

SUSTAINABILITY JOURNAL



MUSIM MAS

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PURSUING RSPO CERTIFICATIONS

Managing for Sustainability is a core value which permeates the Group's operations

ENVIRONMENTAL CONSERVATION INITIATIVES

Protecting primary forests, reducing GHG and methane emissions

RESEARCH & TECHNICAL DEVELOPMENTS

Agenda setter, advocate-partner, thought leader and global research sponsor in sustainability

MUSIM MAS & OUR SOCIETY

CSR programmes at Musim Mas

FORWARD

I am pleased to bring you the inaugural issue of Musim Mas Group's in-house Sustainability Newsletter - *Sustainability Journal*. Managing for Sustainability is a core value of the Group, which permeates the Group's operations and business propositions throughout the palm oil value chain.

Today, Musim Mas is one of the most dynamic and integrated palm oil groups in the world, with a diversified portfolio of products and assets. The Group's activities span the entire palm oil value chain - from upstream oil palm plantations and milling to downstream operations such as kernel crushing, refining and manufacturing of specialty fats, biodiesel, oleochemicals including fatty acids, fatty alcohols, soap, palm wax, glycerine and other fine chemicals. Our supply chain is managed through strategically located tank storage facilities and transportation assets, coupled with efficient logistics solutions.

Musim Mas also pioneers in sustainability initiatives. These can be broadly categorised into: (i) the RSPO Certification Programme; (ii) Environmental Conservation Initiatives; (iii) Research and Technical Developments; and (iv) Corporate Social Responsibility Programmes. In this first issue, we are proud to share insights in each of these areas.

This publication is our effort to update our stakeholders on Musim Mas' key corporate developments in Managing for Sustainability. We share the many tangible steps that we have taken and continue to take as we conduct our business activities in an environmentally appropriate, socially responsible and economically viable manner while meeting the quality expectations of our customers.

I hope you will find this newsletter useful.

Executive Chairman
Musim Mas Group

PURSUING RSPo CERTIFICATIONS

Total production of certified sustainable palm oil (CSPO) from the Group's certified management units now stands at 344,273 metric tonnes a year, making Musim Mas Group the **largest** producer of CSPO in Indonesia currently.

This achievement is the culmination of the Group's pursuit of its core value, Managing for Sustainability, and its careful implementation of sustainability strategies throughout the years of operations.

Initial recognition of the Group's achievements came in January 2009 when PT. Musim Mas' two palm oil mills were the first in Indonesia to be awarded the Roundtable for Sustainable Palm Oil (RSPO) Certification for the production of certified sustainable palm oil (CSPO) and certified sustainable palm kernel oil (CSPKO).

The Group's South Sumatra-based PT. Berkat Sawit Sejati was next to be awarded the RSPO Certificate on 8 April 2010. This was followed by PT. Agrowiratama in West Sumatra,

by 2014.

Aerial view of plantation at PT. SSM.
The latest plantation to receive the RSPO certification

Companies	Palm Oil Mills	RSPO Certificate No.	Date of Certification	Ha	CSPO (Metric Tons)	CSPK (Metric Tons)
PT. Muslim Mas	Batang Kulim	CUC89028RSPO-01-2010 code D-01	06 January 2009 ASA1-13 April 2010	24,222	74,752	17,558
PT. Berkat Sawit Sejati	Pangkalan Lesung	CUC89028RSPO-01-2010 code D-02	06 January 2009 ASA1-13 April 2010	10,820	68,707	16,489
PT. Agrowiratama	PT. Berkat Sawit Sejati	CUC813184RSPO-01-2010 code D01	08 April 2010	54,166	12,584	
PT. Sukajadi Sawit Mekar	PT. Agrowiratama	C813182CU-RSPO-01-2010 code POM-01	17 June 2010	7,512	46,539	11,635
		CU-RSPO-814844	28 August 2010	16,111	99,109	22,440
TOTAL				58,655	343,273	80,706

Table 1: Production of Certified Sustainable Palm Oil (CSPO) and Certified Sustainable Palm Kernel (CSPKO) by Musim Mas Group

together with the smallholders' schemes under the company's management and PT. Sukajadi Sawit Mekar in Central Kalimantan (See Table 1).

As a result, the Musim Mas Group has emerged as the largest supplier of CSPO in Indonesia, accounting for more than 30% of the one million tons of CSPO to be produced in Indonesia in 2010.

Musim Mas is working hard to achieve full RSPO certification by 2014.

Musim Mas Group has started marketing CSPO and certified sustainable palm kernel oil (CSPKO) through its merchandizing arm, Inter-Continental Oils & Fats Pte Ltd, since April 2010. In addition, the Group's downstream production company, PT. Megasurya Mas in Surabaya, was also awarded the RSPO Supply Chain Certification in early 2010. The award made PT. Megasurya Mas the world's first manufacturer to offer RSPO certified downstream products such as soaps, cooking oil, margarine and candies.

Musim Mas Group's Policy on Sustainability

We at Musim Mas are committed to conduct our businesses in an environmentally appropriate, socially responsible & economically viable manner while meeting the quality expectations of our customers.

- In our pursuit of corporate excellence, we shall:
- Abide by the RSPO Code of Conduct;
 - Comply with all applicable laws and legal requirements;
 - Ensure occupational safety and health in the workplace;
 - Contribute to and actively be involved in community development;
 - Develop, implement and improve environmentally responsible practices; and
 - Communicate our efforts on sustainability to our internal and external stakeholders.

ENVIRONMENTAL CONSERVATION INITIATIVES

SOS team in GUNP Forest Restoration Project - Mobile library



Musim Mas prioritises environmental conservation. The Group adheres to RSPO Principles and Criteria ("P&C"), as illustrated below:

RSPO criterion 4.5:

As encouraged by RSPO, Musim Mas uses Entomopathogenic fungi (*Cordyceps*) and beneficial viruses to control leaf eating caterpillars. This is part of the Group's Integrated Pest Management (IPM) programs which also promotes the use of barn owls (*Tyto alba*) as a natural predator against rodent pests. Beneficial plants (e.g. *Cassia cobrensis* and *Tunera subulate*) are also used to propagate natural predator populations in order to control leaf eating caterpillars.

RSPO criterion 5.2:

Musim Mas engages independent consultants to assess and identify high conservation value (HCV) zones within the plantation concession areas. HCV areas are then managed under comprehensive management plans.

RSPO criterion 5.3:

The Group's palm oil mills now adopt the use of a new Aerolow effluent treatment system to reduce the biological oxygen demand Restoration of riparian buffer areas



Musim Mas is committed to voluntarily reducing methane emissions from palm oil mill effluent ponds. The Group initiated a methane-capture project in the Group's Pangkalang Lesung Palm Oil Mill in Pelalawan Regency, Riau province. The project successfully underwent a validation audit in June 2010 under the auspices of the Clean Development Mechanism (CDM) as defined in the Kyoto Protocol. As part of its continuing conservation efforts, Musim Mas has also signed an Emission Reduction Purchase Agreement (ERPA) with the Danish Ministry of Climate and Energy on Certified Emissions Reductions (CERs).

RESEARCH & TECHNICAL DEVELOPMENTS

TODAY, MUSIM MAS IS PROUD TO PLAY VARIED
AND SIGNIFICANT ROLES IN THE GLOBAL
SUSTAINABILITY AGENDA.



Oxford University and Helsingkirk University Research Collaboration - interviewing harvested oil palm tree

As Agenda Setter

Today, Musim Mas sits on the RSPO Biodiversity Technical Committee and the GHG Working Group 2. It is actively involved in assisting the RSPO review principles and criteria that involve the reduction of greenhouse gas emissions and the conservation of biodiversity.

As Advocate-Partner

Being a pioneer member of RSPO, Musim Mas is a strong advocate of RSPO principles and seeks to provide constant support to its many landmark initiatives. It regularly shares its valuable experience on the certification process with other industry players. It presented a paper on 'RSPO Procedures on New Planting' at the Indonesian RSPO Liaison Forum in Medan, Indonesia held on 5 June 2010. Later, the Group had the privilege to host a visit by the RSPO to its facilities.

As Thought Leader

In August 2010, Musim Mas was invited to attend and share its views at the Global Consultation on the World Bank's draft Framework for Engagement in the Palm Oil Sector in Frankfurt, Germany; this followed the Stakeholder Consultations meetings in Medan, held on the 3rd of May, 2010.

As Global Research Sponsor

Global research for local application. Musim Mas believes in support for research and technical developments in higher tertiary institutions and independent think-tank organisations. Currently, the Group is collaborating with the Institute of Terrestrial Ecosystems at Eidgenössische Technische Hochschule Zürich (ETH) on a research project entitled 'Modelling livelihood impacts

in the context of land use changes from biofuel expansion in Indonesia'. This collaborative project seeks to provide new economic, social and environmental insights - through scientific data and models - to evaluate the suitability of oil palm and other land uses in Indonesia. The project commenced in August 2010 and is scheduled to complete by May 2012.

In November 2010, Musim Mas Group became the proud sponsor of an endowed professorship at the National University of Singapore (NUS) Business School. The endowment fund will further sustainability research and education. Plans include the hiring of a world-class faculty, which will spearhead both academic and field research to involve academic professionals and students.

MUSIM MAS

The Musim Mas Group's "Managing for Sustainability" core value permeates its operations and its interactions with society. With about 22,000 employees in Indonesia, Musim Mas walks the talk in fulfilling its corporate social responsibilities (CSR) both as an employer and as a member of the community.

& OUR SOCIETY



EDUCATION AND COMMUNITY DEVELOPMENT INITIATIVES

Musim Mas is a strong advocate of sound education. The Group has built and funded five schools within its various plantations across Indonesia. These schools provide kindergarten and primary education to the children of estate and mill workers as well as those from the local community. Total student population now stands at 2,748. The Group also routinely gives out bursaries and scholarships to the school children.

In addition, the Group provides financial and technical assistance to develop the villagers' arable land into oil palm holdings (smallholder projects) through cooperatives programme (KKPA) (smallholder projects), through cooperatives programme (KKPA)

and village development programme (KAS). These programmes feed the twin objectives of elevating the community's income levels and creating employment. The Group currently manages for 2,359 families in four villages under such schemes in Indonesia. The KKPA in West Sumatra has the distinction of being the first smallholder scheme in Indonesia to have received the Indonesian National Interpretation of RSPO P&C certification.

Other community projects include the construction of wells, road repairs, fee clinics for the needy, and financial assistance for local community projects.



CONSERVATION INITIATIVES

The Gunung Leuser National Park Restoration Programme with the Orangutan Information Centre

In keeping with its conservation efforts, Musim Mas participates in the Gunung Leuser National Park (GLNP) restoration programme. The project involves replanting on illegally cleared forest areas through a project managed by the Orangutan Information Centre (OIC), an NGO dedicated to the conservation of the critically endangered Sumatran orangutan (*Pongo abelii*). This project is a first of its kind in Sumatra and the OIC is the first NGO granted permission by the Indonesian government to work within the national park. Indigenous species of tree seedlings have been cultivated and maintained in four separate nursery sites in Besitang to provide a total of 111,563 seedlings for replanting.

In addition to forest rehabilitation, the project also provides sustainable alternative livelihoods for local people who benefit from training and agro-forestry schemes.



Tiger Conservation Project with Zoological Society of London

The current population of Sumatran tigers left in the wild is approximately 350. Timber concessions, oil palm plantations and mineral extraction in the region surrounding the DNR areas have reduced the natural habitat of the tigers, which transcends multiple unprotected forested areas.

A joint survey by Zoological Society of London (ZSL) and the Forestry Department revealed that there were tigers in the Dangku Nature Reserve (DNR), hence DNR has been highlighted as an important conservation area. In March 2010, Musim Mas collaborated with ZSL to launch a 'Corporate Conservation Complex' project. Its objective was to create a synchronized, informed landscape-level conservation approach to economic land use planning. The project provides the framework for the 'Dangku Landscape Tiger Conservation Partnership', which will involve creating a network of functioning wildlife forest corridors within the developed DNR area, thus allowing wildlife such as the Sumatran tiger to move easily between areas of protected forest areas.

2010 SUSTAINABILITY DIARY OF EVENTS

FIRST QUARTER

- RSPO Greenhouse Working Group meeting
- Zoological Society of London Tiger Conservation's visit to PT. Berkat Sawit Sejati
- The Indonesian - Smallholder Working Group (INA - SWG)

SECOND QUARTER

- World Bank Stakeholder Consultation
- GAPKI dialogue with Greenpeace, Sawit Watch, Wetland International and Indonesian Forum for the Environment
- Meeting on London Business Summit on Sustainable Palm Oil
- The Prince's RainForest Meeting
- RSPO Biodiversity Technical Committee Meeting
- National University of Singapore visit to PT. Musim Mas Sorek, Riau Province
- Sawit Watch & Scale Up Visit to PT. Sukajadi Sawit Mekar, Central Kalimantan
- WWF's visit to PT. Sukajadi Sawit Mekar, Central Kalimantan
- National Seminar: Sustainable Business Competitiveness: The Next Challenge
- The Indonesian - Smallholder Working Group (INA - SWG)
- International Sustainability and Carbon Certification (ISCC) Seminar
- International Palm Oil Sustainability Conference (IPOSIC) 2010

THIRD QUARTER

- RSPO Forum
- London Biodiversity Conference
- The Prince's RainForest Meeting
- RSPO Members' Visit to Medan
- Eidgenössische Technische Hochschule Zürich (ETH) research study in PT. Musim Mas
- Visit to Gunung Leuser National Park Restoration Programme

FOURTH QUARTER

- World Bank Group Palm Oil Global Consultative Meeting
- RSPO Biodiversity Technical Committee Meeting
- RSPO Greenhouse Gas Working Group Meeting
- Eidgenössische Technische Hochschule Zürich (ETH) research study in PT. Agrowiratama, PT. Berkat Sawit Sejati, and PT. Maju Aneka Sawit
- Methane Capture Project - ERPA Signing
- RSPO Round Table 8
- Musim Mas - Zoological Society of London Tiger Conservation Project - Zoological Society of London Training on GPS / GIS at PT. Berkat Sawit Sejati
- Climate Change, Agriculture & Related Trade Standards' Conference organised by UNCTAD & ENSEARCH
- Stakeholder Updates, Singapore
- The establishment of the Musim Mas Professorship in Sustainability at National University of Singapore Business School
- Launch of in-house sustainability newsletter - *Sustainability Journal*



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