



Report no:
7202846

Date:
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Prepared by:
Charles Ross

BSI reference:
NEW BR-0047316416-000

INITIAL ASSESSMENT VISIT REPORT (RSPO Stage II Certification)

**NEW BRITAIN PALM OIL LIMITED
Private Mail Bag,
Post Office, KIMBE, WNB
PAPUA NEW GUINEA**

BSI Initial Assessment Visit Report

Introduction

This report relates to the Initial Assessment Visit of RSPO Stage II Certification for New Britain Palm Oil Limited (NBPOL) held 03-16/04/2008. This Assessment was based upon the Client's Management Systems, referenced below, and review of performance on Implementation of the RSPO Principles and Criteria for sustainable palm oil production.

Client Management System Reference: ISO 14001 EMS Manual
NBPOL Management Guidelines

During the assessment three (3) major nonconformities and nine (9) minor nonconformities were identified.

This visit report forms part of BSI's partnership approach in the assessment of your environmental and social performance. The assessment was based on random samples and therefore nonconformities may exist which have not been identified.

If you wish to distribute copies of this report external to the organisation, then all pages must be included.

Conclusion

New Britain Palm Oil Limited operations meet the RSPO certification requirements, except for the identified three (3) major nonconformities and nine (9) minor nonconformities.

We are unable to recommend registration until:

- (a) The submission of a satisfactory plan for investigating the identified nonconformities and implementing effective corrective actions.
- (b) The verification of corrective actions for the identified major nonconformities.

Please submit a plan to determine action, timescales and responsibilities for review, within seven (7) days of receipt of this Report.

The plan should be sent by fax / e-mail to BSI referencing the above Report/Job number.

Fax number: (65) 62702 777
Email Address: soonleong.chia@bsi-global.com

Please ensure implementation of corrective action for the major nonconformities within Sixty (60) days. An additional site visit by the Lead Auditor will be required to close-out the identified 3 major nonconformities.

Upon review of the Corrective Action Plan and verification of effective corrective action for the major nonconformities your Certificate of Registration will be issued.

We believe in a partnership approach that provides an added value service. It is on this basis we propose a program of continuing assessment that is planned to commence in February 2009, we will re-assess your activities by carrying out 1 visit every 1 year.

On completion of each cycle, or sooner as required, a Re-assessment of the Certification will be conducted. The review will focus on your performance with respect to consistent implementation of the RSPO Principles and Criteria.

Processes/Business Areas Assessed

Mosa Oil Mill; Bebere Plantation, Wasisi Mini-Estate

Kumbango Oil Mill, Kumbango Plantation, Lolokoru Mini-Estate
Kapiura Oil Mill, Bilomi Plantation, Rigula Mini-Estate
Numundo Oil Mill, Garu Plantation, Daliavu Plantation
Kumbango Kernel Mill, Kumbango Oil Refinery, Kimbe Bulk Shipping Terminal
Supply Chain – Plantation to Shipment
Support Infrastructure & Services
Numundo Beef, Dami Seed Production Unit
Smallholder RSPO Implementation Plan
Internal Stakeholders – staff, workers and their families
External Stakeholders – Incorporated Land Groups, Workers Union, Provincial Government, Local Government, Local and National NGOs, Civil Society (Churches), Smallholders

Commentary

Stage I Assessment was conducted between 02 and 12 July 2007 against the RSPO P&C International Indicators. The Stage I Assessment scope included the company managed mills, plantations, refinery, beef production unit and support infrastructure, but did not include consultation with internal or external stakeholders. This Stage II Assessment was conducted against the RSPO P&C PNG National Interpretation Working Group Indicators : March 2008, the RSPO Supply Chain Certification Requirements : November 2007 and the RSPO Certification Systems : June 2007.

Observations / Opportunities for Improvement:

1. Publicly available documents can be accessed on the company's website, however a "list of publicly available documents" has not been formalised by top management (1.2.1).
2. At Kapiura and Numundo Mills the raw water tank "cut-off" level switches were not working and wastage was occurring due to tank overflow (4.4.1).
3. Runoff from the Mosa Transport Workshop and washdown bay contained significant sediment loading that enters the Mosa Mill stormwater system. Mosa Mill proposes the installation of a sediment trap on the Mosa Transport drain (4.4.1).
4. Bilomi Plantation did not have a site specific Emergency Response Plan (Kapiura 4.7.5)
5. Information is recorded on work related accidents and injuries, but a target has yet to be set for an acceptable Lost Time Accident (LTA) rate (4.7.7).
6. At Waisisi Mini Estate it was stated that the previously set aside unplanted land is likely to be developed by smallholders to plant cocoa and other crops. This would reduce significantly the availability of conservation set asides at the estate (5.2.4).
7. There has been no improvement since the Stage I Assessment of the "temporary storage" of EFB in palms along the roadside near the Numundo Mill entrance (5.3.2)
8. A register of social impacts has been compiled from information in environmental plans and a recent report by an independent consultant who obtained input from external stakeholders. The register needs to be updated with information from internal stakeholders and the results reviewed in consultation with affected local parties (6.1.2)
9. The company has yet to implement the element of its Policy relating to reporting on its environmental and social performance and more openly providing information to local stakeholders (6.2.2).
10. Some external stakeholders (NGOs) are not aware of NBPOLs grievance procedure (6.3.1).
11. The company pays above the minimum rural wage but workers families without access to land for food gardening have difficulty meeting their "basic needs" (6.5.1) refer also 6.5.4.
12. The Policy on Sexual Harassment and all other forms of violence has not yet been communicated consistently to workers (6.9.1).
13. The Policy on "Breast Feeding for Nursing Mothers" has not been consistently communicated to workers (6.9.2).
14. The company's Grievance Mechanism has not yet been communicated consistently to all levels of the workforce (6.9.3).
15. The Environmental Aspects and Impacts and associated Improvement Plan were due for review in February 2008 (8.1.1).

16. Retention times for all records and reports relating to the Supply Chain have not been specified (Supply Chain 5.2).
17. Training records are maintained for in-house training at KBT but not for other operating units involved in the Supply Chain (Supply Chain 6.2).

Nonconformities (Summary)

3 Major nonconformities were identified

9 Minor nonconformities were identified

A corrective action plan is required within seven (7) days of receipt of this Report.

Minor Nonconformities (Detail)

RSPO INDICATOR	NCR Ref.	DESCRIPTION
4.7.2 All operations where health and safety is an issue have been risk assessed and procedures and actions are documented and implemented to address the identified issues. All precautions attached to products should be properly observed and applied to the workers.	CR01	Unsafe work practices (welding without correct eye protection, faulty acetylene pressure regulator) were observed at three of the Mills and at the Refinery (working at height). Pesticide operators interviewed were aware of the safety precautions for chemical products and these were well implemented. However, the precautions for handling chemical fertiliser were not observed at mechanical spreading (Bebere).
4.7.3 All workers involved in the operations have been adequately trained in safe working practices (see also Criterion 4.8). Adequate protective equipment should be available to labourers at the place of work to cover at least the following: all potentially hazardous operations, such as pesticide application, land preparation, harvesting and, if it is used, burning.	CR02	Adequate PPE is provided for pesticide handling and application and for FFB harvesting "Cutters". "Wheelers" and "Loose Fruit Collectors" are not issued with PPE. There are inconsistencies in the issue of PPE for some "FFB Loaders". Mill workers are issued with appropriate PPE, except for hearing protection. Most Managers, Supervisors and operators did not wear hearing protection during the audit inspection, even when entering areas with elevated noise levels. Most workers at the Kumbango Kernel Mill did not wear hearing protection. A noise survey has not yet been carried out to identify PPE requirements for various work stations.
5.2.4 Avoiding damage to and deterioration of applicable habitats.	CR03	(NOM) At the time of inspection, two new ponds were being commissioned but partly treated effluent was still being applied to the adjacent palms. Runoff from the land application contains significant nutrients as evidenced by the presence of sewage slimes on the field drain substrate.
5.6.2 Significant pollutants and emissions are identified, monitored and plans to reduce them implemented.	CR04	Boiler emissions to air have been identified as significant pollutants. Emissions are monitored for smoke density, however, the meter at MOM has been out of service since the end of 2007. At NOM the meter records as a single trace without any peaks associated with dense smoke emissions, which indicate no calibration or a fault with the meter sensitivity. Visual observations of smoke density are made hourly and records are kept with respect to Ringleman Chart scale. However, there is no evidence of action taken when dense smoke emissions are observed.

Minor Nonconformities (Detail) Cont'd

<p>6.1.3 A timetable with responsibilities for mitigation and monitoring, reviewed and updated as necessary, in those cases where the assessment has concluded that changes should be made to current practices.</p>	<p>CR05</p>	<p>Actions for mitigation and monitoring of social impacts have not been formalised as a timetable together with allocation of responsibilities. Refer also 8.1.1</p>
<p>6.5.3 Labour laws, union agreements or direct contracts of employment detailing payments and conditions of employment (e.g. working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice, etc) are available in the languages understood by the workers or explained carefully to them by a management official.</p>	<p>CR06</p>	<p>The “General Policies and Regulations Handbook” details worker pay and conditions that include working hours, overtime, deductions, sickness, holidays, maternity leave and period of notice. This provides guidance to Managers. The information on pay and conditions has not been communicated effectively to staff and workers.</p> <ul style="list-style-type: none"> • Female staff and permanent workers have not been made aware that the maternity leave provisions have been increased from six weeks to twelve weeks. • Many field workers do not understand the information contained on pay slips. The system for payment of Loose Fruit Collectors is not transparent or understood by many workers. • The system for payment of loose fruit is inequitable and does not take into account the extra work required during long harvest rounds when there are large quantities of loose fruit to be collected – ie bunch rate is not adjusted for these situations. • Piece rated workers (harvest teams) do not get paid overtime at a “premium rate” for additional work at weekends (Sundays). • Staff and workers at mills and plantations work excessive hours. Payslips for some mill workers show overtime exceeds 12 hours per employee per week and employees sometimes do not receive at least 1 day off in every 7 day period.
<p>6.5.4 Where companies provide housing, water supplies, medical, educational and welfare amenities they adhere to national legislation (not applicable to smallholders).</p>	<p>CR07</p>	<p>The company provides free housing, water, electricity and an excellent health service to workers and their dependents and access to schooling for their children. However, a combination of issues at houses has an adverse impact on their liveability and leads to worker dissatisfaction. These include:</p> <ul style="list-style-type: none"> • There are situations where worker and family are required to live in the same DLQ with another unrelated worker. • There are situations where a worker and his/her family are housed in a single room (SLQs QLQs). • The walls of JG and IB houses at Numundo Mill compound leak badly during rain. • Only some housing compounds have access to land for food gardens. This is critical for a supplement to wages to enable families to meet basic living needs. • Ventilation of houses is inadequate with heat retention higher at the block houses and as a consequence workers sleep outside where they are exposed to mosquitoes (6 Housing Compounds have not received issue of Mosquito Nets). Shift workers stated that they are unable to sleep inside houses during the day and often go to work tired. • Supply of firewood is a major issue at older housing with families having to use loose fruit as fuel when they run out of firewood. • None of the worker housing has any fixtures or fittings, ie shelves or place to hang clothes. • Compounds where solar power is provided experience restricted supply during rainy and overcast periods. • Some outdoor “cook houses” have no shelving or bench for food preparation or storage and no water or “sink” for washing food and utensils.

Minor Nonconformities (Detail) Cont'd

Supply Chain 6.1 The company shall specify the training requirements for all staff as required to implement these requirements.	CR08	Staff and workers interviewed had good understanding of their work. However, the training requirements for supply chain tasks have not been documented (field recorders, transport drivers, weighbridge operators, ramp FFB graders and KBT) in the form of a "Training Plan".
Supply Chain 6.3 The company shall keep records of the training provided to staff in relation to implementation of these requirements.	CR09	With the exception of KBT, records of training in the supply chain requirements have not been kept for staff.

Major Nonconformities (Detail)

RSPO INDICATOR	NCR Ref.	DESCRIPTION
2.1.1 Evidence that all applicable legal and regulatory requirements are implemented as prescribed	CR10	There is inadequate control of boiler smoke emissions at each of the 4 Mills and visual observations during the audit inspections indicated exceedance of PNG Code of Practice smoke density limits. The dense smoke emissions were stated to be due to overfeeding of fibre to the boiler, which can be better controlled by operators. It was noted that a new central power station is scheduled to be commissioned at Kumbango mid 2008 and a new boiler at Mosa by the end of 2008.
2.3.7 Copies of negotiated agreements detailing process of consent (2.3,7.5,7.6)	CR11	For each ILG the Company holds a file containing details from the initial contact made by landowners through to the present time. Copies of the Lease-Leaseback Agreements are registered with the PNG Lands Department. Land acquisition followed the process of the Lands Act and the ILG Act. The Land Acquisition process involved only the Company, the Landowners and the Provincial Lands Division. There was no consultation of other parties, such as NGOs. Environmental impacts were assessed internally by the Company. There is no substantive evidence to show "open sharing of all relevant information in appropriate forms and languages, including assessments of impacts". NBPOL has now recognised these shortcomings and has recently revised its procedure for land acquisition and new developments (Management Guideline MG01) to include requirements for consultation with neutral parties, such as NGOs. NBPOL has yet to formally approach an NGO for engagement in the process for awareness of landowners to demonstrate a commitment to "Free, Prior and Informed Consent".
4.7.1 A Health and Safety Policy that is implemented and monitored	CR12	The company has developed a Health and Safety Policy. An OHS Management System is currently being implemented for achieving appropriate safety standards across all of the company's operations. A trained OHS Advisor has been recruited for coordinating the implementation and monitoring of the OHS Policy. Monitoring is carried out internally by recently established Site Safety Committees. Independent checks by the Safety Advisor have yet to be implemented. The Policy is not yet fully implemented and the monitoring element has yet to be consistently implemented, as evidenced by the existence of significant safety hazards and unsafe work practices. Refer comments 4.7.2, 4.7.3

Number of Employees (covered by Registrations at sites visited) 7,440

Assessment Team

On behalf of BSI the assessment was conducted by: Charles Ross Narua Lovai Robyn Ross	The principal staff involved on behalf of the company were: Mr Tony Aromo, Sustainability Manager Mr Thomas Betitis, Agronomist Mr Peter Morgan, Senior Manager, TQMS And key staff from each of the mills, plantations and other operating departments
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Job Details

Job No	7202846
Visit Type	Initial Assessment
Visit Description	Initial Assessment Stage II RSPO
Visit Duration	12 days
Start Date	03/04/2008
License Contact <i>if known</i>	
Customer Service Officer <i>if known</i>	

Site Details

Mandatory (English)	
BSI Reference	NEW BR-0047316416-000
Company Name & Address	New Britain Palm Oil Limited Private Mail Bag, Post Office, KIMBE, WNBP PAPUA NEW GUINEA
Contact Name	Mr Tony Aromo
Telephone Number	6759854039
Fax Number	6759852003
e-mail Address	taromo@nbpol.com.pg
T-code(s)	T35B
Local Accreditation Coding	
S-code(s)	
Local Client Manager	
Optional (Other language)	
Company Name & Address	
Contact Name	
Change to this section?	<input type="checkbox"/>
Comments or additional actions:	

Billing Details

Mandatory (English)	
Company Name & Address	New Britain Palm Oil Limited Private Mail Bag, Post Office, KIMBE, WNBP PAPUA NEW GUINEA
Billing Contact	Mr Tony Aromo
Billing Telephone Number	6759854039
Billing Fax Number	6759852003
Billing E-mail	taromo@nbpol.com.pg
Optional (Other language)	
Company Name & Address	
Billing Contact	
Change to this section?	<input type="checkbox"/>
Comments or additional actions:	

Certificate Details

Mandatory (English)	
Certificate	FS 537355
Issue Date	
Last Re-issue	
Expiry Date	
Management Standard	RSPO Principles&Criteria:2005
Accreditation Marks	
P-code(s)	P9001:2000 - BSI LEVEL 1
Co-ordinating Client Manager	
Management System	
Management System Date	
Scope of Registration	Palm Oil Production
Location Activities	NEW BR-0047316416-000 Palm Oil Production
Optional (Other language)	
Scope of Registration	
Location Activities	NEW BR-0047316416-000
Change to this section?	<input type="checkbox"/>
Issue/Reissue required?	<input type="checkbox"/>
Comments or additional actions:	

Written Corrective Actions

Written CAP Required?	<input checked="" type="checkbox"/>
Date Required by:	05/05/2008 dd/mm/yyyy

eReport – ADR Header Sheet – (Copy to be attached to ADRs. For Internal Use Only)

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SMO	Functional Location	SAP Material
7202846	NEW BR-0047316416-000	200537355

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



Signed for on behalf of BSI
Charles Ross
01/05/2008

Signed for on behalf of the client
Tony Aromo
01/05/2008