INTRODUCTION

As one of the largest players in the palm oil industry, we believe that the best strategy to ensure our continued success is to be the leading sustainable and responsible company.

VISION
To be the world’s preferred supply chain partner for vegetable oils and derivatives.

MISSION
Driven by a passion for excellence and commitment to continuous improvement, we strive to be the leader in the palm oil industry, producing all our palm products in an economically viable, socially responsible and environmentally appropriate manner, in full compliance of all relevant legal requirements.
**DEAR STAKEHOLDERS,**

I am pleased to introduce the first Musim Mas Sustainability Report, which I hope readers will find a comprehensive, detailed and transparent overview of our business and ongoing sustainability efforts.

This is our first Sustainability Report, but many readers will be aware that it represents just one more step in a long and eventful journey. Our structured path towards sustainability began in 2004, when we became the first Indonesian palm oil company to join the newly established Roundtable on Sustainable Palm Oil. We were the first Indonesian grower certified against the RSPO P6C standard, certifying our first estates and plasma smallholders in 2009 and 2010 respectively, and completing certification for all our mills with plantations in 2012.

Musim Mas has continued to step up in response to critical industry issues. To date, we have 13 methane capture facilities, and this makes us one of the few companies where methane capture facilities are standard at all mills. We have also been quick to adopt innovative approaches. Having observed the emergence of new methodologies to stop deforestation through the High Carbon Stock Approach, and new guidance on labour standards, we enshrined our clear commitments to the RSPO and to advancing sustainability within our industry in our Sustainability Policy, which was published in 2014.

From these first initiatives, we have contributed to the continued improvement by participating on the RSPO Executive Board, Working Groups and taskforces to forge common solutions with our stakeholders. We went further in 2016 and joined the Palm Oil Innovation Group – a group of leading companies and NGOs that seek to demonstrate that, in addition to the RSPO, it is possible to raise standards still further. With POIG, we have improved our internal processes on labour conditions and peat management, and are currently finalising our verification against the POIG Charter. We expect to be able to supply POIG verified palm oil products in 2019.

I believe that taking the lead is good for our business, and we are now in a stronger position to engage new markets that demand impeccable sustainability credentials. However, sustainability leadership is not always an easy mantle to uphold. In Indonesia, there is a genuine potential for conflict between environmental protection and social development agendas. I want to ensure that our continued work to protect forests and valuable ecosystems does not come at the cost of lost opportunities for marginalised communities and smallholders.

Also, I believe that progress is possible for all players, if all players work with a common purpose. Over the last decade, I have observed political developments that have opened the field for sustainability in our sector. In May 2011, the Indonesian government implemented a moratorium on new licenses in primary natural forests and peatlands. Further, the Peatland Restoration Agency was established in 2016 to stop peatland conversion and restore degraded areas. We have leveraged these opportunities, and the political momentum, to drive sustainable practices among our suppliers. The Indonesian private sector has also collectively risen to challenge. Tremendous strides have been taken towards raising sustainability standards through collaborative landscape projects across the archipelago. With such a clear and collective purpose, I am confident that we can strike a good balance between healthy business, community prosperity and environmental protection.

This report does not attempt to sugar coat the fact that there are many challenges ahead, particularly in our ongoing engagements with smallholders and third-party suppliers. However, through constant focus on the benefits of sustainability, supported by robust policies and processes, I believe we can contribute to a more sustainable palm oil industry and a more equitable world.

We may not be the most visible or vocal palm oil company – we believe action speaks louder than words – but as a Group we do hope this report contributes to our quest for improvement and helps to deepen our dialogue with our local and global stakeholders. I look forward to continuing the journey together.

**BACHTIAR KARIM**
Executive Chairman

---

**TARGETS AND ACHIEVEMENTS**

**OUR ACHIEVEMENTS**

<table>
<thead>
<tr>
<th>Year</th>
<th>Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>First company in Indonesia to join the Roundtable on Sustainable Palm Oil (RSPO)</td>
</tr>
<tr>
<td>2009</td>
<td>First plantation in Indonesia to attain RSPO certification</td>
</tr>
<tr>
<td>2010</td>
<td>First smallholder scheme in Indonesia to attain RSPO certification</td>
</tr>
<tr>
<td>2011</td>
<td>Register our first sustainable palm oil product as a RSPO Standard Product and maintain 100% RSPO certification of all owned and operated mills</td>
</tr>
<tr>
<td>2012</td>
<td>First POIG verified palm oil products in 2019</td>
</tr>
<tr>
<td>2013</td>
<td>First major group to achieve 100% RSPO P6C certification for all our mills with plantations</td>
</tr>
<tr>
<td>2014</td>
<td>First to receive certification for the Indonesian Sustainable Palm Oil (ISPO) scheme</td>
</tr>
<tr>
<td>2015</td>
<td>One of only two companies in Indonesia to obtain the United States Energy Policy Act Renewable Fuel Standard</td>
</tr>
<tr>
<td>2016</td>
<td>First to receive OIOG verification audit</td>
</tr>
<tr>
<td>2017</td>
<td>First company in Indonesia to join the Roundtable on Sustainable Palm Oil (RSPO)</td>
</tr>
</tbody>
</table>

**OUR TARGETS**

<table>
<thead>
<tr>
<th>Year</th>
<th>Targets</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>Publish all suppliers’ GPS coordinates on corporate website</td>
<td>GPS coordinates published in May 2018</td>
</tr>
<tr>
<td>2019</td>
<td>Complete Sustainability Policy Implementation Plan update</td>
<td>Sustainability Policy Implementation Plan released in June 2018</td>
</tr>
<tr>
<td>2018</td>
<td>All crushing plants comply with GMP+ Feed Safety Assurance (FSA) certification</td>
<td>Completed</td>
</tr>
<tr>
<td>2019</td>
<td>Achieve Italian National Sustainability Certification System for all existing mills</td>
<td>Completed</td>
</tr>
<tr>
<td>2019</td>
<td>Achieve all 13,932 registered independent smallholders under IPOM, representing a total of 34,505 hectares</td>
<td>Completed</td>
</tr>
<tr>
<td>2019</td>
<td>All mills equipped with methane capture facilities</td>
<td>Completed</td>
</tr>
<tr>
<td>2020</td>
<td>Support minimum 2,000 smallholders in achieving sustainable palm oil certification under IPOM</td>
<td>Two new mills achieved RSPO certification in 2018, bringing the total to 12 out of 13 mills certified</td>
</tr>
<tr>
<td>2020</td>
<td>Ten mills contracted to supply the national grid with electricity generated by methane capture</td>
<td>As at December 2017: 10 out of a total of 16 mills are equipped with methane capture facilities</td>
</tr>
<tr>
<td>2019</td>
<td>Ten mills contracted to supply the national grid with electricity generated by methane capture</td>
<td>Musim Mas is working to achieve POIG verification by February 2019</td>
</tr>
</tbody>
</table>

---

1 The GMP+ standards have been developed to harmonise requirements for feed in order to ensure quality and safety throughout the entire feed chain. GMP+ FSA certification is the largest module within the GMP+ certification scheme.

2 Musim Mas owns and operates 16 mills in total. However, only 13 mills have plantations and are eligible to obtain RSPO Principles and Criteria certification.

3 The four landscapes are: Aceh Tamiang (Aceh), Muara Banyuasin (South Sumatra), Sari and Palahawan (Riau), Sambas (West Kalimantan).
REPORT PURPOSE AND SCOPE

This inaugural sustainability report from Musim Mas aims to provide a detailed overview of the Group’s environmental and social performance against our 2014 Sustainability Policy commitments, as well as our commitments towards leading sustainability standards and multi-stakeholder initiatives. This includes our progress towards verification against the Palm Oil Innovation Group (POIG) Charter. It also gives us an opportunity to bridge potential gaps in transparency and public reporting that have been brought to our attention by key stakeholders.

This report covers the calendar years 2016 and 2017. Benchmark data from 2015 is included where relevant and available, and we have incorporated information about our progress in 2018 where this has a significant bearing on the topics described. The data presented covers all upstream operations controlled by Musim Mas as at 31 December 2017, unless otherwise stated. In addition to the impacts within our own organisational boundaries, the report also details some material aspects related to our third-party suppliers, including smallholders.

Moving forward, Musim Mas plans to publish a full sustainability report on a biennial basis. For more information about the scope, materiality and context of this report please see page 81.

ABOUT MUSIM MAS

Headquartered in Singapore, Musim Mas Group (“Musim Mas”) is a private limited company with a presence in 13 countries. We operate across every link in the palm oil supply chain, managing 194,204 hectares of plantations in Indonesia – including 7,170 hectares of infrastructure – as well as milling, refining and manufacturing sites across Asia-Pacific and Europe. An extensive fleet of tankers and barges supports our global operations, enhancing both our global reach and our logistical capabilities.

The Group’s global marketing activities are undertaken by a separate entity, Inter-Continental Oils and Fats (ICOF), which is a member of the Musim Mas Group. Also based in Singapore, ICOF oversees the marketing and distribution of palm oils, lauric oils and derivative products to more than 80 countries.

Our company traces its history back to 1932 and the establishment of the Nam Cheong Soap Factory in Medan, Indonesia. From these humble beginnings, the company has grown from strength to strength, opening the first palm oil refinery in Indonesia in 1970, its first plantations in 1988, and its first palm oil mill in 1991. Today, with a multinational workforce of about 37,938 people, Musim Mas is one of the largest players in the global palm oil sector.

FINANCIAL POSITION

In 2017, our revenue was USD 7.3 billion, a significant increase compared to the previous two financial years, namely 33% from FY2016. This growth in revenue is due to the expanded traded volume and scope of products for our operations globally.

3-year revenue and profit before tax

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (USD billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>7.3</td>
</tr>
<tr>
<td>2016</td>
<td>5.5</td>
</tr>
<tr>
<td>2015</td>
<td>5.0</td>
</tr>
</tbody>
</table>

This page includes a chart showing 3-year revenue and profit before tax for the years 2017, 2016, and 2015.
ABOUT MUSIM MAS

CORPORATE GOVERNANCE
The Musim Mas Board of Directors ("Board") is composed of five members, led by an Executive Chairman. The primary functions of the Board are to pursue the continual growth of shareholder value, and to manage the Group in the best interests of shareholders and stakeholders.

The Board is committed to sustainability, and considers our commitments to environmental stewardship, human rights and community partnerships as central to our corporate integrity. When developing business strategies and operations, the Board ensures that material environmental, social and governance factors identified for the Group are taken into consideration.

Sustainability management is integrated in the Group’s functioning and management structure and is overseen by the Board. Senior management meetings led by our Executive Chairman discuss ongoing sustainability matters: policy standards and compliance, sustainability management, labour, health and safety, traceability, and stakeholder engagement. The Director of Sustainable Development also provides monthly reports on these critical components directly to the Board.

Organisational Structure

Executive Chairman and Board of Directors

- Upstream
  - Plantation
  - Mill
- Downstream
  - Refinery
  - Oleochemicals
  - Specialty Fats
- Corporate Functions
  - Tax Planning
  - Financial Controller
  - Corporate Finance
  - Treasury
  - Risk Management
  - Legal
- Marketing and Trading
  - Procurement
  - Shipping and Logistics
  - Business Units
- Sustainable Development
  - Business Units
  - Human Resources
  - Insurance

Sustainability and Governance Structure

- Sustainability Implementation
- Sustainability Policy and Compliance
- Stakeholder Engagement
- Smallholders and Landscape Projects

Upstream
- Community and Labour Engagement
- Sustainability Programmes and Standard
- Biodiversity and Conservation Management

Downstream
- Environmental and Occupational Health and Safety (OHS) Management
- Technical Sustainability Special Projects
- Supply Chain Traceability
- Social Affairs (Hubungan Masyarakat)

Executive Chairman and Board of Directors

Director of Sustainable Development

Grievance (third-party suppliers)

Priority Landscapes

Sustainability Communications and Reporting

Supplier Compliance

Media Relations

Independent Smallholders

Government Engagement

Customer Relationships

Supplier Group Engagement
The global marketing activities of our Group are undertaken by Inter-Continental Oils & Fats (ICOF) Pte Ltd, headquartered in Singapore.

Our main operational base is in Indonesia and Malaysia.
ABOUT MUSIM MAS

OUR OPERATIONS

Musim Mas plantations, mill and refinery operations

A list of our plantations can be found at our website, www.musimmas.com/about-us/operational-presence.

MUSIM MAS MANAGES

INDONESIAN PROVINCES’ CONCESSIONS

OUR PLANTED AREAS

Total concessions

194,204 hectares

84% (made up of mature plantings)

2.41 million tonnes of fresh fruit bunches (FFB) in 2017

Sumatra

65,833 hectares

Kalimantan

128,371 hectares

116,874 hectares of planted nucleus estates

4,620 hectares of planted schemed smallholder area

Musim Mas plantations, mill and refinery operations

A list of our plantations can be found at our website, www.musimmas.com/about-us/operational-presence.

Legend

Plantation

Mill

Kernel Crushing Plant

Refinery (global)

Oleochemicals Plant

Biodiesel Plant

Specialty Fats Plant
Plants and mills
Musim Mas owns and manages plantations in the Indonesian provinces of Sumatra (65,833 hectares) and Kalimantan (282,371 hectares). We also have two concessions in Papua which have undergone RSPO’s New Planting Procedure (NPP) in 2013, although there are currently no plan to develop the land within these areas. We are exploring the possibility of working with other parties for conservation efforts. A list of our plantations can be found at our website, www.musimmas.com/about-us/operational-presence.

Since 2015, relatively few new plantings have taken place, namely 3,755 hectares in 2016 and 1,516 hectares in 2017, largely in Kalimantan. All of our new plantings adhere to NPP, which includes High Conservation Value (HCV) assessments and a Free, Prior and Informed Consent (FPIC) process, as well as High Carbon Stock Approach (HCSA) assessments to identify plantable areas and areas for conservation.

Our plantation operations comprise 116,874 hectares of planted estates and 4,620 hectares of planted scheme smallholder area. About 84% of this total planted area is made up of mature plantations. Together, these operations produced a total of 2.41 million tonnes of fresh fruit bunches (FFB) in 2017.

In addition to the FFB produced on our own plantations, we source around 3% of our FFB volume from scheme smallholders. All FFB sourced from scheme smallholders and independent smallholders is processed into crude palm oil (CPO) and palm kernel (PK) at our mills, alongside our own harvested FFB. Of our 16 mills, three mills are independent of plantations, while our kernel crushing plants – which process palm kernels into palm kernel oil (PKO) and palm kernel meal – have a combined annual crushing capacity of 2.5 million tonnes. We also operate a copra (coconut) crushing factory that processes dried copra into crude coconut oil and copra meal expeller, as well as biodiesel, oleochemical and specialty fats plants.

Our downstream operations process refined palm and palm kernel products into derivative products. These include specialty fats, soap noodles, oleochemicals, biofuels and functional products for industrial applications in food and non-food sectors worldwide. Every product is formulated and tested using stringent standards to achieve the ideal blend of performance and value to meet customers’ needs.

Our marketplace
Our downstream operations process refined palm and palm kernel products into derivative products. These include specialty fats, soap noodles, oleochemicals, biofuels and functional products for industrial applications in food and non-food sectors worldwide. Every product is formulated and tested using stringent standards to achieve the ideal blend of performance and value to meet customers’ needs. Due to our vertically integrated business model, we can also deliver these products through a fully segregated supply chain of RSPO certified palm oil.

Products
- **Energy**
  - Certified biodiesel
- **Food**
  - Cooking oils, food emulsifiers for bread, cocoa butter alternatives, nutritional supplements, margarine, milk powder, etc.
- **Industrial**
  - Pharmaceutical ingredients, including lubricants and emulsifiers for capsules, surfactants for tablets, carriers for cough medicines, carriers for active ingredients in drips, etc.
  - Carriers for agricultural pesticides and herbicides
  - Lubricants and drilling fluids for metal working
  - Cross-linking agent for rubber compounds
  - Lubricants and antioxidants for plastics
  - Bleaching earth for palm oil refining

**Personal care and household products**
- Ingredients for shampoos, shower foams, bar soaps and cosmetics
- Ingredients for floor cleaners, detergents, etc.
CREATING SUSTAINABLE VALUE

OUR APPROACH TO SUSTAINABILITY

We believe that the best strategy to ensure continued success is to conduct our business in a socially responsible, economically viable and environmentally sustainable manner throughout our operations and supply chains.

At the heart of our sustainability approach is Musim Mas’ Sustainability Policy ("Policy"), which outlines our sustainability commitments under the three key themes:

• Bringing benefits to the community
• Promoting positive environmental impacts
• Full compliance with local and international laws

Published in December 2014, our Policy sets out a framework for the specific commitments we have made to no deforestation, no development on peat, no burning, respecting the rights of local and indigenous communities, and protecting the rights of workers. The Policy covers both Musim Mas’ global operations and our third-party suppliers.

OUR STRATEGY FOR IMPLEMENTING OUR SUSTAINABILITY POLICY

We work closely with our technical consultancy partners – Aidenvironment, Daemeter, Proforest and Rainforest Alliance – to advance and monitor the progress we make in implementing our Policy. Since the Policy’s launch, we have gained broad experience in what it takes to implement our sustainability commitments on the ground. To summarise and build on this experience, we developed and released our Sustainability Policy Implementation Plan in June 2018. This plan formalises our existing approach to achieving positive impacts, as well as attaining our vision and goals for 2020.

Our implementation plan combines the following strategic approaches: our approach towards our directly owned and managed operations, our approach towards our third-party suppliers, our approach to smallholders, and our approach to broader landscape-level and sector-wide interventions.

Musim Mas Sustainability Policy commitments

Musim Mas declares that as a grower, miller, refiner, processor and supply chain manager, we will ensure that all of our own and our suppliers’ operations:

Bring benefits to the community:

• Respecting human rights including the rights of indigenous and local communities, families and other land tenure holders to give or withhold Free, Prior and Informed Consent (FPIC) for development and conservation of land and natural resources.
• Respecting the rights of all contract, temporary and migrant workers of all genders.
• Respecting and ensuring the inclusion of smallholders in the supply chain.

Promote positive environmental impacts:

• No deforestation of High Conservation Value (HCV) areas and High Carbon Stock (HCS) forest.
• No development of peatland regardless of depth.
• Minimising the carbon footprint of our operations.

Fully comply with local, national and international laws:

• Maintaining 100% RSPO certification of all our own plantations and mills.
• Encouraging and assisting our suppliers to achieve RSPO certification.

Our full Sustainability Policy is available on the Musim Mas website at: musimmas.com/sustainability/sustainability-policy
OUR APPROACH TO SUSTAINABILITY

Policy Implementation Approach

OWN SUPPLY
- RSPO certified
- POIG verified
- 100% verified compliance with Sustainability Policy commitments
- Traceability to plantation

SMALLHOLDERS
Independent smallholder suppliers (direct and indirect)
- Enable them to comply with our NDPE commitments
- Support smallholders’ sustainability and livelihoods
- Track smallholders’ progress over time

SECONDARY SUPPLIERS
(Primary and secondary suppliers)
- Monitor and review key issues through supplier self-assessment
- Respond and resolve grievances raised
- Detect deforestation activity via remote monitoring

THE THIRD-PARTY SUPPLIERS
Key volume suppliers:
(Large/medium sized companies)
PRIMARY SUPPLIER APPROACH:
- Engage actively and directly with top suppliers
- Develop and implement roadmap
- Build compliance and monitor performance against commitments

Limited volume suppliers:
(Medium/smaller sized companies)
SECONDARY SUPPLIER APPROACH:
- Monitor and review key issues through supplier self-assessment
- Respond and resolve grievances raised
- Detect deforestation activity via remote monitoring

OUR STRATEGY FOR ACHIEVING IMPACT

OWN SUPPLY
- Collaborate with stakeholders within physical landscapes to support change on the ground
- Implement Extension Services Programme (ESP) as a key component
- Map initiatives, analyse risks and mobilise suppliers and customers in our priority landscapes

SUSTAINABLE SUPPLY CHAIN

OUR STRATEGY

IMPACT

Own supply: Compliance with leading certification schemes and benchmarks relevant to our industry is a key component of our sustainability strategy, and we strive to align our Policy practices and sustainability efforts with the most progressive principles and standards. This component is especially critical in our approach towards our directly owned and managed operations. Our implementation plan also requires full traceability to plantations for our own supply.

Third-party suppliers: As 90% of the palm oil we trade and process is supplied by third parties, we invest significant resources in improving traceability and supporting these players in adhering to our Policy requirements. Our approach towards third-party suppliers is to focus on positive engagement, delivering tailored solutions and direct technical assistance to build capacity, enhance performance and create momentum for change.

Sustainability certification and verification
Musim Mas strives to conform to the most stringent sustainability standards. We have been active members of the Roundtable on Sustainable Palm Oil (RSPO) since its inception in 2004, and the RSPO standard is embedded at the core of our strategy for sustainable oil palm cultivation.

We have been working towards achieving 100% certification against the Indonesian Sustainable Palm Oil (ISPO) standard, mandatory for all oil palm companies in Indonesia since 2011, and the International Sustainability and Carbon Certification (ISCC) standard, an international sustainability certification for biofuels.

There has been much progress in the palm oil industry since our Policy was launched in 2014. Of particular note has been the advancement of the Palm Oil Innovation Group (POIG), a voluntary initiative developed jointly by private sector and non-governmental organisations to create and promote innovation in the sector. In keeping with the latest industry initiatives, we have updated our Sustainability Policy to align with the POIG Charter. We have also highlighted the POIG Charter criteria and, where possible, our progress towards compliance throughout this report.

Musim Mas also participates in the Programme for Environmental Performance Rating (PROPER), an environmental information disclosure initiative overseen by the Indonesian Ministry of Environment. In addition, we are committed to adhering to the Italian National Certification System for Biofuels and Bioliquids (IT SNC).

All of our mills have achieved compliance with IT SNC as at April 2018.

Roundtable on Sustainable Palm Oil certification
In 2012, Musim Mas became the first major group in Indonesia to achieve 100% certification against the RSPO Principles & Criteria (P&C) for all plantations and palm oil mills. In line with our Policy’s commitments, we strive to maintain this status and certify all new mills within the first three years of operation.1

As at December 2017, 10 out of 13 Musim Mas mills are RSPO-certified2; representing 139,184 hectares of certified plantation and schemed smallholder area. Two of the remaining three mills were commissioned in 2017, and have since achieved RSPO certification in the first quarter of 2018. The third mill (Sarana Esa Cita) was commissioned in 2016 and will be certified in 2020, pending the approval of its operations’ permits (HGU – Hak Guna Usaha). We also completed the first five-year cycle of RSPO certification for eight mills during the reporting period. In addition, two mills are audited for their third five-year cycle of RSPO certification in September 2018.

All smallholders affiliated with Musim Mas are targeted to be RSPO certified under our smallholder cooperative programme, Kredit Koperasi Primer Anggota (KPKA). The first group under KPKA attained RSPO certification in 2010 and became the first smallholder scheme in Indonesia to meet the criteria. Combined, our own plantations and our schemed smallholders (including the Village Development Programme) have an annual certified sustainable palm oil (CSPO) production capacity of 628,566 tonnes and 157,095 tonnes of certified sustainable palm kernel (CSPK). This represents about 6% of all RSPO certified palm oil in the market.

Thirty-five sites have achieved certification against the RSPO Supply Chain Certification (SCC) standard. The RSPO SCC scheme was designed to ensure the integrity of RSPO certified palm oil. Under this scheme, Musim Mas is able to supply palm oil products under the Segregated, Mass Balance and Book & Claim supply chain models.

1 Under PROPER, the environmental performance of companies is mapped into a five-colour grading scale – Gold, Green, Blue, Red, and Black (in descending order). PROPER covers aspects such as air pollution control, water pollution control, hazardous waste management, Environmental Impact Assessments, community development, conservation management, energy efficiency and marine pollution control – all of which are mandatory by law.
2 As one of our mills is still in the process of finalising its operations permits (HGU – Hak Guna Usaha), 100% RSPO certification for all mills with plantations is currently not possible.
3 Musim Mas owns and operates 16 mills in total. However, only 13 mills have plantations and are eligible to obtain RSPO P&C certification.
OUR APPROACH TO SUSTAINABILITY

Roundtable on Sustainable Palm Oil certification

- **135,710 ha** Total certified plantation area
- **10** certified mills
- **3,474 ha** Total certified parcels Measured area
- **1,733** Families in scheme smallholder area
- **629,000** tonnes CSPO per annum
- **35** acres RSPO SCC certified

**Indonesian Sustainable Palm Oil**

The ISPO system is a regulatory initiative adopted by the Ministry of Agriculture on behalf of the Government of Indonesia. The aims of the initiative are to improve the competitiveness of Indonesian palm oil in the global market, to contribute to national objectives to reduce greenhouse gas (GHG) emissions, and to draw attention to environmental issues.

Musim Mas was one of the first companies to undergo the ISPO certification process. Our subsidiaries PT Musim Mas - Pangkalan Lesung (Riau), and PT Musim Mas - Batang Klium (Riau), were the first two mills in Indonesia to meet the standard and were awarded the ISPO certificate in 2012. Since then, two more Musim Mas mills have attained ISPO certification: PT Agrowiratama in 2014, and PT Berkat Sawit Sejati in 2015.

In December 2017, all but two mills have undergone audits for ISPO certification and all plantations under the Musim Mas Group have undergone Penilaian Kelas Kebun, a pre-requisite for ISPO certification audits. The remaining two will be audited in 2018 and 2019.

**International Sustainability and Carbon Certification**

ISCC is an international certification programme for sustainable biomass and bioenergy production. It was established in 2010 to address socioeconomic sustainability of biofuels under the European Renewable Energy Directive (EU RED) 2009. The certification requirements include criteria on GHG emissions savings, sustainable use of land, protection of natural biospheres and social sustainability. ISCC certification is applicable to European markets as it complies with the EU RED and the German Sustainability Ordinances (BioNachV).

As of December 2017, all Musim Mas upstream operations have been audited against the ISCC standard. As of January 2018, all mills have completed ISCC certification.

**Palm Oil Innovation Group and Verification**

Musim Mas joined POIG in 2015, formalising our commitment to the Charter, and making us the first major Asian palm oil company to become a POIG member. The POIG Charter and its indicators build on the RSPO P&C 2013 to prevent deforestation, to prevent expansion on peatlands of any depth, to uphold human and labour rights, and to limit climate change. POIG members that cultivate oil palm must be independently verified as compliant with the POIG Charter and its indicators on an annual basis.

We began our journey towards POIG verification by engaging Verite to conduct a labour assessment in our plantations as a pre-requisite of the POIG verification audit. Subsequently, Rainforest Alliance carried out our first audit. The assessments were conducted between December 2016 and February 2017 at four mills selected as a sample to represent ten mills in different geographical areas in Indonesia, each with multiple supply bases.

Following this initial verification audit, we developed an action plan to address the non-conformances and partial conformances identified. We underwent our second POIG verification audit in 2018, which entailed assessments conducted at four mills and the verification of our action plan to address non-conformances from the findings of our first POIG audit.

The results concluded that we have made progress towards compliance in accordance with our action plan, and several non-conformances were verified as closed. We are currently working to close all remaining non-conformances, some of which have been highly dependent upon the progress of third-party assessments and have required an extended timeline.

In accordance with the POIG verification audit requirements, Musim Mas must achieve POIG verification within 24 months of the approval of our action plan. We therefore aim to complete the POIG verification process by February 2019. If successful, Musim Mas will become the first company in Asia to be verified against the POIG Charter and the first in the region to supply POIG verified oil.

The latest results of our POIG verification assessments, and further information on the status of any non-conformances and our POIG verification journey can be accessed on the POIG website at: [poig.org/the-poig-charter/poig-verification-assessments-reports/](http://poig.org/the-poig-charter/poig-verification-assessments-reports/)

As a POIG member, Musim Mas not only commits to implementing the Charter, but also to testing new innovations and advocating for these improvements to become the norm in palm oil production. Learn more about how we contribute to new solutions for labour rights issues on page 53.

**POIG Charter 3.4 - RSPO certification and company operations**

Producers shall meet a minimum of 50% of their plantations being RSPO certified upon commitment to the Charter, and a commitment to achieve 100% by within two years. This shall cover all their plantations being RSPO certified upon plantation area.

As of December 2017, all Musim Mas upstream operations have been audited against the ISCC standard. As of January 2018, all mills have completed ISCC certification.

Producers shall independently verify and report on compliance with this Charter within 12 months of commitment to the Charter, across their operations, subsidiaries and acquisitions of existing plantation including FFB from third-party suppliers.

**Building on the RSPO P&C: POIG Charter and verification indicators**

The POIG Charter and verification indicators focus on three thematic areas: environmental responsibility, partnerships with communities (including workers’ rights) and corporate and product integrity. Taken together, these core POIG documents support and build on the RSPO P&C 2013, providing a verifiable framework for signatories to demonstrate innovation in the implementation of existing RSPO standards, as well as in additional critical areas.

---

4 POIG verified oil is defined as RSPO certified Segregated oil produced by a POIG verified member.
OUR APPROACH TO SUSTAINABILITY

RSPO PRINCIPLES AND CRITERIA 2013

1. Commitment to transparency
2. Compliance with applicable laws and regulations
3. Commitment to long-term economic and financial viability
4. Use of appropriate best practices by growers and millers
5. Environmental responsibility and conservation of natural resources and biodiversity
6. Responsible consideration of employees, and of individuals and communities affected by growers and mills
7. Responsible development of new plantings
8. Commitment to continuous improvement in key areas of activity

POIG Charter and verification indicators: building on the RSPO standards

Corporate and Product Integrity
- Transparency and Corruption
- Traceability
- Report on Social, Labour and Environmental Performance
- RSPO Certification and Company Operations
- Responsible Supply Chain

Environmental Responsibility
- Breaking the link between Palm Oil Expansion and Deforestation
- Peatland
- Greenhouse gas (GHG) Accountability
- Pesticides use minimisation
- Chemical fertilizer
- GMOs prohibition
- Water accountability
- Protect and conserve wildlife

Partnership with Communities
- Free, Prior Informed Consent (FPIC)
- Food Security
- Effective Conflict Resolution
- Social Conditions
- Workers Rights
- Support Oil Palm Smallholders

More information on POIG, the POIG Charter, and its verification indicators can be accessed at: www.poig.org

RAINFOREST ALLIANCE COMMENTARY ON POIG VERIFICATION

By Lita Natasatra, Assurance Manager Asia Pacific, RA-Cert Division at Rainforest Alliance

Rainforest Alliance has conducted two POIG verification audits for Musim Mas. The first took place between the end of 2016 and early 2017, the second in early 2018. A report on the 2018 audit is still in process. In parallel with the second audit, we have verified the implementation of an action plan developed by Musim Mas in response to non-conformities identified in the first audit.

As an expert in this area, Rainforest Alliance provides commentary on the efforts of Musim Mas toward compliance with the POIG Charter and POIG verification. In 2017 and 2018, we also audited the company’s third-party palm oil suppliers for compliance with the Musim Mas Sustainability Policy. No significant difficulties have been encountered while working with Musim Mas regarding preparation for audits, field visits, or finalisation of audit results. The company is easy to communicate with and adequately responds to requests or questions related to the work in progress.

Musim Mas’s extensive experience with sustainable oil palm certification has made the POIG verification process easier. As well as being RSPO certified, all of the mills we visited for POIG verification were also ISCC and ISPO certified.

One of the Group’s greatest strengths is that its operations, including mills and plantations, are designed to be environmentally sustainable in compliance with the above-mentioned certification schemes. The company also has a solid sustainability team with sufficient knowledge and skill to fulfill its role, which has ensured thorough documentation of the implementation of its social and environmental management system. Staff members have been readily available to answer our questions throughout the verification process, and all information provided has been consistent and reliable. Staff members are also quick learners and easily become accustomed to new certification standards and requirements.

Despite significant progress made on key requirements, it remains a challenge for Musim Mas to reach full compliance with POIG. Issues such as HCS, GHG emissions, food security, participatory land use planning, water equity and full traceability to FFB sources may not be new to the company, but either they may not have been covered by the certification schemes used by Musim Mas or they may have been governed by different requirements. To comply with POIG, Musim Mas will need to complement, adjust, and in some cases change existing systems.

Securing government support for and establishing the economic benefits of certification are common challenges for POIG and other certification schemes. Most POIG requirements—especially those related to conservation—are either not yet (or not adequately) regulated by the Indonesian government. There is, for example, no regulation that accommodates the HCS forest concept when defining conservation areas. By implication, areas allocated for HCS conservation could potentially be categorised as areas neglected by the company and then be excluded from any future extension of a concession permit.

Concerns have also been raised that cost of certification could exceed any tangible economic benefit companies could expect by achieving compliance. While studies show that effective, embedded environmental and social practices can enhance business performance and protect against significant losses in value, it remains true that such good practices require consistent effort and not all companies are able to raise the bar.

Moreover, many companies that do fulfil certification requirements hesitate to change established systems, and they therefore rarely take the initiative to go beyond compliance. Initiatives to decrease GHGs offer a good example—most companies identify and calculate their emissions, but only a few set targets for reductions and adopt new technologies to reduce them. Musim Mas has, however, taken this extra step.

The willingness of Musim Mas to join POIG, and the strong commitment to compliance this entails, demonstrate that the company is ready to go beyond what others have accomplished. Improvements were already evident during our first series of mill visits. Our verification process concluded that the company has identified the causes of non-compliances, has planned and taken necessary corrective actions to address root causes of non-compliance, and was able to close all non-compliances within a specified timeline.

Further, Musim Mas has established several practices that we consider particularly innovative. All its mills are...
OUR APPROACH TO SUSTAINABILITY

equipped with methane-capture facilities and methane-powered electricity generators. These supply sufficient electricity for the entire plantation operation and feed excess electricity into the national power grid, which is not common in Indonesia. In addition, all mills are equipped with solid decanter units, which enables them to produce dried decanter mass that can be used as organic fertiliser, reducing pollutants. In response to the issue of water equity, Musim Mas is monitoring its water consumption following the water footprint methodology.

Prior to 2007, where there is a legal requirement for oil palm development to facilitate establishing plasma smallholder schemes. Musim Mas implemented village oil palm development smallholding programmes for the benefit of local communities. These oil palm plantations were developed on community land owned by the village or under communal land rights that provide steady income to support village development.

Independent smallholders play an important role in Indonesian palm oil production, and they directly or under communal land rights that provide steady income to support village development.

We also look forward to observing the participatory land-use planning activities that will be implemented by the end of 2018 in all villages affected by Musim Mas operations.

About Rainforest Alliance

The Rainforest Alliance founded the SmartWood programme in 1989 to certify responsible forestry practices. Today the programme has grown to provide a variety of auditing services in forestry and agriculture. Rainforest Alliance certification and auditing services are managed and implemented within its RA-Cert Division. The team members included for the POIG verification process in Musim Mas have experience using the Sustainable Agriculture Network (SAN) Standard and POIG for oil palm plantations since 2014.

FOCUS ON PRODUCTIVITY AND YIELD ENHANCEMENT

Palm oil producers face a continuing challenge: to feed a growing global demand for edible oils without dramatically increasing the planted areas. At Musim Mas we have taken this challenge head on. Within our strategy for long-term economic viability, we have focused a significant amount of attention and efforts on enhancing FFB quality, implementing best practices, increasing FFB yields per hectare and improving oil extraction rates (OER).

One of the first steps has been to ensure the implementation of good agricultural practices in our own plantations, as well as provide technical support and training for our schemed and independent smallholders. Our strong focus on compliance with leading sustainability certifications in turn supports these efforts.

Key activities

- **Research & Development (R&D):** Developing recommendations for scientifically based good agricultural practices related to fertiliser use minimisation, soil and water conservation, soil fertility and soil organic matter preservation, ground cover management and integrated pest and disease management with an emphasis on biological control.
- **Estates:** Ensuring the timely and efficient application of all inputs, reducing losses in the fields and implementing efficient crop recovery methods.
- **Mills:** Minimising losses during processing activities and investing in new technology and advanced equipment.

As part of our plans for improvement, we are also working to further intensify our land use by increasing our oil yield per hectare. Our plant breeding station, also known as the Genetic Research Centre, will aim to provide the most advanced and elite planting materials, individually tailored to be suitable for different environments to ensure we can generate optimal yields across all our Group plantations. We are currently testing materials and conducting trials across more than 500 hectares of our plantation area.

Our efforts to improve productivity have already shown results—and we remain confident they will continue to do so in the future. Our CPO production per hectare increased by 21% between 2010 and 2011 following intensive improvement programmes carried out at our estates and mills. In addition, between 2011 and 2017, our average CPO production per hectare has remained around 44% higher than the industry average.

### Musim Mas Group annual CPO production per hectare compared with global average of CPO production

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>MT/ha</td>
<td>3.74</td>
<td>3.68</td>
<td>4.13</td>
<td>4.46</td>
<td>4.66</td>
<td>5.72</td>
<td>5.92</td>
<td>5.36</td>
<td>5.71</td>
<td>5.68</td>
<td>5.90</td>
</tr>
</tbody>
</table>

Source: www.oilworld.biz/p/palm-oil#palm-oil (available for purchase)
OUR APPROACH TO SUSTAINABILITY

KEY STAKEHOLDER ENGAGEMENTS AND PARTNERSHIPS

We aspire to be a catalyst for positive change in our industry, pushing the sustainable palm oil agenda forward by developing innovative solutions and by sharing best practices with our peers. But the efforts of one company alone are not sufficient. To achieve real transformation on the ground, we must look beyond our own supply chains and work together with all stakeholders across the palm oil sector to tackle issues that impact both our industry and the global landscape at large.

Our main stakeholder collaborations and partnerships as of 2017 are outlined below.

<table>
<thead>
<tr>
<th>Stakeholder initiative/ partnership</th>
<th>Description topics covered</th>
<th>Role of Musim Mas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consortium of Resource Experts (CORE)</td>
<td>Environmental risk assessments on a landscape-level, Implementation of intervention programmes for smallholders and suppliers, Overall implementation of Sustainability Policy</td>
<td>Working with CORE to meet Musim Mas’ commitments on sourcing sustainable palm oil</td>
</tr>
<tr>
<td>Decent Rural Living Initiative by Forum for the Future (FFI)</td>
<td>Improving the protection of human and labour rights in agriculture by delivering practical and realistic recommendations to help rural workers secure their long-term ability to thrive</td>
<td>One of five companies participating in the initiative</td>
</tr>
<tr>
<td>Fire Free Alliance (FFA)</td>
<td>A voluntary, multi-stakeholder platform that contributes to the development of solutions to land and forest fires in Indonesia</td>
<td>Founding member of FFA since 2016</td>
</tr>
<tr>
<td>High Carbon Stock (HCS) Approach Steering Group</td>
<td>Methodology supporting no deforestation</td>
<td>Member of the HCS Approach Steering Group since 2015, and member of its Executive Committee (HCSA decision-making body)</td>
</tr>
<tr>
<td>Indonesia Sustainable Palm Oil (ISPO)</td>
<td>Indonesian Government regulation and certification for sustainable palm oil production</td>
<td>Co-lead for ISPO’s Greenhouse Gas (GHG) Working Group</td>
</tr>
<tr>
<td>Indonesian Palm Oil Development for Smallholders (iPODS)</td>
<td>Assisting independent smallholders in the surrounding of our operations in North Sumatra and Riau</td>
<td>Sole Indonesia-based partner with International Finance Corporation (IFC), a member of the World Bank</td>
</tr>
<tr>
<td>POIG</td>
<td>Multi-stakeholder initiative focused on responsible palm oil production verification and innovation</td>
<td>Member of POIG since 2015</td>
</tr>
</tbody>
</table>

Stakeholder initiative/ partnership | Description topics covered | Role of Musim Mas |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PONGO Alliance</td>
<td>Management and protection of orangutan habitats and that of other wildlife within oil palm landscapes</td>
<td>Pioneer member of the PONGO Alliance since it was launched in 2017</td>
</tr>
<tr>
<td>RSPO</td>
<td>Sustainable palm oil production certification and multi-stakeholder initiative</td>
<td>Member of the RSPO since 2004</td>
</tr>
<tr>
<td>Tropical Forest Alliance (TFA) 2020</td>
<td>Responsible growth without depleting natural capital</td>
<td>Member of the TFA 2020 since 2017</td>
</tr>
<tr>
<td>Aceh-APT – TFT (Leuser Ecosystem)</td>
<td>Multi-stakeholder working group under Areal Prioritas Transformasi (APTs) in Aceh Tamiang and Aceh Singkil</td>
<td>Member of Aceh-APT Working Group since 2017</td>
</tr>
<tr>
<td>Landscapes Working Group (IDH)</td>
<td>Multi-stakeholder working group focused on priority landscapes in Indonesia</td>
<td>Member of the Working Group</td>
</tr>
<tr>
<td>Tesso Nilo Taskforce</td>
<td>Multi-stakeholder programme involving government officials, the private sector and NGOs (including WWF), which aims to find solutions to addressing deforestation in Tesso Nilo National Park</td>
<td>Member of the Taskforce since 2016</td>
</tr>
</tbody>
</table>

Academic/research partnerships
- Musim Mas Professorship Fund with the National University of Singapore
- Monitoring winged species in HCV areas with Princeton University
- Master programme HCV management with Oxford University
- Social impact and management in oil palm with Helsinki University, Universitas Riau (UNRI) and Institut Pertanian Bogor
- Collaboration with UNICEF for research on children’s rights and development
- Doctoral Training Partnership Programme with Crops for the Future Research Centre and University of Nottingham Malaysia Campus
- Doctorate project on aqua biodiversity with Princeton University

Musim Mas Holdings Pte Ltd • Sustainability Report 2017
OUR APPROACH TO SUSTAINABILITY

Keeping our stakeholders informed
Ensuring stakeholders stay up to date on our activities is a priority at Musim Mas. To do this, we use a range of communication platforms and materials:

- **Sustainability Journals** (since 2011), annual Sustainability Policy Progress Reports (since 2015), highlighting our achievements and milestones in relation to the implementation of our Policy commitments.
- **Sustainability reports**: starting in 2018, Musim Mas will publish a biennial sustainability report to keep our stakeholders informed on material environmental and social issues relevant to our sustainability governance.
- **Musim Mas website**: we provide comprehensive information on our activities to a broader audience through dedicated sustainability sections on our corporate website.
- **Annual Communication of Progress (ACOP)**: we submit an ACOP to RSPO detailing our progress against the standard and the PSC.
- **Grievance system**: all external grievance cases lodged through our online Grievance Mechanism are made publicly available on the Musim Mas website. Stakeholders are kept abreast of complaints related to Musim Mas or our suppliers that have been submitted to the RSPO Complaints Panel through the Status of Complaints section on the RSPO website.

Musim Mas also maintains regular direct engagement with its key stakeholders:

Environmental, social and governance ratings & sustainability rankings
As a large palm oil company, we are subjected to significant public scrutiny on the environmental and social impacts of our business. Public assessments provide us with a valuable opportunity to identify areas where we have done well, and areas where we need to improve.

The Zoological Society of London’s Sustainable Palm Oil Transparency Initiative (SPOTT) regularly assesses our transparency and accountability, and we achieved a score of 67.8% in 2017. Although this places Musim Mas in the upper percentile range (>66%), our plan to have a sustainability report will significantly improve our score in 2018 and 2019.

Our performance has also been benchmarked and/or rated by the following assessment platforms:
- Forest Heroes – Green Tiger Rankings
- CDP (formerly Carbon Disclosure Project) – Climate Change and Forestry Programs
- Global Canopy Programme – Forest 500
- EcoVadis – Supplier Sustainability Rating
- Indonesia’s Ministry of Environment rating award – Programme for Environmental Performance Rating (PROPER)

SUSTAINABILITY GOVERNANCE AND ETHICS
Our Sustainability Policy and POIG membership commit us to conduct business in a fair and ethical manner, and to prohibit all forms of corruption and bribery. We do not permit our employees or those working on behalf of Musim Mas to accept or give out any facilitation fees, gifts or entertainment of any valuable monetary value to any party for business profit, or permit other transactions that may create a conflict of interest. Nor do we make any charitable donations in order to get business offers or to gain benefits from decision makers. Our specific commitments and requirements are set out in our Code of Business Conduct and internal Anti-corruption Policy. Our Anti-corruption Policy is socialised to all Musim Mas employees in Bahasa Indonesia together with our other company policies.

Launched in 2016, our Grievance Mechanism enables stakeholders – including our employees, local communities and NGOs – to report concerns about our own operations and our supply chain so that we can assess and resolve issues efficiently. We offer access to independent expert advice for the affected parties and maintain a list of experts at all our operations, including independent legal and technical experts and local government and community representatives.

Our grievance process obliges us to respect and protect the anonymity of the complainants to prevent any potential conflict or reprisal. Stakeholders may provide information anonymously using a form on our website, by letter or by SMS. The availability of these complaints channels is also communicated on signs at our plantations and mills.

This integrated system ensures a robust and fair approach towards receiving and addressing complaints, including those linked with our third-party suppliers. It incorporates a ‘controlled purchase’ mechanism that enables us to set up incentives for our third-party suppliers, based on their progress in resolving specific grievances. See page 32 to learn more about our stepwise approach in activating the mechanism.

POIG Charter 3.1 - Transparency and corruption
Producer companies shall publicize a commitment to prohibit any form of corruption including during the concession acquisition process and within their operations, and support efforts to establish and comply with anti-corruption legislation where this exists. In the absence of anti-corruption law, the producer company shall implement other anti-corruption measures proportionate to scale and intensity of management activities and the risk of corruption.

POIG Charter 2.3 - Effective conflict resolution
A balanced, accountable, mutually agreed and documented conflict resolution system is established that is accessible to smallholders, indigenous peoples, rural communities and other affected parties in order to deal with complaints and grievances and resolve conflicts to the mutual satisfaction of the parties. The system will include the option of access to independent legal and technical advice, the ability for complainants to choose individuals or groups to support them and/or act as observers, as well as the option of a third-party mediator.

6 Our Anti-corruption Policy can be made available to our external stakeholders upon request.
7 The integrated procedure introduced in 2016 builds on an existing grievance mechanism that was already in place at our sites of operation.
OUR APPROACH TO SUSTAINABILITY

Grievances
We divide grievances into two main categories: compliance grievances and dispute grievances. Compliance grievances may involve breaches of our Sustainability Policy, the RSPO Standards and/or the POIG Charter. Dispute grievances may involve conflicts between two or more parties. Under each of these categories, grievances are further divided into complaints against Musim Mas and complaints against our third-party suppliers. The category under which each grievance is filed determines the approach we take towards assessing it.

Musim Mas Group
Grievance Mechanism – Step-wise approach for handling grievances

<table>
<thead>
<tr>
<th>Incoming grievances</th>
<th>Assessing grievances</th>
<th>Addressing grievances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receiving</td>
<td>Assessment Flowcharts</td>
<td>Action Plan, resolution and Monitoring</td>
</tr>
<tr>
<td>Filing</td>
<td>Fact Finding and Conflict Analysis</td>
<td></td>
</tr>
</tbody>
</table>

COMPLIANCE GRIEVANCES
Musim Mas
Third-party suppliers

DISPUTE GRIEVANCES
Musim Mas
Third-party suppliers

Details on the assessment approach we employ for each category are available at: www.musimmas.com/sustainability/grievance
Further information on how we address internal grievances can be found on page 57.

Grievances in 2017
As at December 2017, a total of 23 grievance cases have been submitted by external stakeholders through our Grievance Mechanism. The majority of the cases are related to deforestation and social conflict. Out of the 23 cases received, 22 are complaints related to our third-party suppliers, while one case was directly related to Musim Mas. The case directly related to Musim Mas was filed in 2017 and closed in 2018.

We are working closely with our suppliers to remain updated on the progress of the open cases related to third-party suppliers, and to provide support in finding tailored solutions and developing action plans for resolving the grievances. Certain Policy breaches or continued non-action, can lead to a suspension in business relations. As at December 2017, Musim Mas has ceased business relations with seven third-party suppliers due to unresolved grievance cases.

<table>
<thead>
<tr>
<th>Nature of grievance cases</th>
<th>Total grievance cases received (as at 31 December 2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deforestation</td>
<td>8</td>
</tr>
<tr>
<td>Social conflict</td>
<td>5</td>
</tr>
<tr>
<td>Human rights</td>
<td>1</td>
</tr>
<tr>
<td>Deforestation/Social conflict</td>
<td>5</td>
</tr>
<tr>
<td>Deforestation/Human rights</td>
<td>3</td>
</tr>
<tr>
<td>Deforestation/Social Conflict/Human Rights</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>23</td>
</tr>
</tbody>
</table>

Note to data: grievance data excludes internal grievances and complaints.

A full list of grievances submitted by external parties, as well as the details for each case, is available at: www.musimmas.com/sustainability/grievance/grievance-list

ENSURING A TRACEABLE SUPPLY CHAIN
In line with our sustainability strategy, Musim Mas is working towards a fully traceable and transparent supply chain. Traceability serves as a technique to list and map out our entire supply chain, as well as any associated environmental and social risks. We employ two approaches in mapping the supply base of our processing facilities; traceability to mill and traceability to plantation.

Traceability to mill and plantation
Traceability to mill refers to the traceability level of products processed by the refinery, right down to mill or CPO/PK level. The data is derived from the amount of traceable product divided by the total amount of products received by the refinery. For a mill to be considered traceable, we require the parent company name, mill name and address, and the volume of its products procured for our facility.

Traceability to plantation refers to the traceability level of products right down to plantation. For a plantation to be considered traceable, we require the company name, plantation name, the coordinates of the plantation, the capacity of the associated mill, and the size of the concession.

Traceability as at December 2017
As at December 2017, we can trace 100% of our supply base of CPO to mill level, and 53% of our supply base of CPO to plantation level. We have 604 individual third-party supply mills that belong to 248 parent companies, including our suppliers from Malaysia and Indonesia. Indonesia accounts for 98% of our supply base, while Malaysia accounts for the remaining 2%.

We provide annual updates on the progress of our traceability work in our Sustainability Policy Progress Reports, which are made available on the Musim Mas website. More details on our progress as of December 2017 can be found in our 2017 Progress Report.

Musim Mas palm oil supply base

We have also published the list of our CPO and PK suppliers, as well as our third-party suppliers’ GPS coordinates on the Musim Mas website. Our supply chain map can be accessed at: www.musimmas.com/sustainability/traceable-supply-chain/supply-chain-map
Endorse inclusion within a NDPE-compliant supply base with our policy provisions by 2020. As each supplier is facilitating the Musim Mas Holdings Pte Ltd Sustainability Report 2017

Safeguard sustainability and livelihoods

Our approach to sustainability

Promoting positive environmental impacts

Social responsibility

Base data

GRI Index

About the report

OWNERSHIP PROFILE OF SUPPLY BASE

50% Third-party Supplier Groups

• Engage actively with primary supplier groups
• Resolve grievances relating to secondary supplier groups
• Monitor progress towards NDPE compliance

10% Own Supply

• Fully RSPO certified plantations
• POIG verified
• Full traceability to the plantation

40% Smallholders

• Ensure inclusion within a NDPE-compliant supply base
• Safeguard sustainability and livelihoods
• Track progress for continuous improvement

POIG Charter 3.2 – Traceability

Within 12 months of commitment to the Charter, all supply is fully traceable from company plantation and other suppliers’ fields to their mills. Each party shall take responsibility for traceability in the components of the supply chain under their control and transparency with their supply chain partners.

Using traceability data to prioritize engagement with suppliers

At Musim Mas, the traceability to plantation approach is used as a tool to identify ownership profile, since our definition of a third-party supplier is a supplier group of palm oil companies with related ownership.

Recognition of ownership is a more pragmatic and efficient way to engage with supplier groups’ mills and support them to improve management practices. Our transformation efforts are most effective when they work ‘top-down’. If we can convince the top management of transformation efforts are most effective when they work ‘top-down’. If we can convince the top management of the group’s network of plantations and mills throughout Indonesia.

Addressing key challenges for traceability to plantation

One of the key challenges with the traceability to plantation approach is being able to trace back the ownership of the land in the case of smallholders, and especially independent smallholders.

Where a mill’s supply chain has its own plantations, third-party plantations, farmer cooperatives, or a trans-migrant programme initiated by the government, traceability to plantation is possible as the entire registration process in the Regional Plantation Office (Dinas Perkebunan) or National Land Agency (Dinas Pertanahan) is clear. In the case of independent smallholders, identification must be carried out by Musim Mas independently, as most are not registered with the government department. A large percentage of smallholder crops is produced by independent smallholders which adds to the complexity.

Musim Mas has taken an approach whereby third-party suppliers are trained and assisted to conduct mapping and traceability activities. This is a long-term commitment as part of Musim Mas’s commitment to sustainable development, as well as livelihood enhancement for independent smallholders, who make up a significant portion of the industry.

Musim Mas understands the complex nature of traceability in the palm oil industry, and that we cannot solve all of the challenges associated alone. We are collaborating with external stakeholders, other plantation companies, government agencies, donor organisations, NGOs, and consultants to maximise positive impacts within the landscapes where oil palm is grown.

SUSTAINABILITY POLICY IMPLEMENTATION FOR THIRD-PARTY SUPPLIERS

In order to drive real change, we believe it is crucial to actively engage with our suppliers and provide them with the appropriate support to implement our Policy. We have developed two levels of engagement: our primary supplier and secondary supplier.

Although the engagement plan for each supplier will vary, the key steps and process that Musim Mas follows are:
• Development of a supplier profile
• Evaluation of the supplier profile and level of compliance with our Sustainability Policy
• An action plan (for suppliers with no grievance)
• Controlled Purchase plan (for suppliers with grievances)
• Ongoing monitoring and evaluation
• Evaluation of resuming trading relationship

Primary supplier approach

Under our primary supplier approach, we select target key volume suppliers – usually medium and large plantations – based on total procurement volume and strategic commercial partnerships. A roadmap with implementation milestones serves as the basis for our engagement, and this provides the framework for a time-bound plan for demonstrating and monitoring compliance.

We have also established additional tools to aggregate information and measure the progress of our suppliers towards Policy compliance:
• Group-level supplier profiles: detailing company operations and potential sustainability risks to identify roadmap entry points.
• Independent third-party site verifications: driving understanding and Policy compliance among third-party FFB and oil suppliers (conducted on a sampling basis).
• Supplier self-assessment tool: facilitating the identification of potential risks at mill level.
• Remote monitoring of supplier concessions: monitoring evidence of deforestation activity.
• Due diligence on prospective suppliers: conducted prior to onboarding.

Roadmap for supplier Policy compliance

Certification systems: Roundtable on Sustainable Palm Oil (RSPO) or Indonesian Sustainable Palm Oil (ISPO) or Malaysian Sustainable Palm Oil (MSPO)

Multi-stakeholder Landscape Initiatives and Jurisdictional Certification

Grievance mechanism in place/Controlled Purchase mechanism in progress

No Deforestation, No Peat, No Exploitation (NDPE) Compliance

Support independent smallholders of our third-party suppliers

Support independent smallholders of our third-party suppliers
OUR APPROACH TO SUSTAINABILITY

We engaged with all 14 of our main suppliers on a group level in 2017, and prioritised mills within particular landscapes for these groups. We conducted 77+ verifications on at least one mill for every 10 supplier parent company groups. Moving forward, we will make capacity building tools and training available to suppliers to support their progress along the roadmap.

Secondary supplier approach
Our secondary supplier approach aims to address any evidence of non-compliance with Policy commitments. This approach includes:

- **Risk assessments:** evaluating geospatial landscapes for potential risk to Policy compliance. To date, assessments have been conducted in Riau, South Sumatra, Central Kalimantan, which have also been identified as our priority landscapes.
- **Awareness training:** increasing suppliers’ knowledge about sustainability related risks and best practices. As of December 2017, supplier workshops have been conducted for more than 100 companies.
- **Remote monitoring:** monitoring suppliers’ concessions via satellite imagery for evidence of deforestation activity.

Managing Policy breaches process

<table>
<thead>
<tr>
<th>ENgage</th>
<th>Activate controlled Purchase plan</th>
<th>Cease Business relations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Work together with suppliers in developing an improvement plan</td>
<td>1. Develop Controlled Purchase plan with internal procurement team (reduce or maintain procurement volume)</td>
<td>1. For suppliers that consistently refuse to engage, do not regularly meet agreed milestones, or are suspended, terminated or withdrawn from the RSPO and, or have major legal or sustainability issues, cease business relations</td>
</tr>
<tr>
<td>2. Verify grievance or breach NDPE Policy</td>
<td>2. Monitor improvement or implementation plan</td>
<td></td>
</tr>
<tr>
<td>3. Provide support through training</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

We engage with third-party suppliers that have grievances in an effort to address their sustainability concerns. We engage suppliers through training, or implementation of remedial action, or are suspended, terminated or withdrawn from the RSPO and, or have major legal or sustainability issues, cease business relations.

Further engagement occurs only if the supplier makes contact and can prove that agreed actions are being taken. Musim Mas will then support the supplier in line with the previously agreed action plan and milestones. Once the milestones are achieved, the Controlled Purchase mechanism is withdrawn and normal trading relations resume.

We engage with suppliers that have grievances in an effort to address their sustainability concerns. This may lead to an action plan developed together with the supplier, which we use to monitor their progress based on defined timelines and goals. If the supplier fails to implement the plan, we inform them of our intention to ‘stop purchase’. We then enact the ‘stop purchase’ if the supplier continues to take no action.

Our sector approaches involve supporting sector-wide transformation together with other actors along the palm oil supply chain. We collaborate with stakeholders on issues including human rights and labour challenges, and also support existing sustainability initiatives. More information on the latest progress of these landscape initiatives is available on page 24.

More information on the latest progress of these landscape initiatives is available on page 24.

**Priority landscapes**
- Engage the multi-stakeholder platforms in the priority regencies.
- Commit to the platforms with the local governments (bupatis) via signing of MOUs.
- Enlist the help of technical consultants support these platforms.

Our sector approaches involve supporting sector-wide transformation together with other actors along the palm oil supply chain. We collaborate with stakeholders on issues including human rights and labour challenges, and also support existing sustainability initiatives. A full list of these initiatives and platforms is provided on page 24.
PROMOTING POSITIVE ENVIRONMENTAL IMPACTS

As a major player in the palm oil sector, we have a significant role to play in promoting sustainable forest management in our industry and contributing to the protection of critical ecosystems and biodiversity in and around the landscapes where we operate. We are deeply committed to environmental stewardship, and we continuously strive to minimise and mitigate the impacts of our operations. We also seek to enhance the state of the natural environment, where possible, and identify areas where we can make a difference.

Our Principles

- Adherence to the Best Practices Guidelines laid down by the RSPO and POIG.
- No development on primary forest or areas identified as High Conservation Value (HCV).
- No development of High Carbon Stock (HCS) forests as defined by the HCS Approach.
- No development on peatland, regardless of depth.
- No planting on steep terrain and/or marginal and fragile soils.
- No use of fire during new development or replanting and substituting mechanical, more environmentally sustainable methods.
- No establishment of new plantings in places where it can be demonstrated that there are legal or customary/user rights, without having obtained Free, Prior and Informed Consent (FPIC).
- Identifying all GHG emissions sources and working to progressively reduce emissions in existing operations.
- Continually exploring ways to enhance the state of the natural environment in which we operate, by monitoring and continuously reviewing our activities.

Our Commitments to Conservation and No Deforestation

Our sustainability strategy is aligned with our commitment to the New York Declaration on Forests and provides the basis for implementing our 2020 No Deforestation targets. Under our Sustainability Policy, we have made specific commitments to no deforestation of high conservation value (HCV) areas and high carbon stock (HCS) forests. Within our wider commitment to conservation, we are also specifically dedicated to biodiversity conservation and the protection of rare, threatened and endangered (RTE) species.

Since November 2005, Musim Mas does not develop primary forests or any areas that contain one or more HCVs. HCV identification, conservation and monitoring have been implemented across all our existing operations. We also conduct HCS and Social and Environmental Impact Assessments (SEIAs) prior to any new land development.

Our effort to monitor deforestation in the concessions of our third-party suppliers is being supported by Aldenvironment, our consultant, through their proprietary database and information platform. We also work with our key suppliers and other critical stakeholders, through collaborative initiatives and platforms, to support the wider implementation of our commitments and other conservation activities.

Responsible land use planning

Musim Mas always ensures that land development is carried out responsibly. We follow the RSPO’s New Planting Procedure (NPP), which is applicable to all new plantings since 1 January 2010. The NPP is implemented through a set of comprehensive and participatory technical assessments, including:

- Social Environmental Impact Assessments (SEIA)
- HCV assessments
- Land Use Change Analyses (LUCA)
- Soil suitability and topographic surveys
- GHG assessments
- Stakeholder engagement, including Free, Prior and Informed Consent (FPIC).

In 2015, we successfully completed the NPP process for new planting proposals submitted for five of our existing plantations in Riau and Central Kalimantan: PT Musim Mas, Sukajadi Sawit Mekar, PT Maju Aneka Sawit, PT Globalindo Alam Perkasa and PT Unggul Lestari.

Musim Mas conducts HCV and HCS assessments prior to all new land development following the requirements and definitions set out by the HCS Approach (HCSA) and the HCV Resource Network Assessor Licensing Scheme (ALS). We only engage HCV ALS accredited assessors for HCV assessments, and have engaged external assessors approved as HCS Approach Registered Practitioner Organisations to lead our HCS evaluations.

We have also adapted our HCS assessments to follow the guidelines of the HCS Approach Toolkit Version 2.0 launched in May 2017. Under the latest version, guidance has been included for integrated HCV/HCS Approach assessments, and we are required to submit all joint assessments to the ALS for quality review. We will refer to this version and these joint guidelines for all new development plans in the future.

All of our operations have undergone HCV assessments. Those conducted after January 2015 are available on the HCV Resource Network website at: www.hcvnetwork.org/als/public-summaries.
POIG Charter 1.1 - Breaking the link between oil palm expansion and deforestation: forest protection – conserving and restoring High Conservation Value (HCV) and High Carbon Stock (HCS) areas

The link between oil palm expansion and deforestation will be broken through undertaking a High Carbon Stock approach in addition to a HCV assessment, and a process of obtaining Free, Prior and Informed Consent to use land. The approach combines biodiversity and carbon conservation, as well as social considerations (including community needs).

Status of HCS assessments in 2017-2018

As of December 2017, we have identified approximately 1,800 hectares of HCS area in three of our concessions. The HCS assessments conducted for these three concessions were submitted to the HCSA for peer review, but had not completed the process at the time of reporting. The area identified may therefore be subject to change following completion of the Quality Review Process.

At the time of this report’s publication, Musim Mas has conducted ten HCS assessments, eight of which have been submitted to the HCSA for quality review process. Four of these assessments have completed the process and are publicly available.

<table>
<thead>
<tr>
<th>Company</th>
<th>Status of HCS Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>PT. Lestari Abadi Perkasa (LAP)</td>
<td>HCSA quality review process completed and report is publicly available</td>
</tr>
<tr>
<td>PT. Mentari Pratama (MP)</td>
<td>HCSA quality review process completed and report is publicly available</td>
</tr>
<tr>
<td>PT. Globalindo Alam Perkasa (GAP)</td>
<td>HCSA quality review process completed and report is publicly available</td>
</tr>
<tr>
<td>PT. Unggul Lestari (UL)</td>
<td>HCSA quality review process completed and report is publicly available</td>
</tr>
<tr>
<td>PT. Sukajadi Sawit Mekar (SSM)</td>
<td>HCSA quality review process completed and report is publicly available</td>
</tr>
<tr>
<td>PT. Maju Aneka Sawit (MAS)</td>
<td>HCSA quality review process completed and report is publicly available</td>
</tr>
<tr>
<td>PT. Multipersada Gatramegah (MPG)</td>
<td>HCSA quality review process completed and report is publicly available</td>
</tr>
<tr>
<td>PT. Musim Mas (MM)</td>
<td>HCSA quality review process completed and report is publicly available</td>
</tr>
<tr>
<td>PT. Sarana Es Cita (SEC)</td>
<td>HCSA report being finalised by consultant</td>
</tr>
<tr>
<td>PT. Mulia Indah (MI)</td>
<td>HCSA report being finalised by consultant</td>
</tr>
</tbody>
</table>

The status of all assessments submitted for quality review process and summary reports for all completed HCS assessments are available at: http://highcarbonstock.org/registered-hcsa-assessments/

Conservation areas and landscape initiatives

Through our integrated conservation approach, including HCV assessments, we have identified a total of 19,228 hectares of conservation area within our oil palm plantation operations. This area, which spans Kalimantan and Sumatra, has been set aside and is managed by Musim Mas.

Conservation area in 2017

- Total: 19,228 hectares
  - Kalimantan: 16,605 (86%)
  - Sumatra: 2,623 (14%)

POIG Charter 1.8 - Protect and conserve wildlife

Following comprehensive biodiversity surveys to identify HCV 1-3, in addition to ensuring the protection and survival of all rare, threatened or endangered species within their concession land, concession holders also make a positive contribution to their survival in the wild in areas beyond the concession.

Landscape initiatives

Critical to our Sustainability Policy implementation strategy is our transformation objective, taking on a landscape-level approach to implementation and focusing our efforts in places where impact can be achieved. The regencies where we choose to focus our efforts are selected based on various factors, including operational presence and leverage, as well as landscape characteristics such as the existence of high-value ecology and biodiversity. Identifying priority landscapes forms part of our approach to engaging with our third-party suppliers, but is also key to our strategy for forming and participating in collaborative initiatives with other key stakeholders.

The following table presents an overview of the landscape initiatives we have undertaken as at December 2017, focusing primarily on conservation and environmental initiatives. A more comprehensive update on our registry-focused efforts can be found in our 2017 Sustainability Policy Progress Report.
### Critical Landscapes

<table>
<thead>
<tr>
<th>Landscape</th>
<th>What is at stake here?</th>
<th>Landscape Initiative(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tesso Nilo National Park</strong>&lt;br&gt;<strong>Giam Siak Kecil peatlands</strong></td>
<td></td>
<td><strong>Sustainable Supply Chain</strong></td>
</tr>
<tr>
<td>Riau</td>
<td>Riau is one of our top supplier provinces. We estimate that our supplier mills make up 70–80% of the total mills in the province, forming 20% of our total CPO procurement.&lt;br&gt;Riau is the largest provincial contributor to the national production of palm oil and is the fifth largest contributor towards Indonesia’s gross domestic product (GDP).&lt;br&gt;Historically, deforestation in the landscape has been severe. It has been estimated that illegal oil palm plantations have taken over at least 40% of the Tesso Nilo National Park.&lt;br&gt;Another important protected area is the Giam Siak Kecil peatlands, of which a significant portion is dominated by the pulp and paper sector.&lt;br&gt;Riau is prone to forest fires during the annual dry season. In July 2017, the province declared a state of emergency due to the high risk of fires spreading elsewhere.</td>
<td><strong>Tesso Nilo National Park</strong>&lt;br&gt;Musim Mas is a member of the Tesso Nilo Taskforce. We are also working with WWF Indonesia and Yayasan Taman Nasional Tesso Nilo to mitigate human-elephant conflict around Tesso Nilo national park. <strong>Siak and Pelalawan regencies</strong>&lt;br&gt;We are looking to be part of a multi-stakeholder collaboration to work on a joint vision of green growth for the two regencies. We will provide more information in the later part of 2018. <strong>Fire prevention/mitigation</strong>&lt;br&gt;As a member of the Fire Free Alliance (FFA), we are looking into a fire-free landscape initiative in the province for our pilot fire prevention programme. <strong>Working with key suppliers</strong>&lt;br&gt;We are monitoring and following up on improvement plans that we have developed based on our mill verifications for the key suppliers in the region.</td>
</tr>
<tr>
<td><strong>West Kalimantan</strong></td>
<td><strong>Sambas</strong></td>
<td><strong>Musim Mas is a member of the Tesso Nilo Taskforce. We are also working with WWF Indonesia and Yayasan Taman Nasional Tesso Nilo to mitigate human-elephant conflict around Tesso Nilo national park.</strong> <strong>Siak and Pelalawan regencies</strong>&lt;br&gt;We are looking to be part of a multi-stakeholder collaboration to work on a joint vision of green growth for the two regencies. We will provide more information in the later part of 2018. <strong>Fire prevention/mitigation</strong>&lt;br&gt;As a member of the Fire Free Alliance (FFA), we are looking into a fire-free landscape initiative in the province for our pilot fire prevention programme. <strong>Working with key suppliers</strong>&lt;br&gt;We are monitoring and following up on improvement plans that we have developed based on our mill verifications for the key suppliers in the region.</td>
</tr>
</tbody>
</table>

---

### Critical Landscapes

<table>
<thead>
<tr>
<th>Landscape</th>
<th>What is at stake here?</th>
<th>Landscape Initiative(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aceh Province</strong></td>
<td>Aceh Province contributes to 5% of our total supply base. 87% of the Leuser Ecosystem, one of the world’s most biologically diverse and threatened tropical forest landscapes, lies in the Aceh province. Aceh is not a major producer of palm oil and has lower deforestation rates relative to other provinces, but it is being threatened by the expansion of agriculture including oil palm.</td>
<td><strong>Holistic supplier engagement strategy</strong>&lt;br&gt;We employ a holistic engagement strategy with our key suppliers, with the scope of issues as a first step. Mill assessments are analysed and aggregated into a summary of the issues found. This guides our efforts on joint landscape work. The results of the assessments lay the foundation for crafting our supplier outreach programmes. We are looking into the possibility of conducting wildlife protection through the PONGO Alliance platform.</td>
</tr>
<tr>
<td><strong>Leuser Ecosystem</strong></td>
<td>Musi Banyuasin (MUBA) district has one of the highest numbers of supplier mills in our supply base. MUBA is the province’s second largest district and its largest palm oil producer. Although deforestation in MUBA has been severe, there is still much remaining forest (160,000 hectares). This includes three protected areas covering 75,000 hectares that provide protection for important tiger habitats, including the Sembilang-Dangku landscape. MUBA offers a unique combination of supportive local government, numerous progressive companies, and multiple landscape initiatives that create a rare platform for change. The regency is the first to work towards RSPO Jurisdictional Certification. <strong>South Sumatra</strong></td>
<td><strong>Improving traceability and smallholder agronomic practices of third-party supply</strong>&lt;br&gt;We are implementing our Extension Services Programme (ESP) for the independent smallholders in the supply chain of one of our suppliers’ mills, PT Bastian Olaah Sawit (PT BOS), to assist them in improving their productivity through the implementation of good agricultural practices. PT BOS belongs to one of the supplier groups prioritised for engagement. In addition, we are working with Rainforest Alliance to specifically address sustainability issues relating to independent oil palm farmers in the region, and to support the development of a jurisdictional approach for the entire regency. We are also working with Daemeter, the Cadasta Foundation, and IT consultant GeoTraceability, to develop and implement a fully functioning Oil Palm Supply Chain Traceability System at one site in MUBA. The System will be a chain-of-custody mobile application that enables individual fresh fruit bunches (FFBs) to be tracked through the supply chain. This pilot project will cover the supply chain of PT BOS. <strong>Musim Mas is a member of the Tesso Nilo Taskforce. We are also working with WWF Indonesia and Yayasan Taman Nasional Tesso Nilo to mitigate human-elephant conflict around Tesso Nilo national park.</strong> <strong>Siak and Pelalawan regencies</strong>&lt;br&gt;We are looking to be part of a multi-stakeholder collaboration to work on a joint vision of green growth for the two regencies. We will provide more information in the later part of 2018. <strong>Fire prevention/mitigation</strong>&lt;br&gt;As a member of the Fire Free Alliance (FFA), we are looking into a fire-free landscape initiative in the province for our pilot fire prevention programme. <strong>Working with key suppliers</strong>&lt;br&gt;We are monitoring and following up on improvement plans that we have developed based on our mill verifications for the key suppliers in the region.</td>
</tr>
<tr>
<td><strong>Sembilang-Dangku landscape</strong></td>
<td>Musi Banyuasin (MUBA) district has one of the highest numbers of supplier mills in our supply base. MUBA is the province’s second largest district and its largest palm oil producer. Although deforestation in MUBA has been severe, there is still much remaining forest (160,000 hectares). This includes three protected areas covering 75,000 hectares that provide protection for important tiger habitats, including the Sembilang-Dangku landscape. MUBA offers a unique combination of supportive local government, numerous progressive companies, and multiple landscape initiatives that create a rare platform for change. The regency is the first to work towards RSPO Jurisdictional Certification.</td>
<td><strong>Musim Mas is a member of the Tesso Nilo Taskforce. We are also working with WWF Indonesia and Yayasan Taman Nasional Tesso Nilo to mitigate human-elephant conflict around Tesso Nilo national park.</strong> <strong>Siak and Pelalawan regencies</strong>&lt;br&gt;We are looking to be part of a multi-stakeholder collaboration to work on a joint vision of green growth for the two regencies. We will provide more information in the later part of 2018. <strong>Fire prevention/mitigation</strong>&lt;br&gt;As a member of the Fire Free Alliance (FFA), we are looking into a fire-free landscape initiative in the province for our pilot fire prevention programme. <strong>Working with key suppliers</strong>&lt;br&gt;We are monitoring and following up on improvement plans that we have developed based on our mill verifications for the key suppliers in the region.</td>
</tr>
</tbody>
</table>
**PROMOTING POSITIVE ENVIRONMENTAL IMPACTS**

**ZERO BURNING**

Musim Mas operates a strict zero burning policy for all new development and replanting. We have also taken measures to ensure that we can quickly and effectively respond to any fire outbreaks within the landscapes where we operate.

We maintain teams of highly trained firefighters at each of our plantations. These teams assist the district and provincial governments in regions where we operate to fight any outbreaks that could otherwise result in more widespread burning, and consequently further damage, air pollution and haze. All operations are provided with firefighting equipment, and all factories have early warning and firefighting systems. We cooperate with the local governmental fire safety centres to carry out fire drills and conduct regular training for our workers to maintain high fire safety standards.

We also monitor fire incidences and affected areas outside of our areas of operation. Fire data is collated from various sources, including active fire data from various satellites (NOAA, VIIRS, MODIS) and the World Resources Institute’s (WRI) Global Forest Watch, Fire Viz (GFW Fire) platform, an online forest monitoring and fire alert system. Our control crews undertake daily fire monitoring extending three kilometres beyond our concession boundaries. Crews act on the first sign of an outbreak and report to headquarters so that the RSPO can be informed in a timely manner.

Musim Mas piloted an early fire detection system in 2017 in collaboration with a leading telecommunications company. The system, led top of a signalling tower, uses a camera with thermal sensory capabilities to provide 360-degree detection with a five-kilometre coverage. If a hotspot is detected, the system alerts the ground crew to take action. The fire detection system will be implemented across all Musim Mas operations if the pilot proves successful.

In 2017, four fire incidences were recorded, which resulted in an estimated 4.74 hectares of burnt area. Between 2015 and 2017, we have seen a 71% decrease in the number of fires within our concessions. This is primarily due to an increased amount of rainfall in 2017.

**Fire Free Alliance**

In March 2016, Musim Mas joined a group of leading forestry and agriculture companies, NGOs and other partners to found the Fire Free Alliance (FFA). FFA members include APRIL Group, Asian Agri, Sime Darby, Wilmar, and NGOs such as the Sustainable Trade Initiative (IDH) and People’s Movement to stop Haze (IPM.Haze). FFA activities support the Indonesian Government’s commitment to a haze-free ASEAN region by 2020.

All FFA members have committed to sharing knowledge, data and, where possible, resources to roll out fire prevention initiatives based on APRIL Group’s Fire Free Village Programme (FFVP). All company members have implemented the FFVP as a means to engage local communities in protecting forests from fire. A 2017 FFA report reviewed the progress made by individual company members in 2016, as well as their targets for 2017.

Learn more about the FFA at: [firefreealliance.org](http://firefreealliance.org)

**Community fire free programmes in 2016–2017**

Our FFVP, known as Masyarakat Bebas Api (MBA), is up and running in regions across Indonesia. Memorandums of Understanding (MoU) have been signed with 71 villages covering more than half a million hectares – double our own concession area. In 2016 alone, we have invested IDR 26 billion (about USD 2 million) in the MBA programme and other fire monitoring and suppression activities.

MBA is designed to overcome challenges when talking to local communities about the risk of using fire for land preparation. Training on agronomic best practices and alternative methods of land clearance form a key part of the programme. In 2017, we conducted a total of 138 trainings under the MBA programme. We also engage village heads and villagers in discussions about fire prevention, and provide them with fire-fighting and monitoring resources. These resources include fire extinguishers, portable water tanks, farm tractors, excavators and bulldozers. Early detection systems incorporating drones and CCTV are also made available in some cases. Regular letters of appeal are sent, and signage has been installed, to remind communities to not use fire.

Another key function of MBA is to incentivise communities to be vigilant in preventing fires. Each village that remains fire-free throughout the MOU period receives an award that can be used to build or repair community infrastructure.

**Combating fire with compost**

Building on the MBA programme, we have partnered with the University of Riau (UNRI) on a two-year project to explore innovative solutions in community-focused fire prevention. This collaboration is already training local communities on alternative organic waste management methods. Dry organic litter left around farms or scrub areas is a major fire risk, which can be easily mitigated by composting organic waste. Compost mix provides the additional benefits of serving as a good substitute for chemical pesticides, and it is rich in macro- and micro-nutrients.

We are working with UNRI on a composting model that can be adapted by communities. Three villages near the Musim Mas concession in Pelalawan (Riau) are participating in the project, and we will monitor its success based on indicators including the achievement of zero burning. We look forward to contributing to a growing pool of research and scientific literature, based on the collection and exchange of data and information from our partnership with UNRI.


**PROTECTION OF PEATLAND**

In accordance with our Sustainability Policy, Musim Mas does not conduct any new plantings on peatlands, regardless of depth. There have been no new plantings on peat areas since 1 January 2008 at any company under Musim Mas Group management.

For our existing plantations on peat, we are committed to apply best management practices in accordance with Indonesian regulations and as required by other sustainability requirements. We have developed a network of water control structures to regulate water levels, and we maintain water tables according to these best management practices and regulations. We conduct appropriate drainability assessments prior to replanting to determine the long-term viability of the drainage. The map of peat land and planted peat are provided on page 72.

Musim Mas is working with the Indonesian Environmental and Forestry Ministry, Kementerian Lingkungan Hidup dan Kehutanan (KLHK), to evaluate our existing plantations on peat and identify critical areas for restoration. We have mapped the topography, hydro-topography, peat depth, water management systems, and water level monitoring plots across our peatland plantations, and have submitted these maps to KLHK.

These maps are currently under review, and our next step will be to undertake a joint field verification with KLHK to confirm the presence of peatland areas. Musim Mas will also engage an independent peat expert to review the critical areas identified and explore the options for a peatland restoration mechanism. The restoration mechanism will be developed based on KLHK’s final decision and guidance. The critical peatland maps will be made publicly available once this process is completed.

**POIG Charter - 1.2 Peatland**

a) No peat clearance: All areas of undeveloped peatlands (peat of any depth) are protected and all drainage, fires or road building on peat soils is prohibited.

b) Maintenance of peatlands: Water tables are managed in existing plantations on peat in order to minimise both the subsidence of the peat and the release of GHG emissions. Strategies are employed to progressively restore critical peatland ecosystems, with a preference for replanting on mineral soils, including via ‘land swaps’.

---

**Number of fire incidences and area affected within Musim Mas concessions**

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of hotspots</th>
<th>Number of fires</th>
<th>Affected area (ha)</th>
<th>Number of hotspots</th>
<th>Number of fires</th>
<th>Affected area (ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sumatra</td>
<td>25</td>
<td>1</td>
<td>100</td>
<td>9</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Kalimantan</td>
<td>65</td>
<td>13</td>
<td>7.75</td>
<td>26</td>
<td>4</td>
<td>4.74</td>
</tr>
</tbody>
</table>
MINIMISING OUR CARBON FOOTPRINT

GHG accountability
We are committed to operate in a manner that minimises our net GHG emissions towards a goal of low carbon emissions. We have implemented best management practices and have adopted a range of measures to significantly reduce our GHG emissions, such as building methane capture systems in our palm oil mills, improving our palm oil yields, following NDPE policy in oil palm expansion and carrying out appropriate water table management in peatland areas.

We map and monitor all GHG emissions sources in our own operations, including those related to land use change and non-land use activities. We calculate our GHG emissions using the latest RSPO PalmGHG calculator (version 3.0.1) in accordance with RSPO and POGG GHG requirements. We also use the GHG Protocol accounting standard to calculate our scope 1 and 2 GHG emissions for disclosure through the Carbon Disclosure Project (CDP).

RSPO PalmGHG: GHG emissions as at December 2017
Emissions from peat are the single biggest contributor to our GHG footprint, followed by emissions from land conversion, Field N₂O discharge, fertilisers and palm oil mill effluent (POME). These are partially offset by carbon sequestration in palm trees and emission credits from the export of electricity and palm kernel shells. More significantly, the installation of methane capture facilities at our palm oil mills reduces our GHG emissions by hundreds of thousand tonnes of carbon dioxide equivalent (tCO₂e) every year. Recognising the significant contribution that peat has on our GHG emissions, we apply best management practices and are working to evaluate our existing plantings on peat to identify critical areas for restoration. Read more about our approach on page 41.

Note to data: data is calculated and reported for our 2017 RSPO audit cycle, but covers 2016.

Group Emissions by year (MT CO₂e/MT CPO)

Note to data: Data reflects carbon emissions for our mills by group. Data for each group is calculated and reported for the RSPO auditing cycle in that year, but covers the year prior.

GHG Protocol and CDP disclosure
We have been participating in the CDP disclosure programme since 2015. CDP is a not-for-profit charity that runs a global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. In 2017, we participated in the CDP Forestry and CDP Climate Change programmes, where we obtained a score of A- and C respectively.

For 2018, we are participating in CDP Climate Change, CDP Forestry and CDP Water. The CDP Climate Change programme encourages companies to measure, calculate and disclose their Scope 1 and 2 GHG emissions. We have calculated our emissions using the GHG Protocol methodology. The scope of this calculation is all operational activities (upstream and downstream) where we exercise operational control.

As co-chair of the RSPO Emissions Reduction Working Group and co-lead of the Indonesian Sustainable Palm Oil (ISPO) GHG Working Group, we are sharing our experience on leading GHG reduction and monitoring practices with other companies and organisations. Together with the ISPO Commission, the GHG Working Group has formulated calculation guidelines for Palm Oil plantations in Indonesia.
**Methane recovery**

The processing of FFB results in a liquid waste known as palm oil mill effluent (POME). POME is usually treated using a process of anaerobic digestion in deep open lagoons. This reduces effluent toxicity levels, but releases methane, a GHG with a global warming potential 34 times more potent than carbon dioxide.

Our methane capture system prevents methane gas being released into the atmosphere by tightly sealing lagoons with high-density polyethylene. This enables us to capture and harness methane from POME treatment to fuel the generation of electricity, which we use to power our mills, estates and workers’ housing. We have also been exporting surplus generated electricity to the national grid since 2014. At present, ten Musim Mas mills have developed and implemented methane capture projects. The total Group emissions savings attributable to methane capture amounts to approximately 485,000 tonnes annually – roughly the amount of carbon emitted by 103,000 cars in a year.

**Holistic waste management**

Our mills operate holistic waste management systems with the aim of achieving “zero discharge” and reducing our impact on the environment. The systems either minimise waste or harness it for use as inputs in other processes related to our operations. The specific waste management solution adopted at each mill depends on factors such as seasonal inputs, local site conditions, energy requirements, mill design and crop type variations.

**PROMOTING POSITIVE ENVIRONMENTAL IMPACTS**

**POIG Charter 1.3 - Greenhouse Gas (GHG) accountability**

Companies shall publicly report on annual GHG emissions from all sources and on the progress towards reaching targeted reductions of non-land use GHG emissions (per tonne of CPO).

**METHANE RECOVERY**

- Electricity Generator
  - Methane is used as a fuel to generate electricity.
- Workers’ Housing Complex
  - 24-hour electricity supplied to workers and staff.
- Local communities in remote locations
  - Improved quality of life for rural communities.
- National Grid
  - Boiler chimney discharges to the atmosphere are smoke free.
- Workers’ Housing Complex
  - Decanter solid is used as fertiliser substitute.
- Lagoon Digester Technology
  - Anaerobic digestion of mill effluent with the capture of methane gas generated by the process.
- Palm Oil Mill Waste water discharge (Palm Oil Mill Effluent; POME).

**WATER ACCOUNTABILITY AND FOOTPRINT**

It is estimated that agricultural activities account for approximately 86% of humanity’s water footprint. Within this context, agricultural systems are extremely dependent on the availability of water. A failure to recognise this vulnerability can lead to the mismanagement in water use, which in turn can have severe consequences.

Recognising the importance of safeguarding water, we strive to minimise the impact of our operations on water resources in and around our concessions. We have implemented a comprehensive water management plan to maintain the quality and availability of surface and ground water for the future security of our business and the benefit of surrounding communities.

**Water use and consumption**

In 2017, we used 4.4 million cubic metres of water in our mill and plantation operations. Our mill operations used 3.3 million cubic metres while our plantation operations used 1.1 million cubic metres. Our total water use intensity improved slightly in 2017 compared to 2016. This is due to the improvement in palm yield in 2017 compared to 2016, which was low as a result of El Niño induced drought in 2014/2015. This explains the increase in water use intensity in 2016.

**Water use per tonne of FFB processed – mills (m3/MT FFB)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.99</td>
<td>1.24</td>
<td>1.19</td>
</tr>
</tbody>
</table>

Musim Mas is first major group in the palm oil industry to commit to extending methane capture projects to all its mills. At the close of 2017, 13 of our mills are equipped with methane capture facilities. The total Group emissions savings attributable to methane capture amounts to approximately 485,000 tonnes annually – roughly the amount of carbon emitted by 103,000 cars in a year.
PROMOTING POSITIVE ENVIRONMENTAL IMPACTS

In addition to water use monitoring, we have since 2016 monitored our water consumption using the Water Footprint Network methodology. This methodology divides water consumption into three categories: blue, green and grey. Blue water refers to consumption of water from fresh surface or groundwater. Water withdrawn from rivers, lakes and municipal water sources; green water refers to rainwater consumption; and grey water refers to the amount of water used to dilute pollutants.

Our assessment showed that we consumed almost 1.9 billion cubic metres of water in 2017, most of which was green water (consumed by oil palm trees) and grey water (required to dilute nutrient runoff to rivers). A water balance analysis has also been conducted to compare the amount of water received by our plantations in the form of rain and river inflow with our total water consumption. The results show a net positive water balance.

Nevertheless, we continue striving to optimise our water use and consumption where possible. Green water consumption is outside the scope of our control, as it is dependent on the local climate at the growing area, so our water reduction programmes primarily target blue and grey water consumption.

We continue conserving blue water through programmes aimed at reducing actual water use in mills, plantations and housing. For example, we recycle the water produced in our palm oil vacuum dryers to clean our sludge separators. We also collect the water used to wash the protective wear utilised by our pesticide applicators, and recycle it for pesticide mixing.

To reduce grey water, we have implemented IPM to minimise the use of pesticides and have rescheduled our fertiliser application to coincide with the dry season to reduce fertiliser runoff.

As our blue water consumption is low, and we aim to be more vigilant on our water and soil conservation practices that are related to green water, this target is 2.75% if fertiliser usage is 10% below the 2016 level, 5.5% if fertiliser usage is 20% below the 2016 level, and 8.25% if the fertiliser usage is 30% below the 2016 level.

### Safeguarding water quality

Although the POME from our mills is treated beyond the required regulatory levels, with the exception of one mill in Sumatra, we do not discharge it to waterways. Instead, we apply the by-product as fertiliser in our plantations, and ensure that Biochemical Oxygen Demand (BOD) levels remain below 100 parts per million. This mitigates any impact on groundwater and nearby water sources.

Since our first POIG verification audit, we have reviewed our water monitoring points in our operations, and have added additional points to better reflect inlet and outlet positioning. Musim Mas is also in the process of establishing guidance procedure to deal with cases of elevated phosphorous and nitrogen levels in watercourses.

### Riparian zone management

Riparian zones provide a buffer between natural waterways and land used for agricultural development. As such, they can help to prevent soil erosion and minimise surface runoff. Buffer zones also contribute to maintaining and enhancing biodiversity.

Following legal requirements relating to land development for oil palm cultivation, we maintain 50-metre riparian buffer zones for small rivers, and 100-metre buffers for wide rivers. In addition to these legal requirements and other voluntary codes, we have also strengthened our monitoring process by regularly evaluating water quality. In addition, as part of our focus on biodiversity, we conduct surveys on the presence of birds, butterflies, reptiles and small mammals in riparian zones.

### REDUCING CHEMICAL USE

We continue working to optimise and reduce our use of chemical fertilisers and pesticides and we substitute organic alternatives where possible. Musim Mas employs an IPM system that combines biological, cultural, physical and chemical tools to reduce our reliance on pesticides and herbicides, and the concomitant economic, health, and environmental risks. This includes, for example, encouraging the growth of barn owl populations on our estates to control the population of rats, a common pest on oil palm plantations.

We apply fertilisers following agronomic recommendations based on soil and leaf analyses. This approach minimises waste and ineffective fertiliser application. We also apply boiler ash from our mills in peatland areas to maintain pH levels and use dried decanter solid in place of potassium on sandy soil to increase moisture retention. Overall, the application of boiler ash and dried decanter solid helps us to improve the physical and chemical properties of marginal soils.

Musim Mas looks to international standards and best practices for guidance on the exclusion of certain chemicals that are considered to be hazardous for workers and harmful for the environment. Since 2011, we have banned the use of parathion in all our plantations, including those operated by affiliated smallholders. Under the POIG Charter and its indicator requirements, grower members are also committed to not using any chemicals identified by the World Health Organization as Class 1A or 1B, or those listed on the Stockholm or Rotterdam Conventions, the FSC’s ‘Highly Hazardous’ list, or the prohibited pesticide list published by the Rainforest Alliance’s Sustainable Agriculture Network.

As part of our POIG verification process, we are working towards full compliance in excluding the listed chemicals from use in our plantations, and we continue exploring alternative solutions. Following recommendations put forward by POIG, Musim Mas will carry out an independent review to identify any cases where we have not yet been able to eliminate specific chemicals and set a timebound plan to phase out their use.

---

8 Water use describes the total amount of water withdrawn from its source for use, while water consumption is the portion of water use not returned to the original water source after being withdrawn.

9 To provide a basis for comparison: Indonesian Government regulations require that BOD levels are below 5,000 parts per million for land application.
**PROMOTING POSITIVE ENVIRONMENTAL IMPACTS**

**Ensuring adequate protection for our workers**
Musim Mas has established two policies for workers that detail the requirements and procedures related to the utilisation of Personal Protective Equipment (PPE) during pesticide application. These policies prohibit women from engaging in pesticide application during pregnancy and while breastfeeding. All workers handling chemicals are provided with regular training on appropriate application and health and safety procedures, which is organised by estate management teams. We also provide free regular medical check-ups for workers handling chemicals.

**Monitoring toxicity in 2017**
We monitor toxicity levels of the pesticides in use as part of our efforts to ensure that the minimum dosages applied meet the health and safety requirements for workers while still producing effective results. We also track the usage of pesticides applied in each of our operations on a daily, weekly, monthly and yearly basis.

The toxicity levels of the pesticides in use have remained relatively stable between 2015 and 2017, and we believe that our current range of 400–484 toxicity units per hectare is largely aligned with best practice within the palm oil industry. Following our 2018 pesticides review, and the implementation of the resulting timebound plan to phase out certain chemicals as per POIG requirements, we expect these levels to be significantly reduced.

**Toxicity per hectare by region (2015 - 2017)**

<table>
<thead>
<tr>
<th>Region</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kalimantan</td>
<td>400</td>
<td>440</td>
<td>430</td>
</tr>
<tr>
<td>Sumatra</td>
<td>400</td>
<td>474</td>
<td>484</td>
</tr>
</tbody>
</table>

**POIG Charter 1.4 - Pesticides use minimisation**
Highly toxic, bio-accumulative and persistent pesticides shall not be used. These include chemicals on the FSC ‘Highly Hazardous’ list and SAN prohibited pesticide list. Producers shall by preference practice natural weed and pest control and IPM, and strive to avoid the use of toxic pesticides, only using them as an absolute last resort. There shall be full transparency of any pesticide use.

**POIG Charter 1.5 - Chemical fertiliser**
To reduce climate and environmental impacts, producers shall strive to minimise chemical fertiliser use, and preferentially use ‘precision agriculture’, organic fertilisers, and where possible use waste as a source of phosphorus. Phosphorus and nitrogen levels in watercourses are monitored and disclosed.

**MAINTAINING SOIL HEALTH AND STRUCTURE**
Unsustainable agricultural activities can cause long-term deterioration of soil health and soil structure. It is therefore vital that we follow good agricultural practices in order to sustain our future productivity and safeguard our environment.

We promote top soil fertility by maintaining organic matter at an appropriate level for specific soil types. To do this, we reuse cleared vegetation, including cut fronds from harvesting or pruning, to return nutrients to the soil. Waste biomass from our mills, including boiler ash and dried decanter solids, are applied to enhance soil quality. We also protect soil health by planting legume cover crops following the clearance of old palms.

The growth of moss, soft grasses and ferns is encouraged under older palms. This type of ground cover limits the growth of weeds and helps to minimise the depletion of soil organic matter from exposure to sunlight and erosion. In hilly regions, where the angle of slopes falls within the limits defined by legal or voluntary codes, we plant oil palms in terraces in order to trap rainwater, reduce surface runoff and minimise soil erosion.
Musim Mas respects, protects and upholds the human rights of our employees and surrounding communities. Our commitments are guided by international standards, including the International Labour Organization (ILO), the United Nations (UN) Universal Declaration of Human Rights, the UN Declaration on the Rights of Indigenous Peoples, the Food and Agriculture Organisation’s Voluntary Guidelines on the Responsible Governance of Tenure, and the United Nations Guiding Principles on Business and Human Rights.

As a member of POIG, we are committed to raising the bar on labour standards through the development and implementation of innovations that address common labour rights issues. We began reviewing our policies and practices in 2015 to align them with the Free and Fair Labor in Palm Oil Production Principles, and have since undertaken an independent labour audit in collaboration with Verité, which we have used as a basis for implementing changes and improvements. Musim Mas is also a member of the RSPO Human Rights Working Group and the High Carbon Stock Approach (HCSA) Social Requirements Working Group.

We are committed to building sustained, long-term partnerships that enable the value we create to be shared with the communities we operate alongside. We strive to maintain the wellbeing of our workers and local community members, and to ensure that they all have access to the benefits of a sustainable model of oil palm development.
SOCIAL RESPONSIBILITY

2016 VERITÉ LABOUR ASSESSMENT
Labour and human rights issues in the palm oil supply chain remain an industry-wide challenge. At Musim Mas, we recognise the complexity of this challenge and have increased our focus on identifying and addressing labour issues throughout our operations.

In August 2016, Musim Mas underwent an independent labour compliance assessment in partnership with Verité, a global organisation focused on labour and human rights issues in companies and their supply chains. The assessment was initiated to identify risks of non-conformance to the POIG Charter, the RSPO Principles and Criteria (P&Cs), Verité’s Best Practice Standards, as well as other international standards relating to worker protection and occupational health and safety. The audit covered three main areas: labour and human rights, compensation and hours, and health and safety.

The field assessments took place in three of our mills and eight of our estates in Central Kalimantan and Riau. Assessments involved in-depth independent interviews with management-level personnel and 123 non-management workers. A documentary review, site inspections, and interviews with unions and the associated smallholder cooperative were also conducted.

Verité’s labour assessment report highlighted the following good labour practices employed by our Group:
• Strong “no child labour” policies.
• Protection of workers’ rights on minimum wage and ensuring permanent worker status after three months of probation.
• Low precarious employment rate.
• Good maternity policies.

The report also provided recommendations for improvement in some of the key concern areas identified for the palm oil industry. These include ensuring the Group addresses overtime hours, protects the legal rights of undocumented workers, strengthens policies to ensure that benefits are equally protected regardless of gender, and strengthens housing policies in line with international standards where Indonesian legal standards are unclear.

During the one-year period between the assessment and the report’s publication, the Group worked to address these gaps and has achieved closure in the following cases:
• Strengthening overtime policies to ensure compliance with legal standards.
• Formalising temporary employment status through short-term contracts and insurances.
• Ensuring explicit recognition of women as heads of families, thus providing them with entitlement to housing.
• Exploring ways to better distribute free, clean water to all households.
• Making ongoing efforts to ensure that benefits are equally protected regardless of gender; maximise the use of the Gender Committee so that company policies are relevant and not discriminatory to women.
• Ensuring that workers’ benefits are applied consistently regardless of gender, maximise the use of the Gender Committee so that company policies are relevant and not discriminatory to women.
• Providing restrictions for female workers in accordance with applicable laws; recognising female workers as heads of families for housing entitlement as verified in the Family Card.

Our approach to addressing Verité’s main concerns and recommendations are covered in the following sections of this report. We continue working to address the remaining gaps, all of which require longer-term consideration and the development of implementation processes that can straddle business realities with labour rights considerations.

This assessment was the Group’s first step towards compliance with the POIG Charter. We have volunteered to implement the assessment as a POIG labour innovation trial, as it demonstrates that more can be done to adequately assess performance and implement best practices for upholding the rights of all workers. More information can be found in POIG’s Palm Oil Innovations: Labour Rights publication.

Summary of findings from Verité labour assessment:

Good Labour Practices | Key Recommendations | Corrective actions taken
---|---|---
Maintains basic personnel file of legal workers, though this can be improved by being more in-depth | Regularly review human resources/personnel complement vis-à-vis operational demands, and make necessary adjustments to ensure overtime is respected in accordance with existing laws | Capping of normal period overtime hours at 14 hours a week and three hours a day; ensuring all overtime is voluntary and paid in accordance with legal standards; reviewing of rotation system to address work life balance; and limiting the number of off days workers may choose not to take
Does not employ child labour | Protect the legal rights of undocumented workers to ensure that everyone who contributes work is protected by labour laws | Formalising of temporary workers through short-term employment contracts and insurance; upon compliance with the employment terms, these workers are recruited as permanent workers
Workers guaranteed the legal minimum wage as their base wage, regardless of ability to meet quota | Ensure that workers’ benefits are applied consistently regardless of gender; maximise the use of the Gender Committee so that company policies are relevant and not discriminatory to women | Providing unrestricted menstrual leave to female workers in accordance with applicable laws; recognising female workers as heads of families for housing entitlement as verified in the Family Card; Gender Committee engaged with third party for socialisation on gender issues
No indication that identity documents are retained | In the absence of clear Indonesian legal standards, company should benchmark against international human rights standards to water and the ILO recommendation on workers’ housing | Studying water consumption patterns in the household to derive a new water distribution system to ensure equitable supply of free clean water to all households
Good maternity policies | In the absence of clear Indonesian legal standards, company should benchmark against international human rights standards to water and the ILO recommendation on workers’ housing | In the absence of clear Indonesian legal standards, company should benchmark against international human rights standards to water and the ILO recommendation on workers’ housing
Probationary workers are upgraded to permanent status per law | |
PROTECTING WORKPLACE HUMAN RIGHTS

Our workforce of 37,938 employees forms the backbone of our business, and we strive to ensure that every employee is empowered to succeed in a safe, progressive working environment that offers equal or better standards compared to the wider palm oil industry. Every Musim Mas employee should expect to be treated with dignity and respect, to be adequately and fairly compensated for overtime, to have access to a fair and accountable grievance system, and to be remunerated for any unlawful or unethical treatment.

We constantly monitor market developments to make sure that pay and working conditions at Musim Mas comply with legal or industry minimum standards in the countries where we operate, and that these are sufficient to provide a decent living wage. Maintaining transparent and reliable records of all working hours and wages is also mandatory. All workers receive copies of their contracts and it is our policy that all workers retain control over their identity documents. Workers are informed when their collective work agreement is made publicly available and when updates to this agreement occur. We are also working on creating pocketbooks to improve access to and understanding of our personnel policies.

Prior to commencing any new development, we adhere to the RSPO New Planting Procedure (NPP) and undertake a Social and Environmental Impact Assessment (SEIA) to review the social conditions of local and surrounding communities in relation to the new development. Management and monitoring plans are subsequently developed and implemented.

We further support the welfare of our workforce through heavy investment in infrastructural developments, including roads, housing, water supplies, medical facilities, schools and other amenities. Employees across all estates are also provided with an opportunity to share ideas and voice feedback on our operations during our annual Musim Mas Improvement Day.

No child, bonded or forced labour
Musim Mas strongly opposes the use of forced or trafficked labour, and we do not employ child labour in our operations. Our recruitment policy prohibits the employment of any individual under the age of 18 and all job applicants are verified against minimum age requirements.

While our approach to minimising child labour was commended in the Verité audit, we recognise that there is room for improvement in our documentation system for personnel files and in our current recruitment procedures. We therefore reviewed our workers’ biodata in 2017 and will continue to review and update our records to ensure our documentation is complete. We have also integrated age-verification measures into our recruitment procedure, including interviews for all applicants, to prevent any under-age, forced or trafficked labour entering our workforce. These updated policies and procedures have been socialised regularly among our employees and through workers’ unions.

Notwithstanding these actions at mill and estate levels, we do acknowledge the potential risk of children being present at the smallholder level, where it is not uncommon for small farmers to bring family members under the age of 18 to help them in the field. To address this issue, we are conducting regular socialisation programmes that cover the importance of education for child development, as well as children’s rights in the plantation context. Musim Mas provides schools and childcare centres for children living in and around our plantations so that parents can go to work without having to worry about their children’s safety and education.

POIG Charter 2.5 - Workers rights
Palm oil producers shall respect worker’s rights including the International Labour Organization (ILO) requirements for ‘decent work’ and core conventions on child labour, forced or compulsory labour, freedom of association, and elimination of discrimination.

No harassment, abuse, or unlawful or unethical discrimination
Musim Mas does not tolerate sexual harassment in the workplace and maintains a policy of non-discrimination. Procedures are put in place to deal with workplace harassment and assault in a manner that guarantees the anonymity of the complainant, if it is requested, to avoid conflict between the engaged parties. Additionally, we have implemented an investigation and escalation procedure to ensure that related parties cannot interfere in the resolution of sexual assault or sexual harassment cases. This procedure is socialised periodically among workers and is posted in workers’ housing areas.

The Musim Mas Gender Committee, an elected body comprising men and women, reviews policies pertaining to human rights and equality issues, with a focus on vulnerable groups such as women and children. The committee is also responsible for establishing appropriate measures to address concerns such as menstruation leave, breastfeeding, sexual assault and domestic violence. Under the guidance of Group management, the committee facilitates the resolution of domestic abuse cases (without discrimination or bias related to gender), promotes discussion of gender-related issues, disseminates knowledge, and undertakes socialisation of our human rights and equality policies among our workforce and communities.

As part of its work programme, the Gender Committee routinely visits workers’ homes and schools to collect information about any sexual harassment or assault cases. An external provider has been engaged to train committee members in the appropriate handling of cases involving sexual harassment and sexual assault.

We believe it is imperative that our policies covering harassment, abuse, discrimination and other types of misconduct are enforced in a meaningful and consistent way. We have therefore started to standardise our disciplinary and termination systems, including the application of sanctions and warnings, to ensure they incorporate proper appeal procedures and clearly defined roles. We are also developing an integrated investigation process to guarantee the objectivity of any disciplinary decision resulting in sanctions.

We provide housing facilities to the heads of families as identified in their registered Family Cards. Family cards are official documents required by the government office to prove residency and family relationships. Historically, mill and estate workers were predominantly men due to the manual nature of palm cultivation and processing, and standard practice has always been to provide the housing facility under the husband’s name. However, as more women have joined our workforce in recent years, we have changed our policy so it can be implemented regardless of gender. We now provide housing facilities to women who are registered as a heads of families.

Employees by category 2017

<table>
<thead>
<tr>
<th>Category</th>
<th>Permanent staff</th>
<th>Permanent workers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>16,917</td>
<td>978</td>
<td>18,917</td>
</tr>
</tbody>
</table>

Permanent employees by region 2017

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kalimantan</td>
<td>45%</td>
<td>8,956</td>
</tr>
<tr>
<td>Sumatra</td>
<td>55%</td>
<td>10,939</td>
</tr>
</tbody>
</table>

A comprehensive social programme with regular monitoring is in operation to ensure palm oil production does not result in human rights violations, trigger social conflicts, or produce ‘land grabbing’, and addresses key social equity issues including housing, healthcare, education and empowerment of women.
### Wages, benefits, working hours and conditions

Minimum wages in Indonesia differ from province to province because they are set by provincial authorities. We believe that we pay fair wages to all Musim Mas employees, and our salaries are adjusted in line with inflation and minimum wage requirements. We keep records of all salaries and money paid to employees. We also endeavour to ensure our workers are equipped for the workplace through health and safety training, certification training, policy socialisation and collective bargaining socialisation. Beyond this, we provide work-related training by investing in capacity building and technical skills development programmes.

**Musim Mas lowest monthly wage (IDR Rupiah)**

<table>
<thead>
<tr>
<th>Region</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sumatra</td>
<td>1,615,000</td>
<td>1,800,750</td>
<td>1,949,285</td>
</tr>
<tr>
<td>Kalimantan</td>
<td>1,735,000</td>
<td>1,934,600</td>
<td>2,095,000</td>
</tr>
</tbody>
</table>

Note: Lowest monthly wages may differ regionally and within provinces; wages listed above are the lowest paid within each respective province. A full breakdown of all minimum wages in each region of Indonesia is available here.

In addition to wages, Musim Mas provides workers with free facilities such as housing (including electricity and water), education and transport. Based on a survey of living standards and market prices conducted in conjunction with the workers union, the combination of our wages and the facilities provided has a much higher value – approximately 70% – than the minimum living wages set by local governments. We also ensure that parental leave and retirement provisions are adequately provided according to national law, and workers are insured for work-related risks and hazards including disability and invalidity due to occupational hazards.

In 2017, much focus was placed on tightening overtime practices to align with government regulations. At Musim Mas, we ensure that all time and payroll records accurately, reliably and transparently reflect all hours and days worked. We also socialise our workers on the hazard of overtime practices.

We cap overtime at 34 hours a week and three hours a day, with meals. All overtime is paid according to regulations. During extraordinary periods, for instance during peak crop season, certain work such as maintenance is scheduled for Sundays to ensure minimal operational disruptions to the timely processing of fruit bunches. These extra hours are recorded as rest-day work and/or overtime and the workers are paid a premium accordingly. Workers who choose to work overtime do so voluntarily and are incentivised by the additional pay.

We recognise the concern raised in the Verite labour audit and hence we are reviewing our processes and looking into ways to address the workload during peak crop season.

We are in constant dialogue with union representatives and government bodies over working hours in the palm oil industry and are working towards creating a better policy catered to the type and variety of work available on our plantations. We are also exploring possibilities to carry out a motion study to best capture harvesting targets against hours worked.

Access to clean water can be limited in some parts of Indonesia. While we frequently check to ensure that there is an adequate supply of clean water to houses we provide for, many people still face water shortages due to unequal distribution and inefficient usage. We have therefore introduced a water rationing system to ensure a constant supply of free, clean water to all worker households. The system is based on a three-month water usage study conducted in two housing complexes over two different timeframes in 2017. Based on the data in this study, we have now committed to supply 120 litres of free clean water, per person, per day, to a maximum of five persons per house (higher than current Indonesian and WHO recommended standards). We also consistently socialise our workers and residents in surrounding housing areas to promote the efficient use of water and reduce waste.

**Temporary workers**

We respect the rights of all contract, temporary and migrant workers, regardless of gender. As at December 2017, 5% of workers at Musim Mas are considered temporary or short-term contract workers.

Some workers may prefer temporary work to full-time employment. This can be due to childcare or other domestic responsibilities. To allow a certain degree of flexibility, and prevent any misuse of the dispensation to use helpers during peak periods (for instance, where spouses would unofficially accompany their husbands into the field to work), we have initiated a process to formalise the employment status of temporary workers by providing short-term employment contracts and insurance. These workers are then eligible to be recruited as permanent workers. This mechanism ensures that all workers’ efforts are formally recognised, and that women are empowered through a direct source of income.

**Benefits by Musim Mas**

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food &amp; Beverage</td>
<td>Free facilities such as housing (including electricity and water), education and transport.</td>
</tr>
<tr>
<td>Household</td>
<td>Free facilities such as housing (including electricity and water), education and transport.</td>
</tr>
<tr>
<td>Clothes</td>
<td>Free facilities such as housing (including electricity and water), education and transport.</td>
</tr>
<tr>
<td>Education</td>
<td>Free facilities such as housing (including electricity and water), education and transport.</td>
</tr>
<tr>
<td>Transportation</td>
<td>Free facilities such as housing (including electricity and water), education and transport.</td>
</tr>
<tr>
<td>Recreation</td>
<td>Free facilities such as housing (including electricity and water), education and transport.</td>
</tr>
<tr>
<td>Savings</td>
<td>Free facilities such as housing (including electricity and water), education and transport.</td>
</tr>
</tbody>
</table>

**Employee Paid Benefits**

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>Free facilities such as housing (including electricity and water), education and transport.</td>
</tr>
<tr>
<td>Water</td>
<td>Free facilities such as housing (including electricity and water), education and transport.</td>
</tr>
</tbody>
</table>

### Social Responsibility

**Freedom of unions and collective bargaining**

We respect the rights of all workers regardless of employment status to join workers unions, where currently 86% of our workers belong to the several workers unions. Our collective labour agreement is in line with government regulations and has been registered with the local Manpower office. This agreement is valid for all employees, whether unionised or not. Members are free to meet during working hours to discuss any issues without the presence of management representatives.

The Group’s management and the workers’ union maintain a positive relationship and meet regularly to discuss matters of concern to members, such as overtime and compensation, working hour policies based on type and variety of work available, work-life balance and menstruation leave.

**Worker complaints and access to grievance mechanisms**

As part of our Sustainability Policy, we commit to ensuring that workers have access to a transparent and accountable grievance mechanism without fear of reprisal or dismissal.

Our internal, site-level grievance procedure has been socialised to our workers and we regularly post reminders about the system on public boards. Employees can raise complaints through suggestion boxes located around our operations, through grievance logbooks at administrative offices, over the phone to Public Affairs Department (Hubungan Masyarakat), or through the worker union. Complaints filed with the union or through the worker union’s representatives will be escalated to mill managers and all grievances are either processed within a week or are raised in regular management meetings for

**Workers by contract type**

<table>
<thead>
<tr>
<th>Year</th>
<th>Permanent workers</th>
<th>Temporary workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1,150</td>
<td>964</td>
</tr>
<tr>
<td>2016</td>
<td>17,895</td>
<td>17,955</td>
</tr>
<tr>
<td>2017</td>
<td>1,028</td>
<td>18,917</td>
</tr>
</tbody>
</table>

**Complaints filed with supervisors are escalated to mill managers and all grievances are either processed within a week or are raised in regular management meetings for**
Sustainability Report 2017

**Musim Mas Holdings Pte Ltd**

**SOCIAL RESPONSIBILITY**

Discussion and resolution. The most common complaints we receive involve housing issues. Management regularly recap on all complaints filed.

We continue exploring ways to improve access to the grievance process and thereby strengthen management’s ability to address complaints in a timely and efficient manner. To ensure sufficient protection for complainants, we are considering alternatives to logbooks and direct reports to management, such as anonymous whistleblowing lines and more accessible suggestion boxes. Due to the distances between estate offices and head offices, we are looking to develop a centralised system where grievance cases can be consolidated and reviewed. We will provide workers with adequate and timely information regarding the use of these revised grievance mechanisms.

Musim Mas respects and ensures the anonymity of all complainants and their data is protected to avoid any conflict with any affected party. Internal complaints are handled within the organisation, while details of external complaints are made available in the public domain (see section on Grievances on page 28).

**Occupational health and safety**

We are committed to providing a safe and healthy workplace for all our employees. Our occupational safety and health (OSH) policy complies with national laws and regulations, as well as ILO guidelines. Group-level senior management oversees and reviews the performance of the OSH management system, including performance goals and continuous improvement programmes. These programmes set out clear objectives for improvements across our mills and estates.

A committee responsible for Safety, Health and Environmental Quality is set up at each of our locations to enforce the protocols and standards for safety. Among other tasks, the committees are responsible for identifying potential hazards, ensuring the availability and optimal condition of safety equipment. These committees meet quarterly to discuss safety issues and concerns, and meeting outcomes are reported to the Indonesian Ministry of Manpower. The chair of each committee is the highest-ranking person responsible for the safety of company personnel.

We aim to foster a workplace culture where safety is everybody’s responsibility. We conduct regular training and safety drills, including basic safety training, first aid and emergency response procedures, fire-fighting drills and material data safety sheet socialisation for chemicals. We also inculcate the habit of donning adequate PPE, such as gloves, helmets, boots, masks and safety clothing. To further encourage a safety mindset, we have built safety criteria into our employees’ personal performance evaluations.

There are 24 clinics and 1,900 first aid kits strategically located across our plantations to ensure ease of accessibility for workers that require first aid or other forms of medical attention. Workers who handle herbicides and pesticides are provided with monthly medical check-ups to ensure their continued wellbeing. We maintain records on illness, which are summarised in monthly reports, and dominant health issues are identified so that action plans can be prepared to limit their occurrence or prevent their further spread. Information on health issues is socialised among all workers as a preventive measure.

In 2017, we conducted a thorough investigation into the root causes of common accidents in our operations. Results showed that the majority of injuries stem from activities near oil palm trees, where the risk of cuts by the fronds and thorns is high, while other sources of injuries include accidents due to electrocution, two resulted from vehicle accidents, and two workers were fatally injured while performing tasks using mill machinery. Of the remaining fatalities, one was caused by lightning strike and one resulted from a fatal allergic reaction to a bee sting. Our investigations indicate that the fatalities occurred due to a lack of awareness regarding safety procedures and management, or working without proper authorisation.

Musim Mas takes these events extremely seriously. We investigate every fatal incident and take appropriate measures to eliminate such accidents from our workplaces. Procedures and risk assessment are reviewed and revised where necessary, to minimise these occupational risks and hazards. We also reinforce supervision and safety management with intensive trainings to promote greater awareness to throughout our operations.

**Lost time accident rate (Frequency rate) per 200,000 working hours**

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>5.18</td>
<td>5.08</td>
<td>3.34</td>
</tr>
</tbody>
</table>

**Fatality**

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
</tbody>
</table>

**Severity rate**

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group</td>
<td>1716</td>
<td>1963</td>
<td>2521</td>
</tr>
</tbody>
</table>

Note to data: Severity rate measures the extent of how critical accidents are and is calculated as follows: number of accidents x 200,000 manhours divided by total manhours worked.

Note to data: Lost time accident rate (Frequency rate) measures productivity loss due to accidents and is calculated as follows: number of accidents x 200,000 manhours divided by total manhours worked.
We in turn recognise our special responsibility to help small independent farmers adopt modern sustainable agricultural practices in order to improve their livelihoods and access the growing sustainable palm oil market.

We provide financial and technical assistance for local communities to develop their arable land into oil palm holdings through our schemed smallholder programmes. We also support independent smallholders that supply both our own and third-party mills through multiple projects and initiatives. While all FFB harvested by schemed smallholders is purchased by the Group, independent smallholders are not bound to any specific mill and are free to sell FFB to the highest bidder.

We reach out to our schemed smallholders in two ways: through a smallholder cooperative, an individual-based approach tailored to families that own a plantation; and through a village programme, a community-based approach designed for villages that collectively manage plantations. Both programmes were initiated voluntarily in the 1990s, well before the 2007 establishment of Indonesian regulations that require companies to facilitate the creation of plasma smallholder schemes for the benefit of surrounding communities.

In 1996, we initiated a primary cooperative credit scheme called Kredit Koperasi Primer Anggota (KKPA) for smallholder family units who own two hectares of land or less. KKPA was first introduced in West Pasaman Regency in the Indonesian province of West Sumatra to empower local communities to achieve the necessary technology and skills to undertake palm oil cultivation. The scheme provides smallholders with practical support, including bank loan guarantees, agricultural training, and the transfer of quality seeds and fertilisers.

The KKPA scheme, which was launched with 762 smallholders, now comprises of 2,423 smallholders cultivating a total planted area of 4,620 hectares (as at 31 December 2017).

The smallholders under the KKPA scheme achieved compliance with the RSPO certification requirements in 2010. The KKPA in West Sumatra is the first smallholder scheme in Indonesia to receive the Indonesian National Interprestation of the RSPO P&C certification. These smallholders must now strictly adhere to RSPO standards, undertaking one main audit every five years and four annual surveillance assessments.

The KKPA scheme continues to increase productivity, while the income of schemed smallholders has grown by 49% within the last two years: from IDR 86 billion in 2015, to IDR 128 billion in 2017. This economic growth has directly impacted community development. For instance, the cooperative has contributed to the construction of a mosque, a kindergarten and an indoor sports centre.

For information on our community-based engagement for schemed smallholders, please refer to section on the Village Development Programme on page 65.

Independent smallholders

Given the smaller scale of their operations, which typically have a planted area of less than 50 hectares, independent smallholders tend to be disadvantaged by limited financial resources and limited access to technology and best operational procedures. This commonly results in low yields and unsustainable practices that make it difficult and costly for them to achieve RSPO certification. We therefore work closely with independent smallholders through partnership programmes and initiatives to help them bridge the gap between current practices and those required for certification. This landscape-level transformation supports the improvement of smallholders’ livelihoods and has a positive effect on economic growth.

Indonesian Palm Oil Development for Smallholders (IPODS) programme

We collaborate with the International Finance Corporation – a member of the World Bank Group – to help independent smallholders in the surrounding of our operations in North Sumatra and Riau. Musim Mas is the only Indonesian palm oil company to work with IFC on the Indonesian Palm Oil Development for Smallholders programme, the largest of its type in Indonesia. IPODS serves to support independent smallholders in meeting the same efficient farming standards as those adopted by large palm oil organisations. Through the programme we provide smallholders with agronomic training, financial support and access to global markets. We also educate them on legal requirements, such as terminating all use of paraquat. Because many of these practices have been developed outside Indonesia, and may therefore not be accepted by all farmers, we socialise the benefits of instigating such changes and invite guest smallholders who have successfully implemented the practices to share their stories.

Having started with just 539 smallholders at one of our subsidiaries in 2015, the IPODS programme has now been extended to three independent mills in Riau. As at 31 December 2017, the programme benefits 9,652 smallholders in total. By 2020, we aim to have 20,000 smallholders registered under IPODS, and to have built the capacity for 2,000 smallholders to achieve RSPO certification.

Overview of KKPA schemed smallholders

<table>
<thead>
<tr>
<th>Company</th>
<th>Name of scheme smallholders</th>
<th>Certified area</th>
<th>Number of families in KKPA</th>
</tr>
</thead>
<tbody>
<tr>
<td>PT Agrowiratama</td>
<td>Koperasi Sawit Bersama I &amp; Koperasi Sawit Bersama II</td>
<td>524</td>
<td>262</td>
</tr>
<tr>
<td>PT Agrowiratama</td>
<td>Koperasi Sawit Bosa Sungai Aua Manjurung Bilang</td>
<td>500</td>
<td>250</td>
</tr>
<tr>
<td>PT Agrowiratama</td>
<td>Koperasi Sawit Datuk Bosa Siliang</td>
<td>500</td>
<td>250</td>
</tr>
<tr>
<td>PT Musim Mas</td>
<td>KPKA Rawa Tengkluk</td>
<td>802</td>
<td>401</td>
</tr>
<tr>
<td>PT Musim Mas</td>
<td>KPKA Merbau Sakti</td>
<td>1,066</td>
<td>570</td>
</tr>
</tbody>
</table>
SOCIAL RESPONSIBILITY

**Extension Services Programme (ESP)**

The Musim Mas ESP was conceived in 2017 to address the challenges faced by independent smallholders who supply our third-party suppliers. The main objective of ESP is to build strong relationships through active partnerships. ESP was developed based on our own experiences with third-party suppliers, who have demonstrated that many of their supply base challenges are associated with the independent smallholders who supply their mills.

Based on the results of risk assessments and mill questionnaires within priority landscape, which were conducted in 2016, this needs-based programme will focus heavily on good agricultural practices to assist independent smallholders in improving their yields in their specific districts. We launched the programme in South Sumatra in December 2017, and we plan to launch in Aceh in the near future. We expect to reach out to over 400 smallholder farmers in these two districts alone, and we hope to engage a total of 5,000 smallholders by 2020.

The ESP combines hands-on training with informal theory sessions. The curriculum is in line with the iPODS program (Musim Mas / IFC), and is based on best agricultural practices used by Musim Mas. The handbooks given to the independent smallholders are the same as used in the iPODS project. Ensuring independent smallholders receive accurate and relevant material which they can use in their own blocks. Follow-up visits will be conducted by field coordinators to allow smallholders to benefit from one-on-one sessions to address specific queries on the practical implementation of the training can be addressed.

As the ESP builds momentum, we will consider scaling it to other regions that are of high importance to our Sustainability Policy implementation plan.

**Key support strategies for smallholders**

- **Replanting Support**
  - Replace oil palm, increase quality and yield, increase income and improve livelihood.
  - In progress
- **Legitimacy**
  - Confirm legality of the smallholders’ land titles.
  - In progress
- **Yield**
  - Improve oil palm agricultural practices.
  - Increase quality and yield.
  - Increase income and improve livelihoods.
  - In progress
- **Market Access**
  - Increase market access by enhancing communication between smallholders and mills.
  - Improve access to agri-finance for fertilisers.
  - In progress

**Training and assistance via Extension Services Programme (ESP)**

![Diagram showing the relationship between Musim Mas, third-party supplier (MUSIL), agents, sub-agents, independent smallholders, and palm oil products like crude palm oil, palm kernel oil, and fresh fruit bunches.]

**POIG Charter 2.6 - Support palm oil smallholders**

Contracts with smallholders are based on a fair, transparent and accountable partnership. Smallholders are supported to improve economic, social and environmental outcomes, including: increase productivity to a comparable benchmark of productivity for the region and a target of having the same productivity as the company nucleus plantation. The productivity gains shall be achieved without expansion that threatens local community food security or additional environmental impact, and support should include financial management and budgeting, logistics and FFB processing, and improved market access such as through group certification. Companies shall report on the support they have provided to smallholders.

**SUPPORTING COMMUNITY DEVELOPMENT AND RESPECTING COMMUNITY RIGHTS**

Despite significant economic progress over the last 15 years, the World Bank estimates that there are still 28 million people living below the poverty line in Indonesia. Palm oil production is a powerful engine for rural development and has the potential to raise millions out of poverty. The livelihoods of around 50 million Indonesians, either directly or indirectly, depend on palm oil and its derivatives through multiplier effects that the sector has created. Not only does the sector bring in a huge revenue, it also helps to eradicate poverty and promote economic growth in the country.

Musim Mas strives to be a socially responsible company, and we use every means at our disposal to support rural communities in the fight against poverty. This means providing jobs, basic amenities, medical services and education. By building long-term partnerships with communities and civil society organisations, we seek to address issues that are important to the communities where we operate. And at every point of contact we respect and uphold all human rights, including the rights of indigenous and local communities, families, and other tenure holders.

Through our commitment to community investment, enshrined in our Sustainability Policy and operationalised through our CSR programmes, we build shared value that allows both our communities and our organisation to reap the benefits of sustainable palm oil production.

**Land and community rights**

We fully recognise and uphold the rights of local communities, and in particular indigenous landowners, to determine the use of their land. We do not pursue developments or expansion without their Free, Prior and Informed Consent (FPIC). This means that all negotiations concerning compensation for lost benefits and/or the relinquishing of rights are conducted in a non-coercive manner and are agreed upon voluntarily by the communities.

Prior to any land development, Musim Mas socialises the proposed plan among local communities and all relevant information is shared openly, including impact assessments, proposed benefits and legal arrangements. We respond constructively and promptly to requests for information from all stakeholders. All interactions are conducted through open and transparent channels of communication, and consultation is facilitated between growers and millers and local communities. We discuss potential community development projects with village heads and villagers, and subsequently report on their progress. There is also frequent interaction with workers’ representatives via bilateral meetings and joint consultative committee meetings, as mandated in standard operating procedures. All negotiations concerning compensation for loss of legal or customary rights, or other complaints and grievances, are documented in full.

We also recognise that FPIC is challenging for communities that have strong views on developing their land in a particular way. It is therefore important that any proposed development achieves an optimal balance between community needs, the conservation of natural values, and economic benefits.
SUSTAINABILITY REPORT 2017

Empat Sehat Lima (ESL) in Sumatra and Kalimantan. Rated as top schools in each of their territories, lands and resources via local communities own representative institutions, with all the relevant information and documents made available, with resource access to independent advice, through a documented process, through a long-term two-way process of consultation and negotiation where the communities are informed and understanding that says no to development is an option, and not constrained by local legal frameworks. Newly acquired already planted plantation areas shall large any lack of proper FPIC when the plantations were established. Lands will not be acquired through expropriations in the national interest (eminent domain).

Implementing HCV and HCS approaches
A 2016 diagnostic report on our site verifications in Riau identified a complicating factor in implementing High Conservation Value (HCV) and High Carbon Stock (HCS) approaches: the area has been subject to extensive smallholder development over the last three decades. To address this, we are looking to trial the HCSA with different land-use actors, including smallholders. We will use this trial to understand the challenges faced by independent smallholders as they struggle to meet the HCV or HCS requirements in our Sustainability Policy. Our objective will then be to develop a protection-production plan customised for application at the smallholder level. This plan considers the development needs of the village/ community while addressing the need to conserve HCV and HCS. As part of this participatory approach alternative livelihoods may be identified. A comparison of the accuracy and time requirements against standard HCS Assessment protocols for re-design concessions would also be conducted to propose simplified alternatives for application with smallholders.

Education
At Musim Mas we believe that education is the key to economic development and better livelihoods. We provide free education for all employees’ children, and have built and funded eight schools without concession areas in Sumatra and Kalimantan. Rated as top schools in each respective region, our schools provide kindergarten and elementary education to almost 5,000 children of Musim Mas employees, as well as those from the surrounding communities. We are working on building a Sekolah Menengah Pertama (secondary school), which is expected to be completed in 2019. In the meantime, we also provide free transport for older students who wish to continue their education at local secondary schools. Beyond basic education, all students have access to computer classes and extra-curricular activities such as sport, music and leadership development. Through Anwar Karim Foundation, we have provided scholarships for underprivileged elementary students in support of equal education opportunities, with six additional scholarships awarded in 2018. With Gerakan Nasional Orang Tua Asuh (GNOTA), Musim Mas also annually provides uniforms and books to students living in the communities surrounding our plantations.

Community health and food security
Musim Mas provides free health care to all workers and local communities through 24 medical centres. The service includes medical check-ups and routine vaccinations for infants. Supported by the Anwar Karim Foundation, free public health programmes have also been established through polyclinics in Medan and Surabaya. To ensure that all employees and community members have access to the national health insurance, all medical centres also partner with Badan Penyelenggara Jaminan Sosial (BPJS) Kesehatan, the Indonesian Social Insurance Administration Organisation.

Acute malnutrition is a serious public health issue in Indonesia. Stunting is prevalent among children and iron-deficiency anaemia is common among women of reproductive age. In 2000, the Indonesian government responded by launching a nation-wide campaign based on the Millennium Development Goals (now the Sustainable Development Goals) to eliminate poverty and hunger, reduce child mortality and improve maternal health. Local governments have since worked to socialise food and nutrition topics to women and children, and to create awareness about the importance of a healthy diet.

We work to ensure that food security is maintained or strengthened through our various facilities and programmes, as well as by supporting local control and diversity of food production systems. Free food is provided to children under five through our integrated family planning service centre, Pos Pelayanan Keluarga Berencana – Kesehatan Terpadu (POSPAYUDAN).

Health and nutrition training
Through our IPODS programme, and in conjunction with IFC, we recently trialled a health and nutrition training initiative for women in Rantau Prapat. Women were chosen as the focus of the initiative due to their traditional cultural roles of shopping and cooking for their families, as well as their strong influence over other family members’ health related attitudes and behaviours.

Participants were introduced to the food pyramid, which illustrates the optimal proportions of each food group needed to achieve a balanced diet. They were also reminded of the useful motto “Empat Sehat Lima Sempurna”, or “Four Healthy Five Perfect.” To date, about 1,150 women from Rantau Prapat have participated in the health and nutrition training, and many have adopted healthier practices. Musim Mas and IFC are looking to replicate this educational outreach programme in other villages.

Securing land for gardens
To address malnutrition and vitamin deficiency, we provide all our plantation workers with enough land to cultivate fruit and vegetables. As of 2017, the land area provided for this purpose totals 15.7 hectares. In addition, the houses we provide for workers include a designated plot of land for gardening. We also require community members that sell land to the company to confirm that they have retained enough land to meet their own needs. This principle is also applied during the FPIC process for schemed smallholder developments.

In 2018, as part of a participatory mapping exercise to assess current land use patterns, we will identify potential garden plots and farmlands in concessions and surrounding community areas. The results of this mapping exercise will be incorporated into social management plans and included in participatory land use planning following the HCSCA guidelines.

POIG Charter 2.1 - Free, Prior and Informed Consent (FPIC) of indigenous peoples and local communities
Comprehensive FPIC is obtained for all oil palm development, including in particular: full respect for their legal and customary rights to their territories, lands and resources via local communities own representative institutions, with all the relevant information and documents made available, with resource access to independent advice, through a documented process, through a long-term two-way process of consultation and negotiation where the communities are informed and understanding that says no to development is an option, and not constrained by local legal frameworks. Newly acquired already planted plantation areas shall large any lack of proper FPIC when the plantations were established. Lands will not be acquired through expropriations in the national interest (eminent domain).

Village Development Programmes (VDP)
In 2000, Musim Mas launched an outreach initiative for schemed smallholders known as the Village Development Programme (VDP). Unlike our smallholder cooperative approach, which targets individual smallholder units, VDP is tailored for community-managed plantations. Having started out with four villages covering 12 hectares, today we work with 14 villages under the programme.

Through VDP, Musim Mas facilitates funding and investment for oil palm development while providing the communities with technical guidance and training on oil palm cultivation. Once the oil palm enters its productive years, it is sold to Musim Mas, and the villages that own the plantation receive the proceeds from sales of FFB. These proceeds are used to cover operational costs and as instalments towards investment costs. VDP is set up to promote economic independence and improve the welfare of communities in the surrounding areas by managing oil palm plantations while the land remains under their ownership.

As a result of VDP, the combined income of the villages (based on 2015 data) has almost doubled in the last two years, totalling IDR 923 million as at 2017. This is principally due to rising FFB prices and increased production.

Other ongoing CSR programmes
In addition to our community programmes, we operate a long-standing outreach initiative through the Anwar Karim Foundation. Under the foundation, Musim Mas executes programmes that include providing shelter for orphans and the elderly in Surabaya, and contributing to the livelihoods of the underprivileged. The programme explores ways to ensure that children become literate and self-reliant individuals.

The Foundation supports the national efforts to tackle the impact of natural disasters such as the earthquake and tsunami in Sulawesi (2018). It dispatched food and other necessities to the disaster-stricken areas.

Our other community projects for smallholders include the construction of wells, road repairs, free medical aid and financial assistance for local community projects. These programmes create employment and increase income levels across the community.
### BASE DATA

#### ECONOMIC

<table>
<thead>
<tr>
<th>Category/Indicator</th>
<th>Measurement unit/breakdown</th>
<th>FY2017</th>
<th>FY2016</th>
<th>FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income statement</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>US$ billion</td>
<td>7.3</td>
<td>5.5</td>
<td>5.0</td>
</tr>
</tbody>
</table>

#### LAND AND PRODUCTION

<table>
<thead>
<tr>
<th>Category/Indicator</th>
<th>Measurement unit/breakdown</th>
<th>FY2017</th>
<th>FY2016</th>
<th>FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total titled land area</td>
<td>ha</td>
<td>194,204</td>
<td>193,729</td>
<td>193,497</td>
</tr>
<tr>
<td>Oil palm plantations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planted area</td>
<td>ha</td>
<td>121,494</td>
<td>119,994</td>
<td>116,280</td>
</tr>
<tr>
<td>Mature</td>
<td>ha</td>
<td>101,621</td>
<td>97,348</td>
<td>95,118</td>
</tr>
<tr>
<td>Immature</td>
<td>ha</td>
<td>19,873</td>
<td>22,646</td>
<td>21,162</td>
</tr>
<tr>
<td>Nucleus planted area</td>
<td>ha</td>
<td>116,874</td>
<td>115,405</td>
<td>111,971</td>
</tr>
<tr>
<td>Mature</td>
<td>ha</td>
<td>97,525</td>
<td>93,493</td>
<td>91,866</td>
</tr>
<tr>
<td>Immature</td>
<td>ha</td>
<td>19,349</td>
<td>21,912</td>
<td>20,105</td>
</tr>
<tr>
<td>Scheme smallholder planted area</td>
<td>ha</td>
<td>4,620</td>
<td>4,589</td>
<td>4,309</td>
</tr>
<tr>
<td>Mature</td>
<td>ha</td>
<td>4,096</td>
<td>3,855</td>
<td>3,252</td>
</tr>
<tr>
<td>Immature</td>
<td>ha</td>
<td>524</td>
<td>734</td>
<td>1,057</td>
</tr>
<tr>
<td>Production and productivity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total FFB</td>
<td>MT</td>
<td>3,341,946</td>
<td>2,781,095</td>
<td>3,073,391</td>
</tr>
<tr>
<td>FFB produced – own plantations</td>
<td>MT</td>
<td>2,272,841</td>
<td>1,944,448</td>
<td>2,138,567</td>
</tr>
<tr>
<td>FFB produced – schemed smallholders</td>
<td>MT</td>
<td>101,845</td>
<td>87,510</td>
<td>92,162</td>
</tr>
<tr>
<td>FFB volume purchased from third parties</td>
<td>MT</td>
<td>967,260</td>
<td>749,137</td>
<td>842,662</td>
</tr>
<tr>
<td>Crude palm oil</td>
<td>MT</td>
<td>754,568</td>
<td>629,794</td>
<td>703,397</td>
</tr>
<tr>
<td>Palm kernel</td>
<td>MT</td>
<td>191,371</td>
<td>158,484</td>
<td>177,856</td>
</tr>
<tr>
<td>FFB processed – own plantation</td>
<td>MT FFB/ha</td>
<td>22.7</td>
<td>20.5</td>
<td>23.1</td>
</tr>
<tr>
<td>FFB processed – schemed smallholders</td>
<td>MT FFB/ha</td>
<td>27.0</td>
<td>25.4</td>
<td>28.0</td>
</tr>
<tr>
<td>Extraction rate – crude palm oil</td>
<td>%</td>
<td>22.6</td>
<td>22.7</td>
<td>22.9</td>
</tr>
<tr>
<td>Extraction rate – palm kernel</td>
<td>%</td>
<td>5.7</td>
<td>5.7</td>
<td>5.8</td>
</tr>
</tbody>
</table>

#### Conservation area

<table>
<thead>
<tr>
<th>Total area set aside for conservation (HCV and riparian/buffer zones)</th>
<th>ha</th>
<th>19,228</th>
<th>19,228</th>
<th>19,228</th>
</tr>
</thead>
<tbody>
<tr>
<td>HCV (excluding riparian/buffer zones)</td>
<td>ha</td>
<td>13,093</td>
<td>13,093</td>
<td>13,093</td>
</tr>
<tr>
<td>Riparian/buffer zones</td>
<td>ha</td>
<td>6,135</td>
<td>6,135</td>
<td>6,135</td>
</tr>
</tbody>
</table>

### ENVIRONMENT

#### High Carbon Stock area

<table>
<thead>
<tr>
<th>Category/Indicator</th>
<th>Measurement unit/breakdown</th>
<th>FY2017</th>
<th>FY2016</th>
<th>FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total HCS area identified*</td>
<td>ha</td>
<td>1,800</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

#### Peat

<table>
<thead>
<tr>
<th>Category/Indicator</th>
<th>Measurement unit/breakdown</th>
<th>FY2017</th>
<th>FY2016</th>
<th>FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total peat area planted</td>
<td>ha</td>
<td>35,287</td>
<td>35,293</td>
<td>35,293</td>
</tr>
<tr>
<td>Total peat area conserved</td>
<td>ha</td>
<td>3,536</td>
<td>3,536</td>
<td>3,536</td>
</tr>
</tbody>
</table>

#### Certification

<table>
<thead>
<tr>
<th>Category/Indicator</th>
<th>Measurement unit/breakdown</th>
<th>FY2017</th>
<th>FY2016</th>
<th>FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSPO certified – own plantation area</td>
<td>ha</td>
<td>135,710</td>
<td>135,710</td>
<td>135,710</td>
</tr>
<tr>
<td>RSPO certified – schemed smallholder area</td>
<td>ha</td>
<td>3,474</td>
<td>3,454</td>
<td>3,252</td>
</tr>
<tr>
<td>RSPO certified mills</td>
<td>no.</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>ISPO certified mills</td>
<td>no.</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>ISCC certified mills</td>
<td>no.</td>
<td>11</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>POIG audited mills</td>
<td>no.</td>
<td>4</td>
<td>2</td>
<td>0</td>
</tr>
</tbody>
</table>

* The area identified may subject to change following completion of the Quality Review Process

#### Water usage

<table>
<thead>
<tr>
<th>Category/Indicator</th>
<th>Measurement unit/breakdown</th>
<th>FY2017</th>
<th>FY2016</th>
<th>FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plantation</td>
<td>Million m$^3$</td>
<td>1.14</td>
<td>1.01</td>
<td>1.00</td>
</tr>
<tr>
<td>Mill</td>
<td>Million m$^3$</td>
<td>3.26</td>
<td>2.82</td>
<td>2.50</td>
</tr>
<tr>
<td>Water usage per tonne of FFB processed – mills</td>
<td>m$^3$/MT FFB processed</td>
<td>1.19</td>
<td>1.24</td>
<td>0.99</td>
</tr>
</tbody>
</table>

#### Water consumption

<table>
<thead>
<tr>
<th>Category/Indicator</th>
<th>Measurement unit/breakdown</th>
<th>FY2017</th>
<th>FY2016</th>
<th>FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blue water</td>
<td>Million m$^3$</td>
<td>6.34</td>
<td>5.49</td>
<td>N/A</td>
</tr>
<tr>
<td>Green water</td>
<td>Million m$^3$</td>
<td>1.548.17</td>
<td>1,526.33</td>
<td>N/A</td>
</tr>
<tr>
<td>Grey water</td>
<td>Million m$^3$</td>
<td>342.38</td>
<td>459.68</td>
<td>N/A</td>
</tr>
</tbody>
</table>

#### Effluents

<table>
<thead>
<tr>
<th>Category/Indicator</th>
<th>Measurement unit/breakdown</th>
<th>FY2017</th>
<th>FY2016</th>
<th>FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOD levels river discharge</td>
<td>mg/l</td>
<td>66</td>
<td>77</td>
<td>77</td>
</tr>
<tr>
<td>BOD levels land application – Sumatra</td>
<td>mg/l</td>
<td>48</td>
<td>52</td>
<td>74</td>
</tr>
<tr>
<td>BOD levels land application – Kalimantan</td>
<td>mg/l</td>
<td>36</td>
<td>46</td>
<td>65</td>
</tr>
</tbody>
</table>

#### Phosphorus and nitrogen in water courses

<table>
<thead>
<tr>
<th>Category/Indicator</th>
<th>Measurement unit/breakdown</th>
<th>FY2017</th>
<th>FY2016</th>
<th>FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>P-level inlet – Sumatra</td>
<td>mg/l</td>
<td>0.18</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>P-level outlet – Sumatra</td>
<td>mg/l</td>
<td>0.17</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>P-level inlet – Kalimantan</td>
<td>mg/l</td>
<td>0.06</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>P-level outlet – Kalimantan</td>
<td>mg/l</td>
<td>0.06</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>N-level inlet – Sumatra</td>
<td>mg/l</td>
<td>1.02</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>N-level outlet – Sumatra</td>
<td>mg/l</td>
<td>0.93</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>N-level inlet – Kalimantan</td>
<td>mg/l</td>
<td>0.81</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>N-level outlet – Kalimantan</td>
<td>mg/l</td>
<td>0.57</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
## BASE DATA

<table>
<thead>
<tr>
<th>Category/Indicator</th>
<th>Measurement unit/breakdown</th>
<th>FY2017</th>
<th>FY2016</th>
<th>FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fertiliser type and usage</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inorganic fertiliser</td>
<td>'000 MT</td>
<td>140.57</td>
<td>163.64</td>
<td>134.44</td>
</tr>
<tr>
<td>Palm oil mill effluent</td>
<td>Million m³</td>
<td>1.59</td>
<td>1.45</td>
<td>1.40</td>
</tr>
<tr>
<td>Total organic fertiliser (ODS and boiler ash)</td>
<td>'000 MT</td>
<td>70.00</td>
<td>48.47</td>
<td>55.23</td>
</tr>
<tr>
<td><strong>Herbicide usage</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toxicity per hectare planted – Sumatra</td>
<td>Toxicity unit/ha</td>
<td>484</td>
<td>474</td>
<td>400</td>
</tr>
<tr>
<td>Toxicity per hectare planted – Kalimantan</td>
<td>Toxicity unit/ha</td>
<td>430</td>
<td>440</td>
<td>400</td>
</tr>
<tr>
<td><strong>Energy consumption from renewable sources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Palm kernel shells</td>
<td>'000 MT</td>
<td>42.93</td>
<td>30.25</td>
<td>30.13</td>
</tr>
<tr>
<td>Palm kernel shells – energy</td>
<td>Million Gigajoule</td>
<td>0.65</td>
<td>0.46</td>
<td>0.46</td>
</tr>
<tr>
<td>Palm fibre</td>
<td>'000 MT</td>
<td>645.93</td>
<td>570.48</td>
<td>630.27</td>
</tr>
<tr>
<td>Palm fibre – energy</td>
<td>Million Gigajoule</td>
<td>5.00</td>
<td>3.98</td>
<td>4.94</td>
</tr>
<tr>
<td><strong>GHG emissions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total carbon emissions at mill.</td>
<td>MT CO₂e/MT CPO</td>
<td>3.39</td>
<td>3.33</td>
<td>3.15</td>
</tr>
<tr>
<td><strong>Fire incidents</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hotspots within concession</td>
<td>no.</td>
<td>35</td>
<td>90</td>
<td>413</td>
</tr>
<tr>
<td>Fires within concession</td>
<td>no.</td>
<td>4</td>
<td>14</td>
<td>89</td>
</tr>
<tr>
<td>Area burnt within concession</td>
<td>Ha</td>
<td>4.74</td>
<td>107.75</td>
<td>1,472.25</td>
</tr>
<tr>
<td>Hotspots surrounding concession boundaries*</td>
<td>no.</td>
<td>130</td>
<td>15</td>
<td>41</td>
</tr>
<tr>
<td>Fires surrounding concession boundaries</td>
<td>no.</td>
<td>33</td>
<td>6</td>
<td>26</td>
</tr>
<tr>
<td>Area burnt surrounding concession boundaries</td>
<td>Ha</td>
<td>125.90</td>
<td>21.46</td>
<td>643.92</td>
</tr>
</tbody>
</table>

*MM monitor up to 3km of its surrounding concession boundaries

## EMPLOYEES

<table>
<thead>
<tr>
<th>Category/Indicator</th>
<th>Measurement unit/breakdown</th>
<th>FY2017</th>
<th>FY2016</th>
<th>FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employees at Group-level</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees at Group-level</td>
<td>no.</td>
<td>37,938</td>
<td>29,573</td>
<td>N/A</td>
</tr>
<tr>
<td>By country</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td></td>
<td>36,495</td>
<td>28,301</td>
<td>N/A</td>
</tr>
<tr>
<td>Malaysia</td>
<td></td>
<td>221</td>
<td>214</td>
<td>N/A</td>
</tr>
<tr>
<td>Singapore</td>
<td></td>
<td>295</td>
<td>256</td>
<td>N/A</td>
</tr>
<tr>
<td>Other countries</td>
<td></td>
<td>927</td>
<td>802</td>
<td>N/A</td>
</tr>
<tr>
<td>By category (full-time equivalent)</td>
<td>Management level</td>
<td>440</td>
<td>390</td>
<td>N/A</td>
</tr>
<tr>
<td>By category (full-time equivalent)</td>
<td>Non-managerial</td>
<td>30,434</td>
<td>29,183</td>
<td>N/A</td>
</tr>
<tr>
<td>By gender (full-time equivalent)</td>
<td>Male</td>
<td>23,143</td>
<td>22,148</td>
<td>N/A</td>
</tr>
<tr>
<td>By gender (full-time equivalent)</td>
<td>Female</td>
<td>7,791</td>
<td>7,425</td>
<td>N/A</td>
</tr>
</tbody>
</table>

## Employees at plantation- and mill-level

<table>
<thead>
<tr>
<th>Category/Indicator</th>
<th>Measurement unit/breakdown</th>
<th>FY2017</th>
<th>FY2016</th>
<th>FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employees at plantation- and mill-level</strong></td>
<td>no.</td>
<td>978</td>
<td>991</td>
<td>1,087</td>
</tr>
<tr>
<td>By gender</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td></td>
<td>737</td>
<td>757</td>
<td>837</td>
</tr>
<tr>
<td>Female</td>
<td></td>
<td>241</td>
<td>234</td>
<td>250</td>
</tr>
<tr>
<td><strong>Total workers</strong></td>
<td>no.</td>
<td>19,945</td>
<td>18,919</td>
<td>19,046</td>
</tr>
<tr>
<td>By contract type</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanent</td>
<td></td>
<td>18,917</td>
<td>17,955</td>
<td>17,895</td>
</tr>
<tr>
<td>Temporary</td>
<td></td>
<td>1,028</td>
<td>964</td>
<td>1,150</td>
</tr>
<tr>
<td>By gender</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td></td>
<td>14,337</td>
<td>13,672</td>
<td>13,848</td>
</tr>
<tr>
<td>Female</td>
<td></td>
<td>5,608</td>
<td>5,247</td>
<td>5,197</td>
</tr>
</tbody>
</table>

## HEALTH AND SAFETY

<table>
<thead>
<tr>
<th>Category/Indicator</th>
<th>Measurement unit/breakdown</th>
<th>FY2017</th>
<th>FY2016</th>
<th>FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lost time accident rate (per 200,000 working hours)</strong></td>
<td>Total</td>
<td>3.34</td>
<td>5.08</td>
<td>5.38</td>
</tr>
<tr>
<td><strong>Severity rate (average days lost per accident)</strong></td>
<td>Total</td>
<td>25.21</td>
<td>19.63</td>
<td>17.16</td>
</tr>
<tr>
<td><strong>Fatalities</strong></td>
<td>no.</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>

## SOCIAL AND COMMUNITY

<table>
<thead>
<tr>
<th>Category/Indicator</th>
<th>Measurement unit/breakdown</th>
<th>FY2017</th>
<th>FY2016</th>
<th>FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Support for smallholders</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Schemed smallholders</td>
<td>no.</td>
<td>2,423</td>
<td>2,423</td>
<td>2,304</td>
</tr>
<tr>
<td>Schemed smallholder programmes</td>
<td>no.</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Trainings provided to schemed smallholders</td>
<td>no.</td>
<td>99</td>
<td>85</td>
<td>57</td>
</tr>
<tr>
<td>Total income of schemed smallholders</td>
<td>IDR billion</td>
<td>127.9</td>
<td>98.6</td>
<td>85.7</td>
</tr>
<tr>
<td>Independent smallholders covered by IPODS programmes</td>
<td>no.</td>
<td>9,652</td>
<td>3,178</td>
<td>539</td>
</tr>
</tbody>
</table>
## FAUNA INVENTORY UNDER IUCN RED LIST OF THREATENED SPECIES

### IUCN Status | Scientific name | Common name | Species
--- | --- | --- | ---
**Critically Endangered (CR)** | Alcedo euryzona | Javan Blue-banded Kingfisher (Raja Udang Kelung Biru) | Bird
 | Presbytis cristatus | Bornean Banded Langur (Sunil Serawak) | Mammal

### Near Threatened (NT)

| Alcedo euryzona | Javan Blue-banded Kingfisher (Raja Udang Kelung Biru) | Bird
 | Ciconia stori | Storm’s Stork (Bangau Strom) | Bird
 | Pycnonotus zelandicus | Straw-headed Bulbul (Cucak Rawa) | Bird
 | Hylodice allibarbis | Bornean Agile Gibbon (Owa Ungko) | Mammal
 | Hylodice syndactylus | The Siamang (Siemang) | Mammal
 | Nasia larvatus | Proboscis Monkey (Ilephantan) | Mammal
 | Tapirus indicus | Malayan Tapir (Tapir Asia) | Mammal
 | Oriolus borneensis | Malayan Giant Turtle (Kura-Kura Sungai Bilangan) | Reptile

### Near Threatened (NT)

| Ciconia epicus | Asian Woollyneck (Bangau Hitam) | Bird
 | Acrocephalus javanicus | Javan Myna (Kerak Kenbau) | Bird
 | Arborophila orientalis | White-faced Partridge (Puyuh Gonggong Bisa) | Bird
 | Chloropsis sonneratl | Greater Green Leafbird (Cica Daun Besar) | Bird
 | Leptotilus javanicus | Lesser Adjutant (Bangau Tongtong) | Bird
 | Melanopterix niger | Black Partridge (Puyuh Hitam) | Bird
 | Aonyx cinerea | Asian Small-clawed Otter (Berang Berang Cakar Kecil) | Mammal
 | Cervus unicolor | Sambar Deer (Rusa Sambar) | Mammal
 | Macaca nemestrina | Pig Tailed Macaque (Beruk) | Mammal
 | Nycticebus coucang | The Sunda Slow Loris/Greater Slow Loris (Kukang Sunda) | Mammal
 | Presbytis thomasi | Thomas’s Langur (Kedhi) | Mammal
 | Sus barbatus | The Bornean Bearded Pig (Babi Berjenggot) | Mammal
 | Amyda cartilaginea | Asian Softshell Turtle (Bulus) | Reptile
 | Ophiophagus hannah | King Cobra (Ular Kobra) | Reptile
 | Tomistoma schlegelii | False Gharial (Senyulong/Buya Sepit) | Reptile

### Vulnerable (VU)

| Actenoides concrectus | Rufous-collared Kingfisher (Cekakak Hutan Melauy) | Bird
 | Aegithina vinidiissa | Green Iora (Cipoh Jantung) | Bird
 | Anthropoceros malayanus | Black Hornbill (Kangkareng Hitam) | Bird
 | Anthropodemia rhodoleuca | Red-throated Sunbird (Burung Madu Leher-Merah) | Bird
 | Anthropodemia rhodoleuca | Red-throated Sunbird (Madu Leher-Merah) | Bird
 | Argusianus argus | Great Argus (Kuau Raja) | Bird
 | Buceros bicornis | Great Hornbill (Bangau Papan) | Bird
 | Buceros rhinoceros | Rhinoceros Hornbill (Rangkong Badak) | Bird
 | Caloramphus hayi | Malay Brown Barbet (Takur Ampis) | Bird
 | Chloropsis cochinchenensis | Javan Leafbird (Cica Daun Sayap Biru) | Bird
 | Chloropsis cyanopogon | Lesser Green Leafbird (Cica Daun Kecil) | Bird

### Near Threatened (NT)

| Chrysophlegma humbei | Chequer-throated Yellownape (Pelatuk Kums Kelabu) | Bird
 | Cyanomus unstratius | Grey-chested Jungle-flycatcher (Sikatan Rimba Dada Kelabu) | Bird
 | Dicaeum everetti | Brown-backed Flowerpecker (Cabai Tunggok Coklat) | Bird
 | Eurylaimus ochronolius | Black-and-yellow Broadbill (Sempur Hujan Darat) | Bird
 | Harpactes kasumba | Red-naped Trogon (Luntur Kasumba) | Bird
 | Ichthyophaga humuli | Lesser Fish-eagle (Elang Ikan Kecil) | Bird
 | Ichthyophaga ichthyaeus | Grey-headed Fish-eagle (Elang Ikan Kepala Kelabu) | Bird
 | Macronus ptilorus | Fluffy-backed Tit-babbler (Ciung Air Pong Pong) | Bird
 | Malacopterone affine | Sooty-capped Babbler (Asi Topi Jelaga) | Bird
 | Meiglyptes tristis | White-rumped Woodpecker (Caladai Batu) | Bird
 | Pericrocotus igneus | Fiery Minivet (Sepah Tulin) | Bird
 | Phaeinoplectus diardi | Black-bellied Malkoha (Kadalang Benua) | Bird
 | Pityrias syngonocephala | Bornean Bristlehead (Tiong Batu Kalimantan) | Bird
 | Platypodium galericulatus | Crested Jay (Tangkai Ongklet) | Bird
 | Prionochilus thoracicus | Scarlet-breasted Flowerpecker (Pentis Kumbarang) | Bird
 | Psittacula alexandri | Red-breasted Parakeet (Betet Bisa) | Bird
 | Psittacula longicauda | Long-tailed Parakeet (Betet Ekor Panjang) | Bird
 | Psittinus cyanurus | Blue-rumped Parrot (Nuri Tanau) | Bird
 | Pycnonotus cyaniventris | Grey-bellied Bulbul (Cucak Kelabu) | Bird
 | Rhabdotorrhinus corrugatus | Wrinkled Hornbill (Julang Jambul Hitam) | Bird
 | Terorfulicolis | Cinnamon-headed Green-pigeon (Putih Pong) | Bird
 | Trichastoma rostratum | White-headed Babbler (Pelanduk Dada Putih) | Bird
 | Trichos pyramidopus | Rufous-tailed Shama (Kucia Ekor Kuning) | Bird
 | Pteropus variegatus | Large Flying Fox (Kalong Besar) | Mammal
 | Trachypithecus cristatus | Silvery Lutung (Lutung Kelabu) | Mammal
 | Cyclerys dentata | Asian Leaf Turtle (Kura-Kura Bergeri) | Reptile
BASE DATA

PEAT MAP

PT. AGROWIRATAMA

PT. GLOBALINDO ALAM PERKASA

PT. KANTO DIRUGI

PT. SALAM ABADI
BASE DATA
The Global Reporting Initiative (GRI) is a multi-stakeholder standard for sustainability reporting, providing guidance on determining report content and indicators. GRI is the first and most widely adopted global standard for sustainability reporting and has been designed to enhance the global comparability and quality of information on environmental and social impacts, thereby enabling greater transparency and accountability of organisations. Sustainability reporting based on the GRI Standards should provide a balanced and reasonable representation of an organisation’s positive and negative contributions towards the goal of sustainable development.

There are two options for preparing a report in accordance with the GRI Standards: Core and Comprehensive. This report has been prepared in accordance with the GRI Standards: Core option.
Disclosure

Defining report content and topic

• Sustainability Report 2017

Explanation of the material topic

Page or reason for omission

79

External assurance

The management approach and

Report purpose and scope

GRI Content Index

Restatements of information

We have not engaged third party assurance

Evaluation of the management

The management approach and

Changes in reporting

This is the first Musim Mas sustainability report

Evaluation of the management

The management approach and

Reporting period

About the report

Page or reason for omission

Evaluation of the management

Evaluation of the management

Contact point for questions regarding

Explanation of the material topic

The management approach and

Ratios of standard entry level

Evaluation of the management

Evaluation of the management

Claims of reporting in accordance with

Listing of material topics

Materials used by weight or

Evaluation of the management

Evaluation of the management

GRI INDEX

Material Topics

<table>
<thead>
<tr>
<th>GRI Standard</th>
<th>Disclosure</th>
<th>Page or reason for omission</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ECONOMIC</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td>GRI 203: Indirect Economic Impacts 2016</td>
<td>203-1</td>
<td>Significant indirect economic impacts</td>
</tr>
<tr>
<td>GRI 203: Indirect Economic Impacts 2016</td>
<td>203-2</td>
<td>Infrastructure investments and services supported</td>
</tr>
<tr>
<td>Procurement Practices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td>Anti-corruption</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td>ENVIRONMENTAL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td>GRI 501: Materials 2016</td>
<td>301-1</td>
<td>Materials used by weight or volume</td>
</tr>
</tbody>
</table>

GRI 101: Foundation 2016

GRI 101: General Disclosures 2016

Disclosure

Page or reason for omission

Reporting Practice

102-46 Defining report content and topic Boundaries

102-47 List of material topics

102-48 Restatements of information

102-49 Changes in reporting

102-50 Reporting period

102-51 Date of most recent report

102-52 Reporting cycle

102-53 Contact point for questions regarding the report

102-54 Claims of reporting in accordance with the GRI Standards

102-55 GRI Content Index

102-56 External assurance

GRI 102: General Disclosures 2016

Disclosure

Page or reason for omission

Evaluation of the management

The management approach and

Changes in reporting

This is the first Musim Mas sustainability report

Evaluation of the management

The management approach and

Reporting period

About the report

Page or reason for omission

Evaluation of the management

Evaluation of the management

Contact point for questions regarding

Explanation of the material topic

The management approach and

Ratios of standard entry level

Evaluation of the management

Evaluation of the management

Claims of reporting in accordance with

Listing of material topics

Materials used by weight or

Evaluation of the management

Evaluation of the management

GRI INDEX

Material Topics

<table>
<thead>
<tr>
<th>GRI Standard</th>
<th>Disclosure</th>
<th>Page or reason for omission</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ECONOMIC</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td>GRI 203: Indirect Economic Impacts 2016</td>
<td>203-1</td>
<td>Significant indirect economic impacts</td>
</tr>
<tr>
<td>GRI 203: Indirect Economic Impacts 2016</td>
<td>203-2</td>
<td>Infrastructure investments and services supported</td>
</tr>
<tr>
<td>Procurement Practices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td>Anti-corruption</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td>ENVIRONMENTAL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td>GRI 501: Materials 2016</td>
<td>301-1</td>
<td>Materials used by weight or volume</td>
</tr>
</tbody>
</table>

GRI INDEX

Material Topics

<table>
<thead>
<tr>
<th>GRI Standard</th>
<th>Disclosure</th>
<th>Page or reason for omission</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ECONOMIC</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td>GRI 203: Indirect Economic Impacts 2016</td>
<td>203-1</td>
<td>Significant indirect economic impacts</td>
</tr>
<tr>
<td>GRI 203: Indirect Economic Impacts 2016</td>
<td>203-2</td>
<td>Infrastructure investments and services supported</td>
</tr>
<tr>
<td>Procurement Practices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td>Anti-corruption</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td>ENVIRONMENTAL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td>GRI 103: Management Approach 2016</td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td>GRI 501: Materials 2016</td>
<td>301-1</td>
<td>Materials used by weight or volume</td>
</tr>
</tbody>
</table>
### GRI INDEX

<table>
<thead>
<tr>
<th>Material Topics</th>
<th>GRI Standard</th>
<th>Disclosure</th>
<th>Page or reason for omission</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ENVIROMENTAL</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water and Effluents (see also GRI 306)</td>
<td>GRI 103: Management Approach 2016</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td>Biodiversity</td>
<td>GRI 103: Management Approach 2016</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td>Emissions</td>
<td>GRI 103: Management Approach 2016</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td></td>
<td>GRI 305: Emissions 2016</td>
<td>305-1</td>
<td>Direct (Scope 1) GHG emissions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>305-2</td>
<td>Energy indirect (Scope 2) GHG emissions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>305-4</td>
<td>GHG emissions intensity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>305-5</td>
<td>Reduction of GHG emissions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Material Topics</th>
<th>GRI Standard</th>
<th>Disclosure</th>
<th>Page or reason for omission</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ENVIRONMENTAL</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effluents and Waste</td>
<td>GRI 103: Management Approach 2016</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td>Supplier Environmental Assessment</td>
<td>GRI 103: Management Approach 2016</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td>GRI 306: Supplier Environmental Assessment 2016</td>
<td>308-2</td>
<td>Negative environmental impacts in the supply chain and actions taken</td>
<td>Sustainability Policy implementation for third-party suppliers 31 - 33</td>
</tr>
</tbody>
</table>

### SOCIAL

| Employment | GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary | Protecting human rights in the workplace 51 - 58 |
| | | 103-2 | The management approach and its components | Protecting human rights in the workplace 51 - 58 |
| | | 103-3 | Evaluation of the management approach | Protecting human rights in the workplace 51 - 58 |
| GRI 401: Employment 2016 | 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | Wages, benefits, working hours and conditions 56 - 57 |
| | | 401-3 | Parental leave | Temporary workers 57 |

**Musim Mas Holdings Pte Ltd • Sustainability Report 2017**
GRI INDEX

<table>
<thead>
<tr>
<th>Material Topics</th>
<th>GRI Standard</th>
<th>Disclosure</th>
<th>Page or reason for omission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour/Management Relations</td>
<td>GRI 103: Management Approach 2016</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td>Occupational Health and Safety</td>
<td>GRI 103: Management Approach 2016</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td></td>
<td>GRI 403: Occupational Health and Safety 2018</td>
<td>403-1</td>
<td>Occupational health and safety management system</td>
</tr>
<tr>
<td></td>
<td></td>
<td>403-2</td>
<td>Hazard identification, risk assessment, and incident investigation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>403-3</td>
<td>Occupational health services</td>
</tr>
<tr>
<td></td>
<td></td>
<td>403-4</td>
<td>Worker participation, consultation, and communication on occupational health and safety</td>
</tr>
<tr>
<td></td>
<td></td>
<td>403-5</td>
<td>Worker training on occupational health and safety</td>
</tr>
<tr>
<td></td>
<td></td>
<td>403-6</td>
<td>Promotion of worker health</td>
</tr>
<tr>
<td></td>
<td></td>
<td>403-9</td>
<td>Work-related injuries</td>
</tr>
<tr>
<td>Training and Education</td>
<td>GRI 103: Management Approach 2016</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td></td>
<td>GRI 404: Training and Education 2016</td>
<td>404-2</td>
<td>Programmes for upgrading employee skills and transition</td>
</tr>
<tr>
<td>Diversity and Equal Opportunity</td>
<td>GRI 103: Management Approach 2016</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td></td>
<td>GRI 405: Diversity and Equal Opportunity 2016</td>
<td>405-1</td>
<td>Diversity of governance bodies and employees</td>
</tr>
</tbody>
</table>

---

<table>
<thead>
<tr>
<th>Material Topics</th>
<th>GRI Standard</th>
<th>Disclosure</th>
<th>Page or reason for omission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-discrimination</td>
<td>GRI 103: Management Approach 2016</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td>Freedom of Association and Collective Bargaining</td>
<td>GRI 103: Management Approach 2016</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td>Child Labour</td>
<td>GRI 103: Management Approach 2016</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td>Forced or Compulsory Labour</td>
<td>GRI 103: Management Approach 2016</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td>Rights of Indigenous Peoples</td>
<td>GRI 103: Management Approach 2016</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-2</td>
<td>The management approach and its components</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
</tr>
<tr>
<td></td>
<td>GRI 411: Rights of Indigenous Peoples 2016</td>
<td>411-1</td>
<td>Incidents of violations involving rights of indigenous peoples</td>
</tr>
</tbody>
</table>
ABOUT THE REPORT

COMPLETENESS
This inaugural report covers the calendar years 2016 and 2017, and includes historical data from 2015. Data covers all of our mills and plantations operations in Sumatra and Kalimantan as at 31 December 2017, unless otherwise noted. While we hold land in Papua, there are no plans for development and therefore Papua has not been included in the scope of this report. Aside from policy and implementation plans, the report does not include detailed information on our downstream business, or any of our joint ventures. In addition to the environmental and social performance and impacts of our own operations, the report covers key material aspects for associated and independent smallholders and other third-party suppliers.

MATERIALITY, STAKEHOLDER INCLUSIVENESS AND SUSTAINABILITY CONTEXT
We have reviewed the major topics discussed in this report through various forums and engagements, including correspondence and interviews with key stakeholders. These interviews were conducted with representatives from the NGO sector, partner technical consultancies, as well as from our customer base. We also carry out local engagement at site level through our operational teams, and international and sector-wide engagement through organisations such as the RSPO, POIG, HCSA and other multi-stakeholder platforms. We have looked to leading standards and benchmarks, including the Zoological Society of London’s SPOTT initiative, to ensure that we are responsive to the themes and aspects that are of critical importance to stakeholders. The extent to which these themes are directly relevant to our business has guided us in balancing report content and the in-depth data included.

REPORT CYCLE AND ASSURANCE
We will publish a sustainability report every two years. In addition, stakeholders can review our progress annually via our yearly Sustainability Policy progress reports and our RSPO annual communications of progress.

For our inaugural report, we have not engaged third party assurance. We believe that our multiple certification audit provides adequate assurance on our performance to our stakeholders at this stage. However, for future reports, we will continue to consider and evaluate the option of taking on third-party assurance.

Materiality Matrix
Glossary

Annual Communications of Progress (ACOP)
ACOPs are mandatory reports submitted by Ordinary and Affiliate RSPO members to gauge their progress towards 100% RSPO certified sustainable palm oil.

Biodiversity
The diversity (number and variety of species) of plant and animal life within a region.

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.

Book & Claim
The Book and Claim supply chain model provides tradable certificates for RSPO certified palm oil to the palm oil supply base. The supply base may then offer these certificates on a web-based transaction system to end users who choose to support specific volumes of RSPO certified palm oil and/or their derivatives.

Carbon dioxide equivalents (CO₂e)
Carbon dioxide equivalents 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.

Extension Services Programme (ESP)
A programme developed to address the challenges of independent smallholders who supply indirectly to Musim Mas through our third-party suppliers.

Extraction rate
The amount of oil extracted from oil palm fruit at a mill. Crude palm oil (CPO) is extracted from the flesh; palm kernel oil (PKO) from the nut.

Fresh fruit bunch (FFB)
Bunch harvested from the oil palm tree. The weight of the fruit bunch ranges between 10 kg to 40 kg depending on the size and age.

Free, Prior and Informed Consent (FPIC)
Principle that a community has a right to give or withhold its consent to proposed projects that may affect the lands they customarily own, occupy or use.

Global Reporting Initiative (GRI)
A multi-stakeholder standard for sustainability reporting, providing guidance on determining report content and indicators.

High Conservation Value (HCV)
The HCV concept was originally developed by the Forest Stewardship Council (FSC) with the aim to standardise the definitions and evaluation approaches for natural forest that should be set aside for conservation. There are six possible HCVs that can be identified, covering environmental and social aspects of a natural forest.

High Carbon Stock Approach (HCSA)
A global methodology used in agricultural land development planning that is currently being applied in fragmented tropical landscapes on mineral soils in the humid tropics. The methodology distinguishes HCS forest areas for protection from degraded lands with low carbon and biodiversity values that may be considered for development.

Independent smallholder
Small growers that cultivate up to 50 hectares, and are self-financed, managed, and equipped, and that are not bound to any one mill.

International Finance Corporation (IFC)
An international financial institution that offers investment, advisory, and asset-management services to encourage private-sector development in developing countries.

International Labour Organisation (ILO)
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.

Integrated Pest Management (IPM)
IPM is the careful consideration of all available pest control techniques and subsequent integration of appropriate measures that discourage the development of pest populations and keep pesticides and other interventions to levels that are economically justified and reduce or minimize risks to human health and the environment. IPM emphasises the growth of a healthy crop with the least possible disruption to agro-ecosystems and encourages natural pest control mechanisms.

Indonesia Sustainable Palm Oil (ISPO)
Mandatory national sustainable palm oil standard.

Integrated Sustainability and Carbon Certificate (iSICC)
A global biomass and bioenergy certification scheme.

Indonesian Palm Oil Development for Smallholders (IPODS)
A programme developed in partnership with the International Finance Corporation to support independent smallholders in meeting the same farming standards as those adopted by large palm oil organisations.

International National Certification System for Biofuels and Biofuels (IT SNC)
Under the EC Renewable Energy Directive, this Italian national scheme provides an overview of national policy concerning renewable energies, its goals and main strategic lines of action. The certification guarantees the reliability of information demonstrating compliance with the biofuel and biodiesel sustainability criteria, and that the information given by the economic operators belonging to the production chain of said products is independently verified.

IUCN Red List
Based in Switzerland, the International Union for Conservation of Nature and Natural Resources (also known as The World Conservation Union) is an organisation involved in the preservation of natural resources. IUCN publishes the Red Data Book, which lists the endangered species of every kind.

Kredit Koperasi Primer Anggota (KKPA)
A smallholder primary cooperative credit scheme, voluntarily initiated by Musim Mas in 1996, that provides smallholders with practical support to acquire the skills and technology needed to undertake palm oil cultivation.

Mass Balance
The Mass Balance system allows for mixing of RSPO certified and non-certified palm oil at any stage in the supply chain, provided that overall company quantities are controlled. The mass balance model is constructed in such a way that volumes of RSPO certified product shipped will never exceed volumes received by the end-user.

New Planting Procedure (NPP)
The RSPO NPP consists of a set of assessments and verification activities to be conducted by RSPO grower members and certification bodies prior to a new oil palm development, in order to guide responsible planting and ensure that social and environmental requirements have been met. The NPP report goes through a 30-day public consultation and planting and associated approval can only begin once the NPP is complete and RSPO approval is granted.

Non-governmental organisation (NGO)
Non-profit organizations focused on environmental or social issues.

PalmGHG
The PalmGHG Calculator is a tool developed by the RSPO Greenhouse Gas Working Group 2 to allow palm oil producers to estimate and monitor their net greenhouse gas emissions. The Calculator also enables palm oil producers to identify crucial areas in their production chain and thereby guiding emission reduction opportunities.

Peat
Peat is an accumulation of partially decayed vegetable matter. Peat forms in forests or peat lands, variously called bogs, mires, muskegs, peatlands, and peat swamp forests.

Palm Oil Innovation Group (POIG)
A multi-stakeholder initiative that strives to achieve the adoption of responsible palm oil production practices by key players in the supply chain through developing and sharing a credible and verifiable benchmark that builds upon the RSPO, and creating and promoting innovations.

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 and Environmental Impact Assessment (SEIA)
A process for predicting and assessing the potential 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”.

Stakeholders
Any group or individual who is affected by – or can affect – a 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”.

Toxicity
Toxicity measures the degree to which a substance is harmful to living organisms. Toxicity in agricultural chemicals is measured using the LD50 methodology, i.e. the toxicity units corresponding to a lethal dose for 50% of a population of rats.

Village Development Programme (VDP)
A programme developed for scherm smallholders and tailored to villages where plantations are community-managed rather than individually owned.
CONTACT

Musim Mas Holdings Pte Ltd
Company registration number: 200703094K

Address:
150 Beach Road
Level 24-01/08, Gateway West
Singapore 189720

Phone number:
+65 6576 6500

Website:
www.musimmas.com

Contact point:
For queries, please e-mail the sustainability team at sustainability@musimmas.com.
Corporate Headquarters

Musim Mas Holdings Pte. Ltd
150 Beach Road, Level 24-01/08, Gateway West
Singapore 189720
Tel: +65 6576 6500
www.musimmas.com