

# SUSTAINABILITY JOURNAL



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Dear Reader

At Musim Mas, we believe in running our business with close attention to environmental and social issues. We strive to be recognised as the company representing sustainable palm oil. In December 2014, we launched the Musim Mas Sustainability Policy to affirm our commitment to sustainable palm oil. The Policy will help us articulate our approach clearly and transparently ("Musim Mas affirms its commitment to sustainable palm oil", p2-3).

A traceable and sustainable supply chain is one of the cornerstones of the Policy. We hope to provide some insight on how we have engaged with one of our suppliers, PT Pati Sari, to adopt sustainable practices ("Fixing Pati Sari's supply chain, p4-5).

A sustainable palm oil supply chain calls for a long term commitment to our stakeholders. This Journal features our ongoing cooperation in the Tesso Nilo Flying Squad Project ("Finding solutions to the conflict between humans and wild elephants", p8) and with the Danish government in a methane capturing project ("A successful partnership", p9). We also feature our long term project in Gunung Leuser National Park ("Growing again", p6-7).

Last, but not least, we wish to share with you a glimpse of life in plantations ("Life in plantations through the eyes of a harvester", p10). 

I hope you enjoy reading this issue.

*Bachlin Karim*

Executive Chairman

Musim Mas Group

# Mus

## affirms it

### Palm Oil Supply Chain

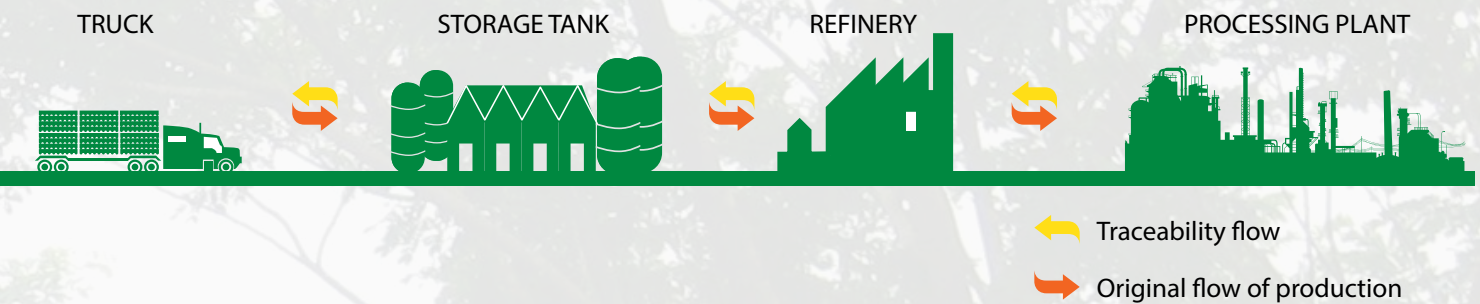


### Our Commitment



# im Mas

## s commitment to sustainable palm oil



When the Roundtable on Sustainable Palm Oil (RSPO) first started, Musim Mas was the first major group in Indonesia to join in 2004, even though at that time the concept of multi-stakeholder engagement was still new to the industry. Mr Bachtar Karim, Executive Chairman of the Musim Mas Group, sat on the first RSPO Executive Board.

The underlying motivation for these pioneering moves was the firm belief that a successful business must take into consideration of its impact on environmental and social issues and how these impacts could be successfully managed. Success is not only measured in monetary profit.

The Sustainability Policy announced by Musim Mas in December 2014 is an extension of such a business philosophy. It is a reaffirmation of the sustainability practices that Musim Mas has embraced all along. The policy helps articulate, in a clear and transparent manner, the Group approach to Sustainability and, in particular, our stance on No Deforestation, No Peatland Development and No Exploitation. The policy also states that development and conservation will be carried out responsibly, with a positive impact on the rights and welfare of local communities, especially smallholders.

The policy takes effect immediately across Musim Mas global operations and extends to all third-party suppliers with whom the Group either has a purchase agreement or a trading relationship. By the end of 2016, all palm oil sourced by Musim Mas will be traceable to group and third party plantations. In

the interim period, by the end of 2015, all palm oil sourced by the Group will be traceable to mills. Musim Mas will provide support for its smallholders and out-growers in a fair, transparent and accountable manner. The Group views the establishment of a fully traceable supply chain as an important step towards sustainable palm oil production.

The Group remains committed to the High Carbon Stock (HCS) methodology which will be developed by the Sustainable Palm Oil Manifesto Steering Committee. The Steering Committee is led by a renowned environmentalist - Sir Jonathon Porritt - and an eminent forest ecologist - Dr John Raison. In the interim period whilst the methodology is being conceived, Musim Mas will not develop on any potential HCS forest as defined by the HCS Approach Steering Group.

In cases of acquisitions of new plantations with palm oil mills, Musim Mas will strive to achieve implementation of this policy and RSPO certification within three years of acquisition.

Musim Mas adopted a multi-stakeholder approach in developing this policy by consulting various stakeholders. The Group has also joined The Forest Trust (TFT) as one of its members.

Musim Mas remains firmly committed to the Roundtable on Sustainable Palm Oil (RSPO) Principles and Criteria (P&C). The Group will continue to advance in all other possible aspects of sustainability including those not yet fully covered by RSPO. [AA](#)

# Fixing Pati Sari's supply chain

It is rare for PT Pati Sari (Pati Sari) to show its legal documents and details of its internal process to outsiders. But, in a meeting held on 12 November 2014 between Pati Sari and Musim Mas, the executives of Pati Sari did not hesitate to be transparent and frank even though they were fully aware that the meeting would most likely change the way their company has been running its business since 1997.

Pati Sari was at the center of a controversy due to its alleged sourcing of Fresh Fruit Bunches (FFB) from the fragile Leuser Ecosystem.

In a November 2014 report, the US-based NGO, Rainforest Action Network (RAN), stated that crude palm oil (CPO) produced from FFB originating in the Leuser Ecosystem has been supplied to major buyers including Musim Mas, Wilmar and GAR. Pati Sari was one of the palm oil mills reported to be sourcing FFB from a plantation company, PT Mestika Prima Lestari (Mestika), located inside the ecosystem.

In response, the Musim Mas Group announced on 13 November 2014 that it would conduct an investigation into the supply chain of Pati Sari and would temporarily halt buying from them. There

was an added urgency to this investigation as the Group has long been a supporter and sponsor of the restoration of Leuser National Park through its cooperation with the Indonesian NGO Orangutan Information Centre (OIC) and its international NGO partner Sumatran Orangutan Society (SOS), and certainly would not want to see that effort being jeopardised.


A Musim Mas audit team was immediately sent to the palm oil mill of Pati Sari to go through its supplier records in order to understand its supply base in detail. From the investigation, it was found that 3.87% of Pati Sari's FFB was sourced from Mestika and 30% from smallholders. The senior management of Pati Sari demonstrated a genuine willingness to be transparent and cooperative in the investigation. It has also decided to stop the purchase of FFB from Mestika.

Meanwhile the Acehnese Government has also requested that buyers exercise special care when imposing bans on purchase of the produce from palm oil mills in the relevant area so that the livelihoods of smallholders would not be adversely affected. With the guarantee from Pati Sari that they would



continue their efforts to exclude all FFB produced illegally from Leuser Ecosystem, Musim Mas has cautiously agreed to reopen sourcing of CPO from them. The investigation on the source of the remaining 60% FFB would still continue.

The problems associated with the supply chain of Pati Sari represents the challenge in balancing the needs of environmental protection with the social obligation owing to smallholders. Many palm oil mills across Indonesia would face

similar problems to Pati Sari in pinpointing 100% traceability of supply, which may include environmental offenders as well as genuine smallholders. While an easy solution will be to stop purchasing from these mills, Musim Mas feels that it has a social responsibility to help smallholders rather than destroying their livelihoods. It will study each similar case in future to try to find a solution to minimise the impact on both smallholders and the environment. 

## Workshop with Pati Sari

### 1. Scoping study

Understand Pati Sari's supply base



### 2. Awareness and Compliance training

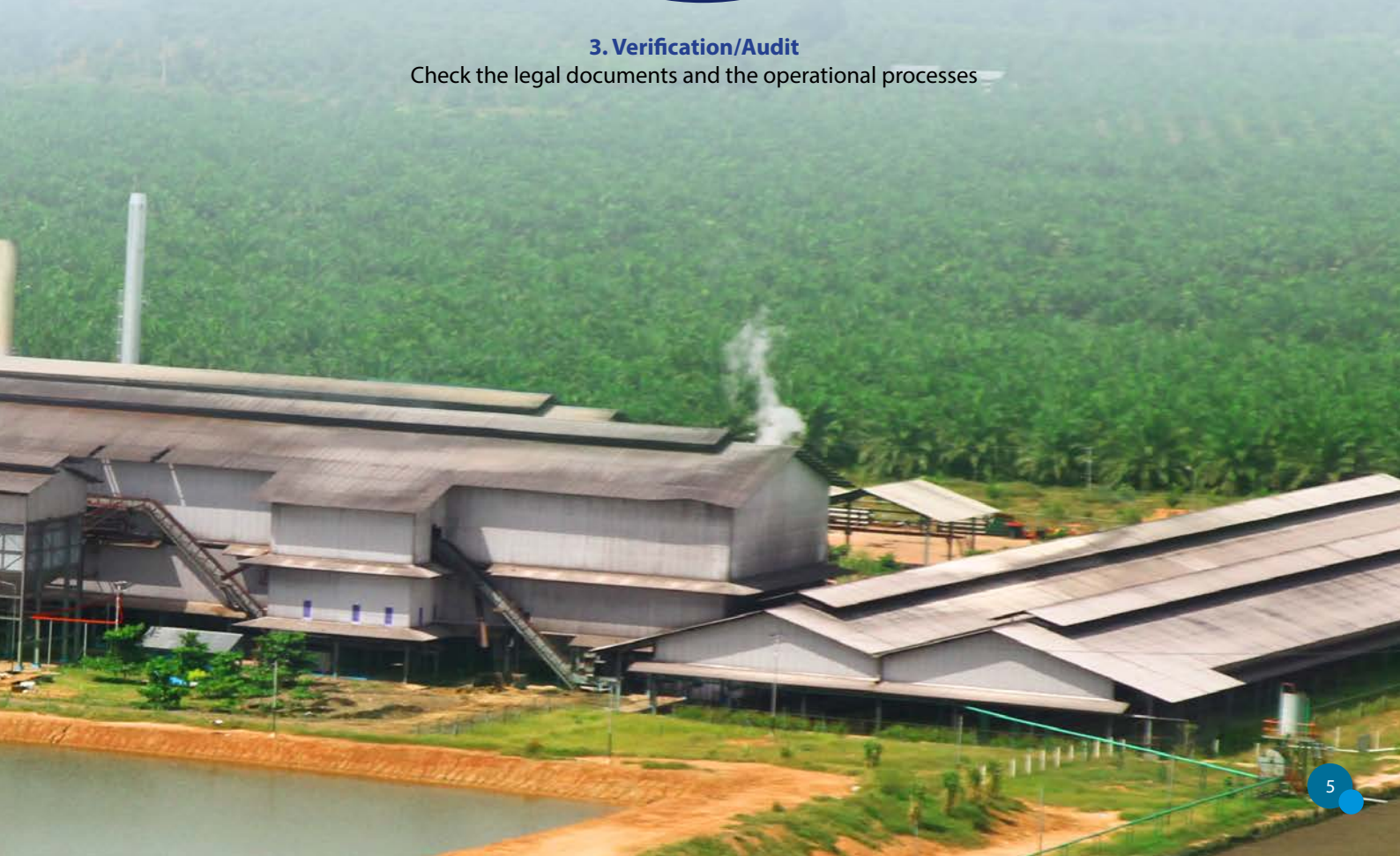
Create awareness for Musim Mas' sustainability endeavours, especially the Group's aim to create a sustainable supply chain

### 4. Discussion

Study Pati Sari's FFB procurement policy and procedure. Conduct field observations on key operational metrics related to sustainability

### 3. Verification/Audit

Check the legal documents and the operational processes



# Growing again:

## Restoration of the Gunung Leuser National Park



*The Gunung Leuser National Park is part of the Tropical Rainforest Heritage of Sumatra (a UNESCO World Heritage Site) and is accorded the status of a national park, which is the highest level of land protection in Indonesia.*


In Langkat District area near the Gunung Leuser National Park (GLNP), local communities work along with non-governmental organisations (NGO) to restore part of the national park formerly filled with illegal cash crops. This programme has been funded by Musim Mas since 2008.

First established in August 2007, the GLNP Forest Restoration Programme aims to undo the damage caused by large-scale conversion of national park forest into cash crop plantations. The solution is to engage the local communities as stewards of the forest restoration, first by educating them on the importance of forests and then rewarding them for their time and effort. Additionally, the project also provides sustainable alternative livelihoods for the local people with training and agroforestry schemes.

The programme is led by the Indonesian NGO Orangutan Information Center (OIC) and its international NGO partner Sumatran Orangutan Society (SOS). Both NGOs are dedicated to conservation of the critically endangered Sumatran orangutan (*Pongo abelii*). OIC is the first NGO to be granted permission

by the Indonesian Government to work in the national park as part of the national forest rehabilitation movement in 2004. This project is the first in Indonesia and calls for fast replanting to offset the damage done to existing forests.

The impact of the restoration is important even though the coverage area is still relatively small compared to the entire national park. It aims to connect the disparate patches of forests to serve as corridors for animal movement. When OIC monitored the restored areas with camera traps to obtain critical data on wildlife, many animals such as Orangutan (*Pongo abelii*), Asian Elephant (*Elephas maximus*), Javan Chevrotain (*Tragulus javanicus*), Leopard Cat (*Felis bangalensis*), Sunda Clouded Leopard (*Neofelis diardi*), Malayan Porcupine (*Hystrix brachyura*), Indian Muntjac (*Muntiacus muntjak*), Sun Bear (*Helarctos malayanus*), Thomas's Langur (*Presbytis thomasi*) were captured on the screens. These are positive signs that the restored areas in GLNP are growing and brimming with life again.

Musim Mas strongly believes in the merits of getting local communities involved in protecting forests and is currently discussing with OIC to expand the restoration project. 

Total area restored

**261**  
hectares

Target restoration area

**500**  
hectares



Time taken for the project to date

**2**  
years

Number of communities involved from the villages

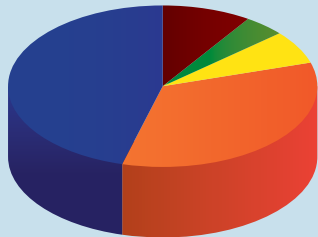
**40**

## Local community's perception of GLNP before the programme

In a survey conducted in April 2009, only 46% of the respondents were aware that GLNP is a national park. Many thought that the forest near them was either of lesser importance or were not sure if it had any protection.

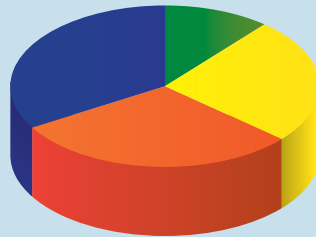
Source: Survey report from the Sumatran Orangutan Society and the Orangutan Information Centre (OIC), April 2010

### What is the legal status of the forest?



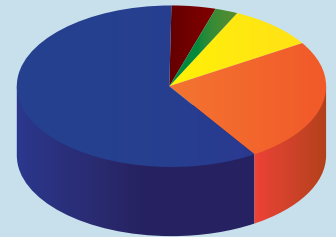
While 34% of the respondents recognised that GLNP maintains important ecological services such as clean water, a worrying 30% thought that the park only benefited wildlife.

### What is the most important benefit achieved through conserving GLNP?



Once the respondents were given a brief introduction to the vital link between the health of the park and their welfare, a promising 59% of the respondents recognised that they too have a role in protecting the park.

### Who is responsible for the maintenance and protection of GLNP?



\*PEMDA – local government authority

## Restoration outcome



Before planting programme



After planting programme



Animals captured on camera screen in restored areas

# Finding solutions

to the conflict between humans and wild elephants



Sometimes wild elephants are not killed only for their tusks. While looking for food, they may unwittingly wander into human-inhabited land which leads to conflicts with the community as they can cause damage to crops, properties or even result in human casualties. In response to the presence of these large creatures and out of fear for their safety, the local community may resort to poisoning, killing many of these endangered wild elephants.

The solution offered by the World Wide Fund for Nature (WWF) is to provide a dedicated team - the Tesso Nilo Flying Squad - to monitor and pre-empt the wildlife intrusion into community farming land. The initiative prevents human-elephant conflict by relying on domesticated elephants and their rangers to drive back wild elephants into the forest when they stray too close to human habitats.

The other part of the work involves educating the local community on the vulnerability of these majestic creatures and patrolling to stop wildlife poaching.

Musim Mas first started working with the Flying Squad in 2006 when WWF approached one of the Musim Mas plantations in Pekanbaru. WWF needed corporate stakeholders to support and fund the operation of the Flying Squad team for the long run.

On 29 August 2014, Musim Mas pledged additional support for the Flying Squad team by providing funding for the next three years, including paying the local community for their effort in maintaining the Flying Squad. The additional funds will be used for maintaining the current project, including facilities for the elephants and salaries for their rangers.[AA](#)



**38,576**

hectares of Tesso Nilo forest complex were declared as a national park

**2004**

established

Musim Mas is one of their corporate sponsors

**Lubuk Kembang Bunga**



is the place where the Flying Squad is trained to drive wild elephants back into forest

**Flying Squad Team**

**EIGHT THREE**



# A successful partnership:

A strong alliance between the Danish Energy Agency and Musim Mas

On 30 June 2014, representatives from Musim Mas and the Danish government gathered at the Musim Mas Pangkalan Lesung Plantation in Riau, Indonesia, to celebrate the successful completion of a joint project between Musim Mas and the Danish Energy Agency. The occasion was graced by the attendance of Mr Mikael Ekman, Deputy Danish Ambassador to Indonesia.

As part of Denmark's commitment to mitigate greenhouse gas (GHG) under the Kyoto Protocol\*, the Danish Embassy searched for viable corporate partnerships in Indonesia and in 2008 the Danish government selected Musim Mas for a methane capture project. The proposed partnership came at the right time for Musim Mas. "It gave us the opportunity to tackle climate change by reducing our GHG emissions," said Mr Bachtiar Karim, Executive Chairman of the Musim Mas Group.


Initially, the working committee was only cautiously optimistic. Firstly, a methane capture facility added an additional 30% to the investment cost of a palm oil mill; secondly, the technology for methane capture was relatively new.

The Danish Energy Agency (DEA) offered a partnership to register the Musim Mas Methane Capture Facility as a Clean Development Mechanism (CDM) project and to purchase for the first 18 months the Certified Emission Reduction (CER) generated by the project.

Though the Denmark offer of revenue from CER sales was good, it was not enough to cover the total investment cost. Nonetheless, the environmental gains from the project were considerable and

worth the financial cost.

The project was subsequently commissioned in early 2011 and registered as a CDM project in October 2011.

"I strongly hope that our cooperation will not end with the CDM project. Instead this project should be a catalyst for more projects in future. I see many interesting opportunities that could be pursued in the coming years. One example is the development of second generation bioethanol using palm oil empty fruit bunches. Success in developing such projects will definitely ignite more interest from similar Danish companies. Denmark looks forward to remaining a strong friend and ally," said Mr Ekman. 

\* The Kyoto Protocol agreement is part of the United Nations Framework Convention on Climate Change (UNFCC).



TOP Mr Mikael Ekman, Deputy Danish Ambassador to Indonesia (fifth person from left) together with staff from Musim Mas



# Life in plantations through the eyes of a harvester



**A**t a height of 175cm with a lean, muscular physique, Mugiono, 41, looks every bit like a man who is used to carrying between 1500kg - 2000kg of Fresh Fruit Bunches (FFB) every day. Mugiono works as a harvester at Musim Mas Sebabi Plantation in Central Kalimantan.

A hardworking and multi-talented man, Mugiono works as an oil palm harvester by day and sells bakso soup noodle during his leisure time. The father of two is also a part-time carpenter

whenever he receives orders to make customised furniture.

**Q: How did you end up becoming an oil palm harvester at Musim Mas?**

Starting at the age of 21, for the first 6 years of my working life, I was a banana harvester in my hometown Wonosobo, Central Java. I tried my hand at being a coconut harvester in the Maluku region too but none of these jobs provided a good



TOP Harvesting the oil palm fruit from the trees

income for my family.

My foray into oil palm plantations started in 2008. However, my experience at this first company was difficult. The plantation was not well maintained and had low yields. It was difficult to earn a living. So my friend introduced me to Musim Mas in 2009.

#### **Q: How are the living conditions in Musim Mas Plantations?**

Musim Mas provides housing for us with free and easy access to vital amenities such as clean water at home, a 24 hour supply of electricity and adequate free healthcare with certified doctors. This is far superior to my previous company where we had to retrieve water from the nearest river and which had a limited supply of electricity.

An additional perk is the supermarket. It's great to have a supermarket with affordable prices in the plantation. We always purchase our family groceries there, especially milk for my youngest daughter.



TOP Mugiono with his family

#### **Q: What are your views on education facilities provided by the company?**

The education system provided by the company is fantastic. All the children of Musim Mas' staff are entitled to free education, complete with experienced teachers and good facilities. In my view, standard of the school is better than many government schools in the region.

#### **Q: How has work in Musim Mas changed your life?**

Working in Musim Mas has greatly improved our living standard and from my salary I can now provide much more than just primary needs for my family. Looking back, I am certain that I made the right decision to leave my hometown.

AA

# 2014 Sustainability Diary of Events

## First Quarter

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- 10<sup>th</sup> Compensation Task Force (CTF) meeting
- Public consultation for Roundtable on Sustainable Palm Oil Principles and Criteria (RSPO P&C) 2013 Indonesian national interpretation
- 23<sup>rd</sup> meeting for Biodiversity and High Conservation Value (HCV)
- Emission Reduction Working Group (ERWG) meeting
- Sustainable Palm Oil Manifesto (growers) 1<sup>st</sup> steering committee meeting
- Meeting with World Resources Institute (WRI)
- Signing of Sustainable Palm Oil Manifesto (SPOM)
- Traceability workshop by The Sustainable Trade Initiative (IDH)
- Workshop on calculation of GreenHouse Gas (GHG) emission (for operation personnel in the group)

## Second Quarter

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- International Sustainability and Carbon Certification (ISCC) GHG training
- Meeting with Control Union Certification (CUC)
- Meeting with World Wide Fund for Nature (WWF)
- RSPO compensation task force outreach
- RSPO P&C 2013 Indonesia national interpretation meeting
- SPOM meeting

## Third Quarter

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- Discussion with bird specialist for HCV
- Indonesia Sustainable Palm Oil (ISPO) training for auditors hosted by Musim Mas
- International Palm Oil Sustainability Conference 2014 (IPOSC 2014) organised by the Malaysian Palm Oil Council
- Indonesia Sustainable Palm Oil (ISPO) Greenhouse Gas (GHG) working group meeting
- RSPO Palm GHG working group
- Biodiversity and HCV working group meeting
- SPOM meeting

## Fourth Quarter

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- 12<sup>th</sup> RSPO Roundtable meeting on sustainable palm oil (Kuala Lumpur)
- Conservation forum on multi-stakeholder partnership in effort to recover Sumatran tiger population
- Indonesian growers caucus meeting (growers only)
- Indonesia RSPO members meeting
- ISCC plantation audit and land use assessment training
- RSPO board of governors (BoG) meeting
- Workshop scheme on ISPO P&C for palm oil as the raw material for renewable energy (bio energy)
- Workshop for supplier risk management by The Forest Trust (TFT) and Neste Oil
- Workshop for PT Pati Sari



This newsletter is published by Musim Mas. Comments and suggestions are welcomed. Please contact the Sustainability Team at [sustainability@musimmas.com](mailto:sustainability@musimmas.com) or visit our website at [www.musimmas.com](http://www.musimmas.com)



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