

RSPO Annual Communication of Progress

1. Profile

Guidance: The following information, notably the operational structure, will help report users to adequately understand (and respond to) the context of your report. Give a brief description of operating companies and locations, subsidiaries, joint ventures, most important products and/or brands, estimated palm oil production or trade volume. This will only need to be supplied once, unless profile information has changed during the reporting period (e.g. through mergers or acquisitions).

Name of the organisation:	New Britain Palm Oil Limited
Membership type (tick one only):	<input checked="" type="checkbox"/> Ordinary <input type="checkbox"/> Affiliate
Membership category (tick one only):	<input checked="" type="checkbox"/> Oil palm growers <input type="checkbox"/> Palm oil processors and traders <input type="checkbox"/> Consumer goods manufacturers <input type="checkbox"/> Retailers <input type="checkbox"/> Banks and investors <input type="checkbox"/> Environmental/nature conservation organisations(NGOs) <input type="checkbox"/> Social/development organisations (NGOs)
Operational structure of the organisation:	<p>New Britain Palm Oil Limited (NBPOL) is one of Papua New Guinea's major oil palm plantation and milling operators. In 2005 NBPOL acquired an 80% shareholding in Guadalcanal Plains Palm Oil Ltd (GPPOL) situated in Guadalcanal province in the Solomon Islands. In September 2008 the Group acquired Ramu Agricultural Industries Ltd (RAIL) and has subsequently realised a 100% share in this company.</p> <p>In 2008 NBPOL's core activity is the cultivation and processing of Oil Palm into Crude Palm Oil (CPO), Palm Kernel Oil (PKO) and Palm Kernel Expeller (PKE) for sales to both domestic and foreign markets (98.57% of total sales). NBPOL major export markets include the United Kingdom, Europe and Australia.</p> <p>The NBPOL head office is at Mosa, Bebere Plantation, PNG and New Britain Plantations Services and the consultancy arm (Global Sustainability Associates) has an office in Singapore.</p> <p>Operations are as follows (2008 figures):</p> <p>NBPOL – PNG, West New Britain (WNB) 34,336 ha producing 275,000 tonnes of CPO and 67,000 tonnes of PKO with 7,800 employees and 7,300 independent smallholders. 4 CPO mills (one under construction) and one PKO mill and a refinery</p>

	<p>RAIL - PNG, (Markham and Ramu valley) 6,414 ha of oil palm producing 7,937 tonnes of CPO with 2479 employees (including sugar and beef operations) and one CPO mill. At present there are no smallholders.</p> <p>GPPOL (Solomon Is.) 6,766 ha producing 21,980 tonnes of CPO and 2,744 tonnes of PKO with 1,759 employees and 171 independent smallholders. One CPO and PKO mill</p> <p>In addition to Oil palm NBPOL also operates cattle enterprises in West New Britain and the Markham Valley (aprox.20,000 head and 11,014 ha of pasture) maintaining a protein source in the provinces. It also has 8,193 ha of sugar cane at Ramu providing sucrose, molasses and ethanol for the domestic market.</p> <p>NBPOL operates a research station (Dami OPR) a world-class producer of oil palm seed and continues its research in breeding programs with the selection of better yielding elite palms.</p> <p>Control of Group Sustainability activities and resource allocation resides with the Director of Sustainability (DOS) reporting to the CEO and the Board of Directors.</p> <p>Management of operating units sustainability activities are coordinated by a site specific sustainability manager (and team) who reports to the site General Manager who reports to the CEO.</p>
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Responsible Contact(s)

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Guidance: The standard reporting period is 12 months or less. The date of submitting the report should not be longer than 3 months after the end of the reporting period.

Reporting Period:	July 2008 to June 2009
Date of Report:	24 September 2009

2. Details of Progress

A. Analysis and Strategy for Sustainable Palm Oil

1. High-level strategic view of the organisation's relation to sustainable palm oil and related longer term objective.

The New Britain Palm Oil Group has sustainability as one of its core values. The Group is committed to continuous improvement in all aspects of sustainability. It is committed to maintaining its RSPO credentials through annual surveillance audits and to the certification of all operating units within the next year to the RSPO standard. The Group is also committed to including smallholders within the scope of RSPO certification in a participatory and inclusive manner and to jointly include all smallholders in continuous improvement strategies.

New Britain palm Oil Group is committed to abide by the RSPO Code of Conduct and to promote the production and use of sustainable palm oil.

2. Time bound plan with milestones/targets.

- NBPOL Certification of the WNB operations was initially achieved in September 2008, surveillance audit and re-certification is scheduled for September 2009
- NBPOL target for the surveillance audit is recertification with zero major non-conformances and not more than 5 new minor non-conformances – September 2009. All existing minor non-conformances are to be closed out before September 2009
- NBPOL target is to achieve 80% smallholder compliance with the RSPO independent smallholder guidance standard by September 2008 (achieved 87%) and 95% by September 2009.
- To implement a CDM program in all mills to reduce green House Gas emissions and to provide cheap electricity to the rural population – December 2010
- GPPOL is planned to be certified to RSPO standard in December 2009
- GPPOL target is zero major non-conformances and less than 5 minor non-conformances
- GPPOL target is to achieve 100% smallholder compliance with the RSPO independent smallholder guidance standard by December 2012
- To facilitate a national Interpretation of the generic RSPO standard for the Solomon Islands
- RAIL is targeted to be certified to RSPO standard in March 2010
- RAIL target is zero major non-conformances and less than 5 minor non-conformances
- RAIL target is to include smallholders in compliance certification as an when they enter he the unit of certification.
- The Group target is to achieve Group certification by March 2010 including all independent smallholders.
- The Group target is to deliver fully segregated, traceable and certified sustainable palm oil into the European market by March 2010.

- Group completed its target to transparently report on Material Social and Environmental issues at NBPOL through the production of a Sustainability report to GRI, G3 guidelines by September 2008. The Group is committed to produce an update to this report by April 2010 and to demonstrate completeness through the inclusion of the GPOL and RAIL operations.
- The Group is committed to use the Sustainability report as the link between Performance and Engagement with all its stakeholders by December 2010.
- The Group will begin work on calculating the carbon footprint of its operations with a target for reporting on these of December 2010.

3. Targets for the next reporting period.

- Fully integrate the existing ISO 14001 and RSPO Management Systems to present a combined re-certification audit -September 2009. That will result in the certified RSPO system also fully meeting and exceeding International Environmental Certification requirements.
- Roll out this integrated system to all operating units.
- To apply the principles of RSPO to the Groups Beef and Sugar enterprises.
- Progress with carbon foot printing and the CDM projects
- Progress with the habitat management plans for WNB
- Progress with improvements of fiscal management and transparency and governance with local Incorporated Land Groups
- Progress with capacity building within the smallholder sector (Solidaridad funded program)
- Report on output of the MOU's with WWF and The Nature Conservancy (TNC)
- Cooperation with Department Of Environment and Conservation and Oil Palm Research Association on adoption of the RSPO principles and criteria into a statutory Code of Conduct for the Oil Palm industry in PNG

4. Statement from the organisation's senior representative.

RSPO certification continues to be the driver for continued improvement in our social, environmental, safety and production performance. Our Sustainability Group plays an increasingly important role in management decision making in all aspects of Company operations. Our commitment extends from the plantation workers right up to Board level with a Director of Sustainability participating in Company Policy determination and reporting to the Board on sustainable performance.

The NBPOL group is committed to going beyond the RSPO standard and to be responsive to provincial, national and international stakeholders

Guidance: Depending on the member organisation's profile or specific keywords provided by the organisation, it needs to consider and report how it will contribute to the RSPO mission. The objective translates into operational, time-bound deliverables on the longer term (3 to 5 years, with annual review) and the short term (one year, with

annual updates). Justify any changes from last year. A sufficiently senior decision-maker confirms the commitments made.

B. Progress made in producing, procuring and/or utilizing sustainable palm oil

Guidance: Provide a report or update in relation to:

- the time-bound plan,
- applicable requirements (citing relevant principles and criteria, Chain of Custody/Trade and Traceability rules, Communication and Claims rules, Code of Conduct where possible); and
- efforts in engaging key stakeholders (interest groups, business relations, etc).

Information provided should be objective and verifiable, where possible quantified (volumes, hectareage, numbers of smallholders/labour/communities, etc).

The Group is on target to meet its time bound plan for certification of the entire group (section 4.2.4 of the verification documentation).

The certification audit for NBPOL (WNB) on 3-16 April 2008 resulted in 3 major and 7 minor non-conformities. The major non conformities were closed out within 40 days (maximum permitted time 60 days) on the 6 June 2008 (section 4.2.5 of the verification documentation). Although beyond the scope of this reporting period the recent surveillance audit (September 2009) confirmed that the 7 minor non-conformities were successfully closed out (section 4.2.7 of the verification documentation)

All 7,111 Independent smallholders were certified as conforming to the current RSPO Independent smallholder guidelines for sustainability on 3-16 April 2008 (section 4.2.3 of the verification documentation). The sampling procedure of section 4.2.9 of the verification documentation was maintain at both the certification and the surveillance audits. At the time of the surveillance audit smallholder numbers had risen to 7,300 and the sample size was amended.

The ISO process approach still provides the framework for implementing RSPO on the ground (Criteria 1.2 ,4.1, 4.4, 4.6 and 4.8, Principle 5 -except 5.2, criteria 7.1 – EIA and Principle 8). NBPOL has conducted over 90 internal audits to the ISO 14001 and OSHA 18000 standards (Criteria 4.7 and 4.8). A total of 60 non conformances were raised of which 49 have had their corrective action requests closed out. The third party external ISO audit resulted in 10 minor non-conformities of which 9 have been successfully closed out.

NBPOL produced a Sustainability Handbook compiling all the group's policies and commitments (Principle 1 and criteria 6.2 and 6.3) which has recently been updated. NBPOL also produced a Sustainability Report (CSR) to GRI, G3 guidelines in November 2008. Reporting on Key Performance Indicators this publically available document details our commitments and targets for all 8 principles of RSPO This report is the first of its kind in the oil palm sector and together with the Sustainability Handbook can be down loaded from www.nbpol.com.pg

POME pond performance has been rehabilitated, improving the quality of effluent and reduce odour emissions (criteria 5.6) as verified by the ISO third party audits. Use of biomass fuelled boilers to generate steam using milling by-products has further reduced fossil fuel consumption (criteria 5.3, 5.4 and 5.6),

Construction is well advanced on methane capture projects at two of the Oil Mills which will be to the WWF Gold standard. Progress is being made on the remaining 2 mills in WNB. A MOU with WWF outlines how some of the income generated from the sale of carbon credits will be used in Landscape

Biodiversity studies. These projects will capture methane from the POME discharge stream and use it to generate electricity. This will have the dual benefit of reducing uncontained methane emissions and reducing fossil fuel use (criteria 5.4 and 5.6). Power that is surplus to operational needs will be available for community use in a rural electrification program (MOU signed with PNG power – criteria 6.1 and 6.10). Stakeholder consultations have been held on the proposed new mill at Waraston and for the CDM projects (criteria 6.1, 6.2, 6.3, 6.4 and 6.10). A mistake was made over the EIP for the Waraston mill but this was corrected post to this reporting period.

A total of 158 environmental aspects which impact the environment have been reviewed. This has increased by 11% with 24 new aspects been added with the development of the CDM projects. There has been a 20% reduction in the number of significant environmental risks as a consequence of the control measures employed (Criteria 5.1, 5.3, 5.5, 5.6, 7.1 and 8.1). There has been a 33% increase in the internal reporting of environmental incidents as awareness of these issue increases (Criteria 4.8).

Two new management guidelines on replanting and land acquisition have been created and socialised (Criteria 7.2, 7.4, 7.5, 7.6 and 7.7). Social and Environmental Impact assessments together with HCVF assessments has been carried out together with detailed topography and soil surveys for the new development known as Silavuti (Criteria 7.1, 7.2, 7.3 and 7.5).

Biodiversity factsheets (20 in total) have been developed to assist managers to identify and manage HCV, CV and “Refugia” both within and outside of the plantations (Criteria 5.2). Two trials have been established with TNC (NGO) to assist in the management and rehabilitation of riparian strips (Criteria 4.4). NBPOL has recognised 10 habitat landscapes and is implementing a Habitat management Plan for each. To date only one has been completed and progress is slow. (Criteria 5.2 and 7.3). A mangrove replanting program, in partnership with Mahonia Na Dari (NGO) and Patanga primary School, has been only partly successful with 60% losses of new plantings.

A “decent Living Wage “ program (known as the Bilum Index) has been set up to track cost of living changes, calorific intake and disposable income for NBPOL employees. Reviews are done every 6 months and to date there have been 2 reviews. (Criteria 6.1 and 6.5). Awareness posters in English and Tok Pisin have been created and socialised on Sexual harassment in the workplace, HIV/AIDS and engagement of youths and obtaining DOB to prevent employment of child labour (Criteria 4.7, 6.7, 6.9 and 6.11)

The NBPOL Foundation, a charity set up to assist in social and welfare issues, has continued to contribute to the WNB communities.(Criteria 6.11)

Lost time accidents are high and stand at 5,472 for the reporting period. Targets for reduction have been set (Criteria 4.7 and 8.1). A fatality occurred during the period (a child was electrocuted by faulty earth wires underneath a house). A total of 6 whole day workshops have been organised on specific OHS topics, all 104 contractors engaged by NBPOL have undergone induction into RSPO and OHS and 35 workplace inspections and risk assessments have occurred and 13 new site safety management plans have been drawn up (Criteria 4.1, 4.7, 4.8, 6.5, 6.11 and 8.1).

The Group currently has a CPO refinery under construction in the United Kingdom and on completion of this facility will have the ability to manage the sustainable operation of its entire supply chain and thus be able to market RSPO Certified Sustainable Palm Oil in Europe (section 2.2 and 4.7 of the verification document). The capacity of this facility will be approximately 120,000 tonnes per annum. It is expected to commence production in first quarter of 2010 (RSPO mission statement)

C. Challenges

1. Significant economic, social or environmental obstacles encountered in production, procurement and/or use of sustainable palm oil and efforts made to mitigate or resolve them.

The Group has created site specific sustainability teams to meet the challenges presented by the breadth of the RSPO standard. Led by a sustainability manager the team in WNB comprises an environmental officer, and OHS advisor, a Landscape officer and a livelihoods (social accountability) officer as well as a projects officer and a Sustainability internal auditor. Resources have been provided for logistical support and for capacity building within the team using external consultants.

Whilst work on improving our OHS and Environmental performance has been relatively straight forward it has nevertheless been difficult to develop a culture of Safety and environmental responsibility within the workforce.

Implementation of our Core Labour Values has involved a reduction in overtime and a corresponding increase in the number of new houses required. We are experiencing difficulties in finding sufficient local contracts capable of building the required new houses to schedule.

The diligence in carrying out the requirements of Principle 7 has resulted in our SIA, EIA and HCV assessment taking over 2 years. The Current PNG HCV toolkit was not designed to assess land change and our external consultants have struggled to apply the principles resulting in a stringent application of the Precautionary approach. Whilst our FPIC process is currently taking on average 5 years in some instances it is extended to 11 years and we are still struggling with this aspect. We have found the Forest Peoples Program FPIC guidelines for companies to be very beneficial and a useful resource.

The recent binary classification of smallholders (into independent or Schemed) by the Smallholder Task force has presented some problems as the PNG independent smallholder do not fit snugly into these definitions. The PNG National Interpretation Working group is actively seeking to resolve these issues.

The deficiencies in the Government Smallholder extension services are creating additional burdens to our budget as the Group strives to fill the void. Solidaridad funding has been secured for a capacity building program to help improve the situation.

NBPOL has begun to be more outwardly focussed, realising the need to provide support to the Incorporated Land Groups (resource owners) in all areas of governance and fiscal management. Our previous stance was to allow due process to occur within these groups not wanting to be seen to manipulative or overly influence outcomes. Consultation with these ILG's and local NGO's has made us realise that this policy is inadequate and that all parties are asking for a more positive role by the company as together we work to the communities benefit. We see this area as our greatest weakness and our greatest opportunity for improvement.

Changes to the PNG law on ILG's have prompted NBPOL and local NGO's to recognise the need for a cooperative stance. Finding the common ground for this will be demanding

The threat of non RSPO oil palm companies developing parts of PNG without reference to any sustainable practices is ever present. The Company is supporting the need for a Statutory Code of Practice to enforce compliance with the RSPO Principles and practices of sustainability which is being led by PNG NIWG. It is hard and morally challenging to inform resource owners that we cannot develop a parcel of land because of our sustainability principles and in lieu of alternatives the people then elect to form alliance with non RSPO producers.

The Group is still journeying towards sustainability. It has reached some milestones along a very long road. As we journey we realise the need to be more open and transparent and in so doing seek partnerships to assist us and the community in which we live and operate. Formal agreements have been reached and partnership formed with a number of NGO's but we need to work harder at engagement with all stakeholders.

2. Suggestions on how the RSPO can assist your organisation's sustainability performance.

More practical output guidance such as the FPP FPIC guidance for companies would be welcome.

Harmonisation of the current documentation through a thorough review would help to remove ambiguities which have led to variations in auditor approaches.

A review of the current HCV assessment toolkits (possibly under the umbrella of the biodiversity sub group) would make these more relevant to oil palm.

A visit to the Pacific by the RSPO Secretary general or even RSPO Board would be most welcome and allow them to see the regional differences as expressed in the National Interpretation. Specifically if funds could be made available for representatives from the Smallholder Task Force to visit the Pacific it may help the Board understand the Melanesian approach to land and customary rights and allow the producers, smallholders and stakeholders in PNG and the Solomon's to understand the concerns of this task force.

RSPO could speed up the process of certification by establishing clear business rules for certification (as it has done for surveillance audits)

NBPOL thinks the RSPO could improve its communications.

A number of companies have now gone through certification and a number of minor issues have arisen where guidance could be stronger. Specifically guidance to the auditors on interpretation.

The RSPO may consider in the mid future to include guidance on water footprinting within the P and C.

3. Suggestions on how your organisation can assist RSPO's overall progress.

NBPOL has always supported both the RSPO's vision and mission without counting the cost. The Group will continue to support the RSPO Sustainability Standard within the full scope of the Code of Conduct. The Group will strive to support and facilitate the National Interpretation and Implementation programs of the countries in which it operates. In addition, through the consultancy arm GSA, the Group will be available to advise and assist countries, organisations and companies when requested.

NBPOL has always made available the services of Simon Lord and Petra Meekers (FOC) to assist the RSPO working Groups and consultation panels. It will commit to this continuing support.

NBPOL will not support the RSPO if it continues to marginalise growers outside of the Malaysian / Indonesian oil palm hinterland

Guidance: RSPO encourages openness about problems encountered as a way to provide a balanced and credible picture of performance and to invite solutions or views from other stakeholders.