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FOREWORD

Dear Reader

It is my pleasure to announce two important milestones for the start of 2014. Firstly, Musim Mas is taking active steps to go beyond the current sustainability standards ("Beyond the current sustainability standards, p 2-3"). Secondly, our Group company, PT Musim Mas, is the first in Indonesia to be re-certified according to the RSPO Principles and Criteria ("RSPO re-certification — Batang Kulim & Pangkalan Lesung mills, p 4").

Sustainability is also about how we treat our people and their families. An article on one of our teaching staff ("Children thrive — Schools deep in plantations, p 8-10") offers a glimpse into the life in plantation. We also seek to institutionalise continuous improvement in our corporate culture ("Improvement Day 2014 – Institutionalising Continuous Improvement, p 11").

On another note, our work on methane capture facilities in our upstream palm oil mills is well-known. However, less well-known is the fact that we use renewable energy in the form of biomass for our downstream processing plants ("No Coal — Clean power for downstream industries, p 5"). We would also like to show a snapshot of how occupational health and safety (OHS) programmes are being implemented in our factories ("Safety Health Environment (SHE) — A day in the life of a SHE Manager, p 6-7").

Do enjoy your reading.

Bachtiar Karim

Executive Chairman
Musim Mas Group

BEYOND the current sustainability standards

As a series of sustainability pledges unveil, there have been calls for the palm oil industry to review its position on furthering the journey of sustainability.

For palm oil players that choose to go beyond the current sustainability standard set by the Roundtable on Sustainable Palm Oil (RSPO), a knotty question remains: What is the best way to do it?

Musim Mas has joined a consortium of industry heavyweights including Sime Darby Plantation, IOI Corporation Berhad, Kuala Lumpur Kepong Berhad and Asian Agri Group, in a formal commitment to the Sustainable Palm Oil Manifesto.

The Manifesto sets new and higher standards for growers, traders, end users and other stakeholders. It demands renewed commitment to sustainable production across the supply chain and is an important step to set the direction for sustainable agriculture, balancing the needs for conservation and the calls for development. Other signatories include global agribusiness group Cargill.

Along with another global agribusiness group, Wilmar, the signatories will fund a research to define High Carbon Stock (HCS) forest and to establish HCS thresholds, taking into account of environmental, socio-economic and political factors in the developing and emerging economies.

While the signatories include many of the industry's key players, the Manifesto is an open invitation to all stakeholders in the palm oil supply chain, including civil societies and environmental groups, to work together to increase momentum in the drive towards increased sustainability.

"This Manifesto aims to raise the bar on sustainability standards and set new benchmarks in the agricultural sector. This is part of our commitment to go beyond the stringent RSPO standards and accelerate positive impacts for our industry," said Dr Gan Lian Tiong, Musim Mas Group Head of Sustainability.

"This Manifesto aims to raise the bar on sustainability standards and set new benchmarks in the agricultural sector. This is part of our commitment to go beyond the stringent RSPO standards and accelerate positive impacts for our industry."

Musim Mas personnel frequently engage local communities. The Manifesto will review social impacts in greater detail.

RSPO re-certification

Batang Kulim & Pangkalan Lesung mills

Musim Mas Group is pleased to announce its first RSPO re-certification. Its Group company, PT Musim Mas, is the first in Indonesia to be re-certified according to the Roundtable on Sustainable Palm Oil (RSPO) Principles and Criteria (P&C).

Located in the Indonesian province of Riau, the two re-certified palm oil mills are Batang Kulim and Pangkalan Lesung. The mills receive 100% of their Fresh Fruit Bunches (FFB) from certified supply bases.

Batang Kulim Mill is located at the northern end of the concession, while Pangkalan Lesung Mill covers the southern end. The supply bases for Batang Kulim and Pangkalan Lesung mills are 11,926 hectares and 12,811 hectares respectively, inclusive of Group plantations and scheme smallholders.

Both mills were first RSPO-certified on 6th January 2009. The certification was independently verified by Control Union (CUC), an RSPO-approved independent certification body.

Under the terms and conditions stipulated by RSPO, growers will be assessed for certification once every five years. During the interim period, growers will be monitored for continuous compliance annually. After five years, the main assessment will be repeated. These requirements ensure that assessments are objective, consistent, technically rigorous and credible.

TOP A mill worker in full PPE (Personal Protective Equipment) gear checking some equipment as part of a routine maintenance work.

An aerial view of palm oil mill with its accompanying methane capture facility.

No Coal

Clean power for downstream industries

In countries where there are no limits on emissions or where demand for power is growing rapidly, coal is the norm in many of their industries. Indonesia is no exception. However, for Musim Mas Oleochemicals and Specialty Fats in Medan, Indonesia, majority of the energy needs is provided using biomass, or specifically palm kernel shells.

It is the industry norm for palm oil mills to rely on the biomass they generate and in the case of Musim Mas, biogas too, for energy needs. However, Musim Mas also utilises biomass in its palm oil downstream facilities. Since 2006, palm kernel shells have served as a renewable fuel for Musim Mas boilers to produce steam and drive turbines to generate electricity, with a small percentage of natural gas and diesel in the energy mix. These shells are sourced from Musim Mas' own mills as well as externally. Approximately 30,000 - 50,000 MT of biomass per month are required to power six biomass boilers and four biomass thermal heaters to serve the entire KIM II complex.

What prompted the Musim Mas management to switch from fossil fuel to biomass? Global oil prices soared in 2005 and the government increased the domestic price of diesel twice during that year. Furthermore, the local power infrastructure could not provide a stable supply of electricity at that time - a problem that lingers on until today. The viable solution was either coal or biomass to fulfil the power needs in the short run. Using coal to generate electricity will produce more greenhouse gas per kW. But coal is cheap.

Despite the lower cost of coal, Musim Mas still opted to use biomass, a much cleaner way of power generation. In contrast, biomass is also a renewable resource.

As biomass emerged as the clear favourite, Mr Burhan Karim, Group Director, subsequently started an initiative to gradually install biomass boiler to provide the bulk of the power needs of the complex. Two new biomass boilers are currently under construction. The use of biomass in our oleochemicals facilities, one of the largest in the world, is a clear demonstration that downstream industry can also rely on clean power.

> **"Since 2006, palm kernel shells have served as a renewable fuel for Musim Mas boilers to produce steam and drive steam turbines to generate electricity."**

An initiative that started out as a stop-gap measure has since evolved into a long-term solution to reduce the Group's carbon footprint by substituting fossil fuel with a more environmentally friendly and carbon-neutral alternative.

The background picture shows one of the skid-steer loaders shoveling the kernel shells.

Safety Health Environment (SHE)

A day in the life of a SHE Manager

Mohamad Nasir is a safety manager based in Musim Mas Oleochemicals and Specialty Fats Complex in Medan, Indonesia. Having joined the Group in June 2013, he is responsible for occupational safety and health aspects of the workforce and leading a team of 12 to work on tasks such as implementing the OHSAS 18001 and ISO 14001 environment management systems as well as conducting safety programs for employees.

◄ **09:00** Nasir launches a campaign to inculcate 5S (*Seiri, Seiton, Seiso, Seiketsu, Shitsuke*) which are good housekeeping techniques for occupational safety, health and environment.

► **12:00** Nasir enjoys his lunch at the recently renovated manager lounge. Musim Mas provides free meals for all its staff, complete with vegetables, meat, fruits and specialty coffee.

▲ **08:00** Every morning, Nasir and his team conducts safety briefings, or roll calls, for contractors who do construction and developmental work on the site. The briefings cover topics such as vital tips for safety precaution and updates from management.

◄ **14:00 - 15:00** Perched on a bicycle and equipped with a walkie-talkie, Nasir patrols the site for any potential breach of safety rules and regulations. The main mode of transport for the safety officers is bicycle. All bicycles within the manufacturing complex are registered with a number plate as a part of the security protocol. As manager of the safety team, Nasir's number plate is "SHE 01."

▼ **16:00** Nasir returns to his desk near the end of the day to record outstanding matters or improvement work needed for the next working day.

Children thrive
School deep in plantations

Four years ago, Neni Nurjanini, 32, a native of Binjai, (a town near Medan city, North Sumatra Province) came to Central Kalimantan to join her husband, Yogo Sudibyo, who works in Musim Mas plantation.

Neni has since been a full-time teacher in one of our schools in Central Kalimantan. She teaches science, mathematics, social studies and Bahasa Indonesia to students between 7-12 years old.

Armed with a Bachelor degree in Education, Neni's career as an elementary teacher included spells in both government and private schools for six years in Binjai.

ABOVE Neni (second from left) posing with the other school teachers. The trophies displayed on the table are the awards that the school has achieved from participating in various competions in their district — football, badminton, kick volleyball, marching band, etc.

ABOVE The children attending computer lessons in another of the Group's schools. Musim Mas provides desktop computers for school children who may otherwise not have access to computers at home.

Children between 7 - 12 years old taking their reading lessons outside of the classroom. Musim Mas provides six years of formal education free for all the children of the workers.

Q: What inspired you to be a teacher?

Neni: I grew up in a suburban area and my parents have limited education. My time in the university made me realise how education could truly open up the mind to a bigger world.

Q: Describe a typical day of work.

Neni: I get to school at 6.30 am and the children start arriving around the same time. I usually teach all morning until noon for lunch break. Five days a week will be spent in the classroom. On Fridays I stay back in school a little longer to prepare for next week's lessons.

We teach based on the textbooks approved by the National Education Ministry. Government officers visit our school periodically to provide guidelines on the latest developments.

At the end of every day, I am responsible for getting the children packed up and board the correct bus.

Q: What is the difference between being a teacher in an urban school versus a school in plantation?

Neni: The children in town are more active and able to absorb new knowledge. Perhaps these urban kids typically have additional lessons outside of school and their parents are more educated. In contrast, the children in the plantation take a relatively longer time to understand difficult concepts. For the children in the plantation, the time they spent in school is the main opportunity these children can get exposed to new ideas.

Nonetheless, the good thing is that children in the plantation are more attentive in classes than urban kids.

Our excellent school results on the district level prove that life in a plantation is not a barrier to good education.

Q: What difference have the plantation schools made in the lives of these children?

Neni: If not for these schools, it would be hard for the children to gain high quality education as the nearest government school in our area is a 30-minute bus ride away, provided that there is transport to the school. Most parents in rural areas may not be able to provide transport.

The company provides the school with excellent facilities, often better than other schools in the district. For example, our school provides desktop computers. The children are taught basic knowledge in Microsoft Word and how to research using the Internet. The company personnel periodically ask for our feedback to improve the classroom experience.

Q: What are your hopes for the plantation schools?

Neni: The company currently provides free transport for the students who wish to continue their junior and senior high school in local schools. However, I hope that the company can expand its services to include junior and senior high school too.

Improvement Day 2014

Institutionalising Continuous Improvement

The father of modern Physics, whose name is synonymous with "genius," Albert Einstein, once said, "If you always do what you always did, you will always get what you always got." Without any commitment to improvement, status quo will always remain as the norm. Even a genius sees continuous improvement as critical.

The Group President Director, Mr Bachtiar Karim, said in his opening speech to senior management and staff from the Estate Division for Musim Mas Improvement Day 2014 on 20 May 2014, "We need to realise there are lots of challenges ahead for the Group, especially when it grows bigger. Despite having achieved our size today, we cannot afford to be complacent and should work harder to aspire to higher levels. The difference between a well and badly managed company is its people. Good people is a result of a good combination of ability and attitude, much like how Intelligent Quotient (IQ) is nothing without Emotional Quotient (EQ)."

> **"Currently in its third year, the annual event seeks to institutionalise the culture of continuous improvement."**

The theme for this year's Improvement Day was "Creativity and Innovation through EQ Improvement." The event lasted over two days in the scenic Brastagi area of North Sumatra. The organising committee engaged an external speaker, Anthony Dio Martin, to conduct a seminar on EQ and inspire the participants to think of ways to improve their emotional intelligence.

Currently in its third year, the annual event seeks to institutionalise the culture of continuous improvement. It is also one of the rare chances when everyone from different parts of the Estate Division gather, relax and enhance the sense of being part of a large Group. In addition, every year, participants from all over the division will submit their ideas for improvement or innovation. These ideas run the gamut of the Estate Division's activities, such as proposals to reduce waste, improve safety at work or increase the awareness of using Personal Protective Equipment (PPE) for workers. The participants with the best ideas will win prizes. The grand prize this year is a five-day holiday trip to either Thailand or Malaysia.

ABOVE Participants are split into different groups and engage in activities that encourage them to think out of the box.

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Headquartered in Singapore, Musim Mas operates globally across the palm oil spectrum. Its business activities run the gamut of the palm oil supply chain: from managing oil palm plantations to refining crude palm oil and manufacturing value-added products. It also has a fleet of ship tankers and barges that enhances its logistic capability. The Group has operational presence in 12 countries across Asia-Pacific, Europe and the US, backed by a multi-national workforce of 28,500 people. Musim Mas, a pioneer member of the Roundtable on Sustainable Palm Oil (RSPO), is committed to doing business in a socially responsible and environmentally friendly manner.

This newsletter is published by the Musim Mas Group. Comments and suggestions are welcome. Please contact the Sustainability team at sustainability@musimmas.com.