

# CLOUDY BAY SUSTAINABLE FORESTRY LIMITED

## Social and Environmental Report for 2012



### ***Vision***

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We have committed ourselves towards achieving our vision, which is to become a household name as the leader in certified sustainable forest products in Papua New Guinea.

The company has introduced Best Operating Practices and adopted systems and standards from the Forest Stewardship Council to align itself with this vision. We achieved a very important milestone in December 2012 with the completion of the full FSC Environmental Audit done by external auditors and this will indicate we are managing the forests under our control in a responsible and sustainable manner.

We understand it takes time to become a household name as we drive ourselves into Papua New Guinea markets. With the steps that we have taken we hope to become well known for our quality, social and environmental commitments.

### ***Executive Summary***

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This is the third annual Social and Environmental Report for 2012, which outlines how Cloudy Bay Sustainable Forestry Ltd, as developer of the Cloudy Bay FMA project, is delivering on the Project's social, environmental, health and safety commitments.

We saw great improvement in our operations without any major stoppages and although we did have some heavy

rainfall and machinery breakdowns during the course of the year, we managed to produce record figures from our production teams this year.

During the year we had a full FSC audit and if successful, we may be given full FSC accreditation and this will allow CBSFL products to be marketed internationally as well as into the PNG domestic market as a preferred product using the FSC Logo.

Since the Bam Sawmill came into operation in 2010, the Cloudy Bay FMA Project has built a unified team of workers, contractors, community members and stakeholders. This team is now ensuring the delivery of key project deliverables and other commitments that will contribute to a sustainable future for the Cloudy Bay people and Papua New Guinea as stipulated in the project agreement.

### ***Construction***

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Construction of a Health Centre at Bam was completed and we are in talks with St. John Ambulance to run the clinic. We also built a new dormitory and have moved our staff from the Bonoabo Camp to Bam. We have plans to build another 2 dormitories to house our staff and will also build 2 managers' houses at our Bam Camp.

Our mill log yard was also extended to cater for more stems from the bush and also for sorting and grading of saw logs before they enter the mill for processing.

We are making necessary changes to ensure we have the capacity to meet planned production targets at a better quality than before. The improved quality will allow greater production and quality standards to be achieved right across the company.

### ***Project Management***

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We have moved into the operational phase of our project and the monitoring and controlling of this is done by the PNG Forest Authority Monitoring Officer, who is based at site. This year, with the implementation of our Best Operation Practices (BOPs), daily tool box talks and great commitment from our management and staff, we have seen record figures from our production teams. The harvesting team recorded a total yield of 23, 484 m<sup>3</sup> of merchantable round logs. In addition to that, our mill at Cloudy Bay has produced a record 5, 733 bundles of rough sawn timber having a total production volume of 11, 996 m<sup>3</sup>. These record production figures now set the benchmark for the future.

### ***Safety and Security***

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The project registered no major injuries in the year 2012 except for a serious motor vehicle accident involving one of our semi-trailer trucks in Port Moresby. Overall there is an improving safety trend and we can only attribute this to ongoing improvements in our safety processes and our weekly safety talks, which had an impact on the safety consciousness of our employees. As a preventative measure, monthly inspections were carried out in 2012 which saw certain things change within the operations to make work place safer. The general behaviour of employees has improved a lot and their approach towards safety is far

more positive. Safety consciousness is developing.

Some highlights for the 2012 year:

- Our Harvesting and Sawmilling Departments recorded incident free months during the year. These are our two most high risk activity areas.
- On the job training has been ongoing for new employees with a lot of emphasis put on Best Operating Procedures and Practices.
- Formation of the Safety Reps committee opened up the dialogue in terms of consultation between the Management and the employees regarding Safety issues. Safety reps were also trained in a number of safety programs.
- Incident reporting and investigation improved in 2012 as corrective actions were taken to minimise or eliminate risk involved.
- The issuing of PPE including uniforms to all employees boosted the morale of work and also made the employees feel safer with protective clothing.
- First aiders that received training finally received their certificates and refresher training programs have been planned for 2013.

One of our security guards was attacked by a mob at our Bonoabo Camp. This is an isolated incident that stemmed from private issues with this guard and the group of men. Site police took over the case and it became a criminal matter.

Law and order services are still provided by members of the Royal PNG Constabulary. The 6 Mile Police pulled out on orders from their headquarters and now we have Central Police providing their services at site. The facilities that we have provided are being used by these policemen. Without

this service locals have to travel to Newtown for police assistance.

## **Environmental Performance and FSC**

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The company had its first major FSC Forest Management Audit in early December 2012 by an Audit team comprising a lead Auditor from Woodmark Australia and two counterparts from Forcert PNG. 12 minor CARs were given and responses were formulated to correct them before the 1<sup>st</sup> quarter of 2013 so that an FSC FM certificate can be issued. The Audit was conducted using the FSC PNG National Standards (version 1.1, May 2010). Control Wood 2<sup>nd</sup> surveillance audit was also conducted the same time where the company will have to facilitate for proper procedures in the branding of its certified products.

Since its certification under Soils Association Control Wood (CW) and Chain Of Custody (COC) in 2011, the company has put in place a tracking system to assist in the tracking of its timber products from the Log landing as logs at the operation site, to the sawmill and through to the processing of finished products at its 9 mile wood processing center.

The company also had a visit from Green Peace representatives (Tom Vigus) and The Nature Conservancy (Francis Hurahura) to carry out a 1 week practical workshop on "Tending of Natural Regeneration" in logged over areas where crews from Harvesting and Forest Inventory sections attended. There was also a visit by a team

of experts from PNGFA, PNGFIA, FAO and the Australian government Northern territory Forestry division who were tasked to review the current PNG Logging Code of Practice to have it more FSC oriented.

A fauna study on Rats and Mammals was also conducted by students from the Queensland University showing their succession in different logged over sites.

Ongoing monitoring is done regarding Environmental issues. CBFMA will be doing quarterly testing of Oahiguina creek which is the main supplier of water to Bam sawmill and camp and a tributary to the Robinson River. The test will monitor for presence of metals and bacteria to compare against WHO health standards. An annual Environment Performance report is done by an independent expert reviewing the year's performance and the report will be made available to DEC.

CBSF Ltd will be putting up public summaries on its monitoring aspects as well as its High Conservation Value (HCV) related activities carried out in the FMA as required by FSC.

## ***Infrastructure Development***

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We have been delivering various infrastructure developments as per the project agreement after receiving approved funding for this from our shareholder in June 2009.

### Projects completed in 2012

1 Community Hall at Bam

1 Community Hall at Oio

1 Classroom and 1 staff house at Darava  
1 Classroom and 1 staff house at Segiri  
1 Classroom and 1 staff house at Iaba-i  
1 Classroom and 1 staff house at Gadoguina  
1 Classroom and 2 staff houses at Ganai  
1 Medical centre and 2 staff houses at Bam  
Apaeva village access road  
Segiri village access road

We will still continue to deliver infrastructure development as per the project agreement.

Throughout the year CBSFL still supplied off-cuts free of charge and sold rough sawn timber to locals at site to construct genuine dwellings within their villages.

### ***Local Business Development***

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The economic capacity of the people of Cloudy Bay FMA, especially those impacted communities, has been boosted by the presence of Cloudy Bay Sustainable Forestry Ltd's base camp within the area where cash flow has increased dramatically through employment, purchase of fresh food supplies, contracted work and various other spin-off activities. As a result, the need for various small businesses at site is only necessary to meet some of the escalating demands of those communities and provide products and services to supplement their daily living.

The company has made a commitment in the project agreement and it is one of our obligations to assist small entrepreneurs with the technical knowledge and skills required to start-up and operate small projects at the community level. To fulfil this, we have appointed a Business Development Officer during the year to assist locals with setting up businesses and

to provide advice and guidance on how to do this.

5 business projects have already been funded through the Cloudy Bay Project Development Committee and we are closely monitoring their progress.

### ***Social Mapping***

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Our social mapping program commenced in 2010 and is carried out to determine the genealogical descendents for each clan and to establish agreed clan boundaries prior to our planning and inventory team going in to survey out the area.

So far, with the assistance of the landowners concerned, we have surveyed land areas for the Gobgob Oio, Suisakal, Boewa, Mida 1 & 2, Amalei, Nauwa Wavil, Iindouna, Gob Baile, Lina'a Ofeadou, Neure, Samahu, Iyei, Dedewa, Lawauhele and Goisi Oro Clans. All are members of the Mada'a language tribe.

GPS points have been taken and maps have been produced for these clans' boundaries.

### ***Health Care***

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The company has spent almost K75, 000 alone on medicine and equipment for operating its clinic at site in 2012.

We treated 7, 796 patients during the 2012 year and have begun serving the coastal villages on weekly visits to Aneve Village. We still continue to visit Bonoabo to treat patients further away from Bam. We also assisted in the delivery of 10 babies and this brings our total to 72 babies delivered so far at our clinic.

Construction of the Bam Health Centre and two staff houses is complete but the

facilities are not yet in use. We are negotiating with St. John Ambulance to take over and run the clinic. The company clinic is still being used to serve the communities and services are provided free of charge on an “All Care – No Responsibility” basis.

### ***Workforce Development***

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The development of our employee workforce as well as our contractor workforce is central to achieving our Vision. Earlier in the year we employed a full time Training & Development Manager to develop and oversee training plans for all our staff. The company is continually investing in training to develop the skills of the workforce in Cloudy Bay.

At the end of 2012, our total workforce stands at 433 employees. Only 2% of these numbers are expatriate employees. We have a workforce of 205 personnel based in the forestry concession area. 75% of these are locals from the FMA villages. They are doing general labour, semi-skilled, skilled and supervisory work right across the company. We also employ more people locally through contracted work. We have seen that the skills level is increasing with the locals and we are satisfied also that more females are joining our male dominated teams, especially in the sawmill department.

### ***CB Project Development Committee***

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The Cloudy Bay Project Development Committee is functioning effectively. They had 3 meetings during the year to elaborate on issues affecting the 6 language groups and project development related matters as well.

5 small business projects were approved and given a total funding of K67, 129 by the CBPDC during the year.

A greater percentage of the funds were used on providing school fees assistance to tertiary students from the FMA as they pursue further studies in higher learning institutions.

### ***Project Levy Payments***

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The Company has paid out the following Levy payments since 2006.

Cloudy Bay Chairman levy	K74, 538
Cloudy Bay RLLG levy	K89, 476
Amazon Bay RLLG levy	K59, 650
Central Government levy	K74, 563
PNGFA Forest Management	K74, 563
Domestic Processing levy	K373, 040
CB Project Development Fund	K373, 040



*Interior of the Church at Ganai Village*



*Classroom and Teacher's house at Segiri Village*



*Colin's Road: Access to Apaeva Village*



*Access Road to Doma Village*



*Teacher's Houses at Bam School*



*Tending of naturally regenerating tree species*