Islands is the only site to miss our 5% year-on-year reduction targets, and we are strengthening safety procedures to drive down the number of accidents.

The biggest cause of accidents remain thorn pricks and cuts from palm fronds. The minor nature of these injuries is reflected in the severity rate ( a measure of days actually lost through accidents) which shows just over 2 days on average per injury. The severity rate at all sites has remained stable, but have yet to reach the target of a rate below 1.5.

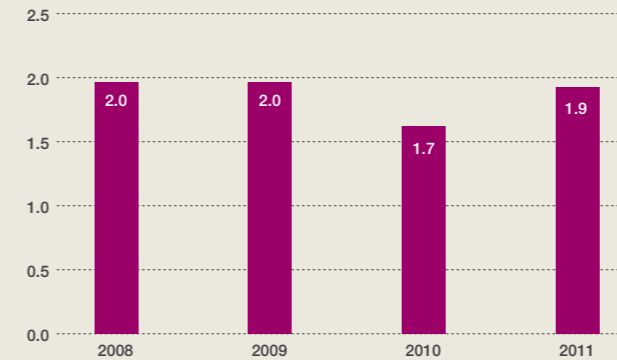
## ACCIDENT RATES (LOST TIME ACCIDENTS PER 200,000 WORKING HOURS)



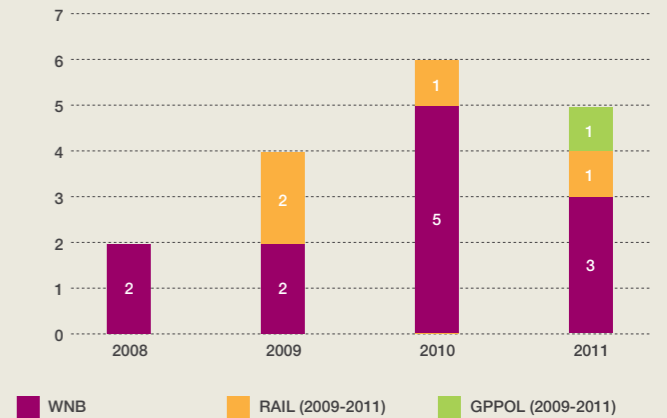
## TOP TEN TYPES OF INJURIES



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



## FATALITIES



## FATALITIES

In 2010-11 there were a total of 11 fatalities across the group. Eight occurred in WNB, two in RAIL and one in GPPOL. We are deeply concerned about this, and are identifying causes and interventions which can help us to achieve our zero fatalities target. Since our newly acquired sites have had no fatalities in the past year, we are investigating whether there are lessons to be shared across the Group.

We have played an active role and worked in partnerships with local NGOs in creating awareness and identifying root causes. In 2011, as a pilot programme, we offered testing to all workers in one of our sites, and found the results disturbing as a high percentage tested positive.

## A RENEWED FOCUS ON HIV/ AIDS

The latest studies from UNAIDS and official PNG figures show that 0.9% of the PNG population is living with HIV – among the highest rates outside of the African continent. This is not only a societal tragedy, but has been identified as a significant long-term risk to our business, as it will impact our labour force and availability of workers in the coming decades if not curtailed.

On the basis of these findings, and a recent strategic review, we have made the decision to develop a group wide approach to address the issue in a more inclusive way. The strategy will look at more efficient means of raising awareness, as well as improving access to anti-viral medication.



# Communities and Land

**The communities in and around our plantations are an integral part of our operations. They are our employees, smallholders, landowners and families. Without their support, we would not be able to operate**

## **CUSTOMARY RIGHTS AND LANDOWNER ENGAGEMENT**

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 based on fruit production, 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 the income to their respective communities. Over the past two years, we have also made efforts to develop more structured quantitative feedback mechanisms, such as a perception survey, which tell us what landowners think of the engagement and services provided by NBPOL.

## **AVOIDING DISPUTE AND CONFLICT**

We understand that disputes and conflicts with communities can do severe damage to our license to operate, our reputation and the long-term viability of our business. With the takeover of the three new sites, we engaged with each of the local communities to understand whether there were any existing issues which needed to be addressed in terms of land rights or community needs. We discovered that there were some minor issues around land boundaries, but we were able to resolve these quickly.

In Solomon Islands where community conflicts have formed an integral part of the recent past, we have increased our community outreach to ensure we understand and respond to concerns. In 2011, we employed a community liaison officer elected by the community – a woman with deep roots in the area surrounding our estates.

## **IMPROVING GOVERNANCE AND FINANCIAL LITERACY OF ILGS**

The role of the ILGs in managing and distributing funds to communities is crucial. In 2009, we began work to support these ILGs in setting up stronger governance systems, ensuring that communities benefit both in the short and the long term. We are currently partnering with Australia-based consultancy Little Fish, to provide financial literacy training and set up a transparent system for the management of funds. We believe this will significantly enhance the impact of the governance and management in the ILG system, and enhance the benefits to all landowners.

## **COMMITMENT TO FREE, PRIOR AND INFORMED CONSENT**

We believe that communities have a right to free, prior and informed consent in all land dealings, and implement in-depth consultation for all new developments. Beyond our Silovuti development which was discussed in our 2009 Report, we did not expand into additional areas in 2010-11. Our commitment to FPIC was reaffirmed for all future developments in our Human Rights Policy released in 2011.

## **ADDRESSING COMMUNITY NEEDS**

More broadly, we realised that the smallholder communities needed additional support, and this has been our main emphasis over the past years (see page 46). We also want to address wider development needs set out in the Millennium Development Goals, and PNG's Vision 2050 through our Foundation. (see page 44).

## **INFRASTRUCTURE AND TAX CREDIT SCHEME**

The infrastructure in many parts of PNG is often poor, and creates significant barriers for local communities to generate additional income. Over the past years, natural disasters, such as cyclones and floods have resulted in increasing devastation in some communities, particularly around our site in Higaturu.

In PNG, a 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.

West New Britain and RAIL work closely with the National and Provincial Governments to agree on projects to implement this scheme. In 2010-11, we undertook a public works under this scheme, including repairs and upgrading of public roads, bridges, hospitals and schools. Total expenditure was just over PGK 20 million. The three new sites in PNG are enrolled and tax credit is used from the combined tax liability of all sites.



# Employee Development and Diversity

With our operations based in countries within highly competitive labour markets, 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

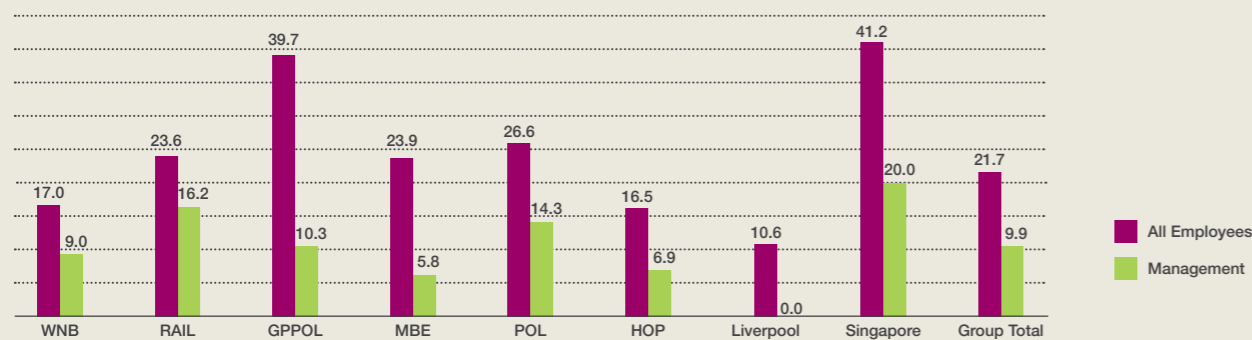
## ENCOURAGING AND SUPPORTING WOMEN

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, 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 collection of loose fruit – the “Lus Frut Meri” and the “Mama Card” 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 Solomon Islands where more women are in active employment, and 39.7% of our employees are female.

## FEMALE EMPLOYEES (%)



## SUPPORTING PNG STUDENTS

To support academic and professional development broadly, we have recently embarked on two long-term partnerships in PNG, sponsoring students studying agriculture at the PNG University of Technology (UNITECH) and the PNG University of Natural Resources and Environment (UNRE). The initial sponsorships cover a total of 12 students studying agriculture, but we are looking to expand these sponsorships to other areas such as engineering.

## TRAINING AND DEVELOPMENT

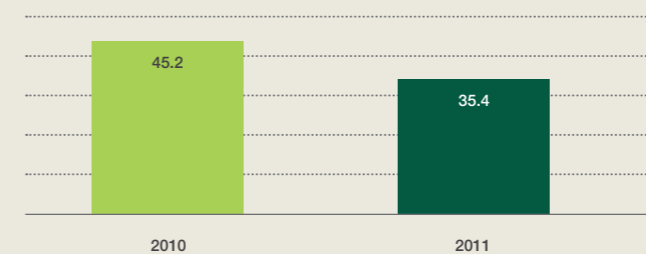
All our sites have broad-based training programmes in place covering all employees. We spend between 1-2% of our total payroll on training – not including in-house programmes – and virtually all of our employees go through some skill-upgrading every year.

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.

For staff, we offer a wide range of in-house and external training courses, aimed at continued learning as well as personal development. 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.

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.

## PLANTATIONS EMPLOYEE TURNOVER (%)



## ETHNIC AND NATIONAL DIVERSITY

In both Papua New Guinea and Solomon Islands, the population consists of hundreds of language groups, subdivided into tribes and “wantoks”, 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 Sepik and Highland Provinces.

We are particularly aware of the ethnic balance in 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 2011, 44% of employees were natives of the Guadalcanal Province, where GPPOL is based.

## 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 as it has been necessary to build a new workforce from the ground. But it has been continually reduced over the past three 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 an 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.



# Internal View

## Working With The Community In Solomon Islands



### ABOUT GREENTA

Greenta Vienna Tome was born in a rural clinic at Ruavatu on the Eastern end of the Guadalcanal Plains, Solomon Islands. She attained her education at Betikama Adventist High school, reaching only form 5 before leaving due to financial restrictions.

After leaving school, she worked as a Women Development Assistant with the Guadalcanal Provincial Government until the ethnic tension in 1999 when the office was closed. During and after the ethnic tension period I worked out of personal interest with other women such as Ruth Lilogula and Dr. Alice Polland as a peace broker, started the women for peace organization and represented women during the cease fire talks

Subsequently, she was a community worker with an AusAid project known then as Community Peace and Restoration Fund (CPRF) and later named Community Sector Program (CSP), working mainly on rehabilitation of community infrastructures and the peace building process. In early 2006, she decided to leave work and go back to the village, to improve on the rural livelihood and just to be part of the community. In the 2010 she stood for the national election where she came 5th out of the 13 and was the only female in the ward.

Before I started working with GPPOL as a Sustainability and Community Counselor in 2011, I was a close watcher of oil palm as it was all around my community. We did not engage much until GPPOL came in 2006 and engaged the community through landowner ownership of the company and smallholders. Up until then I always saw it as somebody else's business and didn't really see the benefits, or how it was relevant to us. I was concerned about the land and forest clearings undertaken by the previous company, but thought I could do nothing about it.

After GPPOL moved in, my tribe became engaged in small holder activity, and started to see the opportunities in terms of direct financial benefits and opportunities for improved livelihood – particularly for women.

I also came to understand how all parties have a part to play including resource owners and communities - not just the 'big men' in the company and the government. I saw the importance of women in taking up leadership position, encouraging women to register as small holders, assisting women in opening their accounts and how to go to banks.

I applied for the job with GPPOL, and was surprised to be interviewed by a panel comprising of three senior community representatives plus the Sustainability Manager and a senior Plantation Manger. This showed me how serious they were in their decision making process. Also they interviewed four others all of who were strong people in their area. It was the first time anyone had heard that members of the community were allowed to be part of the decision making process. To me it showed serious attitude to the company in engaging the community.

During my first months, I visited other departments and estates, particularly focusing on clinics, compounds, offices and familiarising myself with employees, dependents and local communities.

With these visits, plus my local knowledge, I feel I have a chance to be doing something that is worthwhile in terms of activities and idea sharing. Identifying issues and prioritising community needs to provide the necessary capacity is something that is very valuable.

Shortly after starting, I was given the opportunity to go Malaysia to meet staff from the NGO Tenaganita . This assisted me greatly by giving me knowledge which empower me and help me adapt global thoughts to a local Solomon Islands culture. A few of the ideas I took back was:

- A need for a neutral women's watch, and monitoring tools used
- Gender Policy in relation to Solomon Islands
- The need for GPPOL women's support group and international women calendars
- Empowerment in dealing with issues and not getting caught between conflict of interest
- Health risks with regards to chemical/ clinical visits

My day-to-day activities vary greatly, but over the past year, I have focused on:

- Youth excursions tour where young people in the community see what other youths are doing for themselves and their livelihood in surrounding communities
- International women's day - an annual event for women
- Horticulture and floral training
- Financial literacy training
- Leadership and integrity
- Community capacity building/ sustainability
- Listening and talking to people

This work is huge and needs a lot of support, understanding and passion from those involved. Working with communities can be a stressful responsibility, but also very satisfying and rewarding too.



# Global Reporting Initiative G3.1 Index

Our report is aligned to The Global Reporting Initiative (GRI), the leading guidelines for sustainability reporting. The GRI is a multi-stakeholder organisation, seeking to make social, environmental and governance reporting as robust as financial reporting. The guidelines contain principles and performance indicators for reporting. More than 3,000 organisations have used the guidelines to produce their sustainability reports. The latest version is G3.1, used in this report, which was launched in March 2011.

GRI DISCLOSURE	TYPE	LOCATION – SECTION	PAGINATION
<b>1. Strategy and Analysis</b>			
1.1 CEO statement		CEO welcome Targets and achievements	2-3 4-5
1.2 Description of key impacts, risks, and opportunities		CEO welcome Developing our business	2-3 12-13
<b>2. Organizational Profile</b>			
2.1 Name of the organization		Our business in brief Our plantations at a glance	8-11 14-15
2.2 Primary brands, products, and/ or services		Our business in brief Products and services	8-11 20-21
2.3 Operational structure		Our business in brief Our plantations at a glance	8-11 14-15
2.4 Headquarters location		Our business in brief	8-11
2.5 Countries of operation		Our business in brief	8-11
2.6 Nature of ownership and legal form		Our business in brief	8-11
2.7 Markets served		Our business in brief	8-11
2.8 Scale of organization		Our business in brief Products and services	8-11 20-21
2.9 Significant changes during the reporting period regarding size, structure, or ownership		CEO welcome	2-3
2.10 Awards received during the reporting period		Targets and achievements	4-5
<b>3. Report Parameters</b>			
3.1 Reporting period		About the report	70
3.2 Date of most recent previous report		About the report	70
3.3 Reporting cycle		About the report	70
3.4 Contact point		Contact us	72
3.5 Process for defining report content		About the report	70
3.6 Boundary of the report		About the report	70
3.7 Limitations of the scope or boundary of the report		About the report	70
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that could affect comparability		About the report	70
3.9 Data measurement techniques and assumptions		Base data and notes	64-69

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3.10	Explanation of the effect of any restatements of information provided in earlier reports	Base data and notes Annual report	64-69 40-88
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	About the report Base data and notes	70 64-69
3.12	GRI content index	GRI Index	58-63
3.13	Policy and current practice with regard to seeking external assurance for the report	About the report Overall assurance statement External view External impact view Internal view Insight	70 6-7 25 41 56-57 47
<b>4. Governance, Commitments, and Engagement</b>			
4.1	Governance structure	Leading responsibly – corporate governance and management	22-23
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Leading responsibly – corporate governance and management	22-23
4.3	State the number of members of the highest governance body that are independent and/ or non-executive members	Leading responsibly – corporate governance and management	22-23
4.4	Mechanism for shareholders and employees to provide recommendations or direction to the board	Stakeholder engagement	26-29
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)	Leading responsibly – corporate governance and management	22-23
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Annual report	34-37
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.	Policies and standards	24
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	Policies and standards	24
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	Leading responsibly – corporate governance and management	22-23
4.10	Processes for evaluating the board's own performance	Leading responsibly – corporate governance and management	22-23



# Global Reporting Initiative G3.1 Index

4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization		CEO welcome Climate change Chemicals usage	2-3 30-33 34-35
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses		Policies and standards	24
4.13	Memberships in associations or advocacy organizations		Stakeholder engagement	26-29
4.14	List of stakeholder groups engaged by the organization		Stakeholder engagement	26-29
4.15	Basis for identification and selection of stakeholders with whom to engage		Stakeholder engagement	26-29
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group		Stakeholder engagement	26-29
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 Overall assurance statement External view External impact view Internal view Insight Chemicals usage NBPOL Foundation	26-29 6-7 25 41 56-57 47 34-35 44-45
<b>Economic</b>				
	Disclosure on Management Approach	Core	CEO welcome Our business in brief Policies and standards Annual report	2-3 8-11 24 6-29
EC1	Direct 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	CEO welcome Products and services NBPOL Foundation Annual report	2-3 20-21 44-45 66-69, 75-76
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Core	Climate change	30-33
EC4	Significant financial assistance received from government	Core	Communities and land	52-53
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	Additional	Labour standards	48-49
EC6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation	Core	Smallholders and outgrowers	46

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EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation		Core	Employee development and diversity Base data and notes	54-55 64-69
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro-bono engagement		Core	Communities and land	52-53
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts		Additional	CEO welcome Communities and land	2-3 52-53
Not reported: EC3					
<b>Environment</b>					
	Disclosure on management approach		Core	Policies and standards	24
EN1	Materials used by weight or volume		Core	Climate change Chemicals usage Water, emissions and effluents	30-33 34-35 42-43
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	30-33
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		Core	Biodiversity Our plantations at a glance	38-39 14-15
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	38-39
EN13	Habitats protected or restored		Additional	Biodiversity Base data and notes	38-39 64-69
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity		Additional	Biodiversity	38-39
EN16	Total direct and indirect greenhouse gas emissions by weight		Core	Climate change	30-33
EN17	Other relevant indirect greenhouse gas emissions by weight		Core	Climate change	30-33
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved		Additional	Climate change	30-33
EN23	Total number and volume of significant spills		Core	CPO spill in Milne Bay	40
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation		Core	Climate change Water, emissions and effluents	30-33 42-43
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	30-33
EN30	Total environment protection expenditures and investments by type		Additional	Biodiversity	38-39
Not reported: EN2, EN3, EN4, EN5, EN7, EN8, EN9, EN10, EN15, EN19, EN20, EN21, EN22, EN24, EN25, EN27, EN28					



# Global Reporting Initiative G3.1 Index

Labour Practices and Decent Work				
	Disclosure on management approach	Core	Labour standards	48-49
LA1	Total workforce by employment type, employment contract, and region	Core	Our business in brief Base data and notes	8-11 64-69
LA2	Total number and rate of employee turnover by age group, gender and region	Core	Labour standards	48-49
LA4	Percentage of employees covered by collective bargaining agreements	Core	Stakeholder engagement Labour standards	26-29 48-49
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	Core	Health and safety	50-51
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	50-51
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group	Core	Employee development and diversity	54-55
Not reported: LA3, LA5, LA6, LA9, LA10, LA11, LA12, LA14, LA15				
Human Rights				
	Disclosure on Management Approach	Core	Policies and standards Stakeholder engagement Communities and land	24 26-29 52-53
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Core	Labour standards Communities and land	48-49 52-53
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Core	Smallholders and outgrowers	46
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	48-49
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	48-49
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	48-49

■ Full Disclosure ■ Partial Disclosure ■ No Disclosure

HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	Additional	Communities and land	52-53
HR10	Percentage and total number of operations that have been subject to human rights reviews and/ or impact assessments	Core	Communities and land	52-53
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	Core	Stakeholder engagement	26-29
No reported: HR3, HR4, HR8				
Society				
	Disclosure on Management Approach	Core	Policies and standards Communities and land NBPOL foundation	24 52-53 44-45
SO1	Percentage of operations with implemented local community engagement. Impact assessments, and development programs	Core	NBPOL foundation	44-45
SO5	Public policy positions and participation in public policy development and lobbying	Core	Stakeholder engagement	26-29
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	Additional	No contributions in 2010/11	
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	Additional	No legal actions in 2010/11	
SO9	Operations with significant potential or actual negative impacts on local communities	Core	Communities and land Stakeholder engagement	52-53 26-29
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Core	Communities and land Stakeholder engagement	52-53 26-29
Not reported: SO2, SO3, SO4, SO8				
Product Responsibility				
	Disclosure on Management Approach	Core	Our business in brief Policies and standards	8-11 24
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 incidents of non-compliance in 2010/11	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	Additional	No incidents of non-compliance in 2010/11	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Additional	No complaints in 2010/11	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Core	No fines in 2010/11	
Not reported: PR1, PR2, PR3, PR5, PR6				



# Base Data and Notes

		2011	2010	2009	2008
<b>Group Market and Legal Data</b>					
Total sales ('000 USD)		780,073	461,175	323,835	352,219
Sales by geography	Asia-pacific	58,370	36,801	4,770	13,864
	Domestic PNG	89,470	75,977	80,031	36,808
	Europe	632,233	348,397	239,034	301,546
Sales by product type	Palm oil products	712,379	400,398	272,481	323,877
	Seed	8,966	6,129	4,039	11,774
	Cattle	6,546	4,378	3,979	2,110
	Sugar	52,182	50,270	43,335	14,457
Number of legal non-compliances	Cases resulting in fines or non-monetary sanctions by a regulatory body	9		0	
<b>Employees</b>					
Total number of employees	Full time equivalents - permanent	24,613	21,777	13,603	11,889
	WNB	9,495	8,292	8,212	8,521
	RAIL	4,646	3,910	3,589	
	GPPOL	1,784	1,574	1,783	
	MBE	3,038	2,840		
	POL	2,396	2,194		
	HOP	3,254	3,088		
	Singapore and Kuala Lumpur	17	11	12	
	UK	47	26	7	
Employee turnover	Group			6.72*	4.47*
	WNB (Includes casual and seasonal)	30.83	41.47		
	RAIL (Includes casual and seasonal)	69.78	35.81		
	GPPOL (Includes casual and seasonal)	118.67	110.96		
	MBE (Includes casual and seasonal)	49.31	57.25		
	POL	61.78	99.36		
	HOP	12.05	15.67		
	Singapore and Kuala Lumpur	0	0		
	UK	3.6	18.8		

\* Permanent employees only

		2011	2010	2009	2008
<b>Health and Safety</b>					
Number of clinics funded by NBPOL	WNB	3	3	3	3
	RAIL				
	GPPOL	3	3		
	MBE	5	5		
	POL	1	1		
	HOP	1			
Number of company aid posts	WNB	29	29	29	28
	RAIL				
	GPPOL	0	0		
	MBE	0	0		
	POL	2	2		
	HOP	13			
Lost time accident rate	Accidents per 200,000 working hours	22.20	41.41	41.21	53.13
Severity rate	Average number of lost time per accident	1.89	1.65	1.98	1.68
<b>Training</b>					
Total training cost as % of payroll (USD)	WNB	1.72%	1.94%	2%	2%
	RAIL				
	GPPOL	0.88%	0.51%		
	MBE	2.30%	1.50%		
	POL	0.41%	0.81%		
	HOP				
<b>Housing</b>					
Number of employees and dependants housed	WNB	22,688	23,654		
	RAIL				
	GPPOL	3,945			
	MBE	6,242	6,581		
	POL	2,246	2,180		
	HOP	7,234			

Employee data is based on best available data. Our sites do not currently operate an aligned data collection system, and some inaccuracies may occur. This year, we were unable to collate turnover data excluding casual and temporary workers, except at Higaturu, Poliamba, Liverpool and Singapore.



# Base Data and Notes

	2011	2010	2009	2008
<b>Land</b>				
Total titled land Group	129,130	127,902	86,754	
Total hectares oil palm - Group	78,332	77,810	48,907	
Total titled land WNB	53,610	53,610	45,997	45,997
Total hectares oil palm WNB	36,126	35,427	34,859	34,388
Total hectares cattle WNB	394	394	294	
Total titled land RAIL	34,030	33,180	33,180	33,150
Total hectares oil palm RAIL	10,685	10,206	7,687	
Total hectares sugar RAIL	7,720	8,231	8,200	
Total hectares cattle RAIL	8,888	9,124	9,335	
Total titled land GPPOL	7,577	7,577	7,577	
Total hectares oil palm GPPOL	6,318	6,314	6,360	
Total titled land MBE	13,662	13,662		
Total hectares oil palm MBE	11,134	11,305		
Total titled land POL	8,244	8,244		
Total hectares oil palm POL	5,536	5,668		
Total titled land HOP	12,007	11,630		
Total hectares oil palm HOP	8,533	8,892		

		2011	2010	2009	2008
Areas undergoing HCV assessment	Hectares surveyed/ planned for survey			10,075	7,000
	WNB	2,129	1,295		
	RAIL	2,438	0		
	GPPOL	0	0		
	MBE	0	0		
	POL	6,782			
	HOP	3,064			
Proposed expansion	WNB	1,195		18,950	24,000
	RAIL	0	0		
	GPPOL	0	0		
	MBE	0	0		
	POL	250			
	HOP	1,861			
Area set aside for conservation (Hectares)	WNB	5,006	5,006	4,761	
	RAIL	148	148		
	GPPOL	2	2		
	MBE	0	0		
	POL	2,537	2,537		
	HOP	2,905			
Peat developed		400	400	400	400
<b>Smallholders and Outgrowers</b>					
Smallholders supply base - hectares		42,757	44,996	25,276	25,218
Number of smallholders (blocks)		15,812	15,693	9,450	8,961
Total smallholder payout	WNB (PGK)	163,167,589	120,183,224	37,218,284	54,130,842
	RAIL				
	GPPOL (PGK/SBD)	15,069,552	8,939,008		
	MBE (PGK/SBD)	4,750,142	2,984,591		
	POL (USD)	7,704,163			
	HOP (PGK)	3,188,801			



# Base Data and Notes

		2011	2010	2009	2008
<b>Environment - Oil Palm</b>					
Water usage (Tonnes/tonne of FFB)	WNB	1.26			
	RAIL	1.25			
	GPPOL	1.86			
	MBE	0.96			
	POL	1.06			
	HOP	0.9			
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%	
	Paraquat usage per hectare - WNB	Active ingredient (kg)	0.06		0.18
	Paraquat usage per hectare - RAIL	Active ingredient (kg)	0.02		0.17
	Paraquat usage per hectare - GPPOL	Active ingredient (kg)	0.84		0.89
	Paraquat usage per hectare - MBE	Active ingredient (kg)	0.02		
	Paraquat usage per hectare - POL	Active ingredient (kg)	0.16		
	Paraquat usage per hectare - HOP	Active ingredient (kg)	0.02		
	Total number significant spills		1	0	0
<b>Environment - Sugar</b>					
Herbicide usage per hectare - sugar	Active ingredient (kg)	13.4	13.2	13.2	11.7
Paraquat usage per hectare - sugar	Active ingredient (kg)	0.13	0.09	0.17	0.10

## CALCULATIONS

Lost time accident rates are calculated by the formula number of accidents x200,000/ number of man hours (employees x44 x48). An LTA is triggered when an employee is referred to the clinic and based on the number of absentee days assigned by the clinic.

All financial data is based on the accounts in the 2011 Annual Report. Please refer to 'Notes to the Consolidated Financial Statements' for further information.

Detailed calculations related to carbon data can be found in our 2010 Carbon Footprint Report, which is available from our website.

## RESTATEMENTS AND DATA QUALITY

We have adjusted our accident rates against the 2009 Sustainability Report due to calculation errors. This has resulted in a significantly higher level than assumed, but this will not affect our targets and commitments, as these are based on percentage reductions rather than absolute figures.

As we are still in the beginning of our reporting journey, and as four operational 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 2011, unless otherwise noted. This is a significant change to our previous reports, which covered only our West New Britain, RAIL and GPPOL operations. 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 2012 events, notably the publication of our Carbon Report, and the latest status of the Group's RSPO certification, as we consider these to be of material importance to our stakeholders.

## MATERIALITY AND RESPONSIVENESS

The report content has been determined by a series of external and internal engagements, from which a materiality matrix has been drawn up to establish key issues of concern to the company and its stakeholders.

In February 2012, representatives from all aspects of the business went through a full day workshop prioritising the top local and global issues and jointly organised these into a risk register matrix. The process was facilitated by an independent third party.

To ensure responsiveness and balance of the report, the consultant also reviewed email correspondence with stakeholders.

## REPORTING STANDARDS

The report content was determined and modelled based on the AA1000 assurance principles of Stakeholder Inclusivity, Materiality and Responsiveness.

In addition, we have updated our reporting framework to reflect the new GRI G3.1, which has been used to determine boundaries and selection of indicators. We believe that this report achieves GRI application level B.

## REPORT CYCLE

This is our third Sustainability Report, and the first to be aligned to our financial year. Our previous report was published in May 2010. We will continue to report in accordance with our financial year, on a bi-annual basis.

## 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 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 micro-organisms. Testing for BOD is done to assess the amount of organic matter in water.

## CO2 EQUIVALENTS

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

## EFFLUENTS

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

## EXTRACTION RATE

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

## HIGH 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)

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

## 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.

## MASS BALANCE

The mass balance mechanism allows certified palm oil to be mixed with conventional palm oil, but the entire process is monitored administratively. This method is slightly more stringent and complex than the book and claim system.

## 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, NGO is used to refer to grass-roots and campaigning organisations focusing on environmental or social issues.

## OFF-SET CERTIFICATES/ GREENPALM/ BOOK & CLAIM

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

## PEAT

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

## ROUNDTABLE ON SUSTAINABLE PALM OIL (RSPO)

A multi-stakeholder organisation based in Kuala Lumpur, Malaysia. The organisation has developed a certification scheme for sustainable palm oil.

## SOCIAL IMPACT ASSESSMENT

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

## STAKEHOLDERS

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

## SUSTAINABILITY

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

## TRACEABILITY

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

## SEGREGATION

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



# 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:

New Britain Palm Oil Limited  
18 Duxton Hill  
Singapore 089601  
Tel : +65 6227 6246  
Fax : +65 6227 6297

# 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)