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MUSIM MAS PROFESSORSHIP

A world-class faculty for sustainability research

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FOREWORD

As a fully integrated palm oil corporation, the Musim Mas Group is on track in rolling out initiatives on sustainability and using them as a yardstick to measure, monitor and manage its operations.

The Group has in place the Musim Mas Improvement Process targeting its 22,000 workforce. Its plantations have completely eliminated the use of Paraquat and are taking steps to reduce greenhouse gas emissions. The Group has also established a Professorship in Sustainability under its name at the NUS Business School in Singapore.

With quality people comes quality products. The Group recognizes that human capital is its most valuable asset and is committed to invest in human resource training. Adopting the Kaizen working culture, the Group hopes to instil in its staff the importance of better performance through continuous improvement in every sphere of life.

In this issue, readers are given a brief update of the Group's initiatives in conducting its business in an environmentally friendly, socially responsible and economically viable way to meet customer expectations worldwide.

Executive Chairman
Musim Mas Group



MUSIM MAS PROFESSORSHIP

A WORLD-CLASS FACULTY FOR SUSTAINABILITY RESEARCH



IN ITS COMMITMENT to sustainable development, the Group has established the Musim Mas Professorship in Sustainability at the National University of Singapore (NUS) Business School.

"This is a small gesture of appreciation to all our stakeholders. We hope that this Professorship will contribute positively towards research and education on sustainability."

Musim Mas Group Executive Chairman and NUS alumnus

"The gift will strengthen our continued efforts at finding innovative solutions which will have a positive impact on the environment."

**- Professor Tan Chorh Chuan
NUS President**

"It reinforces our efforts in advancing education and research to address the three pillars of sustainable development - society, environment and economy - so as to meet the needs of both present and future generations."

**- Professor Bernard Yeung
Dean of NUS Business School and
Stephen Riady Distinguished Professor**

Under the Musim Mas Professorship, a world-class faculty will be set up to lead an academic group in research and education on sustainability. Study trips involving students will be conducted to further this aim.



FORGING A CORPORATE CULTURE

CONTINUOUS IMPROVEMENT THE KAIZEN WAY



A **CORPORATE CULTURE** of continuous improvement will bring about excellence in people and products. This thrust was driven home during the Group's recent inaugural Improvement Day.

In his closing speech, Group Executive Chairman, Mr Bachtiar Karim, reminded participants of the company vision. *"People always come before products. Therefore we need a long term continuous learning programme for all levels of management,"* he said.

Stressing also on the importance for continuous improvement, Mr Bachtiar Karim added: *"We want to be recognized as the company blazing a trail setting the standard of excellence for the industry."*

The Musim Mas corporate culture is based on the Kaizen notion: *continuous improvement in personal life, social life and working life.* This encourages focus by managers and workers alike on:

- *Improvements through small, constant changes*
- *Small improvements that require little or no capital expenditure*
- *Ideas from the ground up*
- *A personal desire to keep improving*

Musim Mas flew in 79 of its senior and middle managers for a team building retreat on 20-21 April 2011 at its training centre in Sorek Estate, Riau. Led by Head of Human Resources Department, they participated in high octane ice breakers and games. Each activity was designed to achieve a learning point to contribute towards team spirit and motivation.

The Improvement Day was the culmination of a four-year effort to make continuous improvement a corporate culture through implementation of the Musim Mas Improvement Process (MMIP). The quest for improvement is in keeping with RSPO Sustainability Principle 8: *Commitment to continuous improvement in key areas of activities.*



SMALLHOLDERS ACHIEVE CERTIFICATION



JUST TWO YEARS after being certified by RSPO as the first sustainable palm oil producer in Indonesia, Musim Mas has notched up yet another record: All of its affiliated smallholders under the KKPA (*Koperasi Kredit Primer Anggota*) scheme have successfully complied with the RSPO certification requirements.

This achievement reflects the Group's commitment to help smallholders attain RSPO certification. They must adhere strictly to all the RSPO standards and be subjected to one main audit every five years and four annual surveillance assessments.

The KKPA under PT Agrowiratama achieved certification on 17 June 2010 - the first in Indonesia. The certificate was awarded at the RSPO 8th Roundtable Meeting on Sustainable Palm Oil (RT 8) in Jakarta on 11 November 2010. This was followed by certification of the KKPA under PT Musim Mas on 2 March 2011.

All of the Group's affiliated smallholders are now certified sustainable palm oil producers.

RSPO Smallholder Certification

Companies	RSPO Certificate No.	Date of Certification	Name of KKPA	Ha	Families / Villages
PT Musim Mas	CUC8090028RSPO-01.2011	02 March 2011	KKPA Merbau Sakti KKPA Rawa Tengkuluk Kas Desa / Village Development Fund	865 Ha 802 Ha 16 Ha	432 families 401 families 4 villages
PT Agrowiratama	CU-RSPO-813182	17 June 2010	KKPA Sawit Bersama I & II KKPA Sawit Bosa Sungai Aua Manjunjung Bilang	524 Ha 500 Ha	262 families 250 families
		ASA 1 : Audited 03 - 05 May 2011	KKPA Sawit Datuk Bosa Sikilang	500 Ha	250 families
TOTAL				3,207 Ha	1,595 families and 4 villages

SUSTAINABILITY CERTIFICATION IN MUSIM MAS GROUP

International Sustainability & Carbon Certification (ISCC)

Companies	Mills	ISCC Certificate No.	Date of Certification
PT Musim Mas	Batang Kulim Pangkalan Lesung Batam*	DE-B-BLE-BM-10-105-81655081	07 March 2011
		DE-B-BLE-BM-10-105-81655082	07 March 2011
		DE-B-BLE-BM-10-105-81655079	07 March 2011
PT Berkas Sawit Sejati	Berkas Sawit Sejati	DE-B-BLE-BM-10-105-81318401	21 April 2011
PT Agrowiratama	Agrowiratama	DE-B-BLE-BM-10-105-81318201	18 May 2011

* Palm Methyl Ester Plant

RSPO Certification

Companies	Palm Oil Mill	RSPO Certificate No.	Date of Certification	CSP0*	CSPK*	CSPKO*	CSPKE*
PT Musim Mas	Batang Kulim	CUC809028RSPO-01.2011	06 January 2009 ASA 1 : 13 April 2010 ASA 2 : 02 March 2011	75,268	17,613	-	-
	Pangkalan Lesung	CUC809028RSPO-01.2011	06 January 2009 ASA 1 : 13 April 2010 ASA 2 : 02 March 2011	77,042	18,803	16,606	18,718
PT Berkas Sawit Sejati	Berkas Sawit Sejati	CUC813184RSPO-01.2010	08 April 2010 ASA 1 : Audited 11 - 14 April 2011	54,166	12,584	-	-
PT Agrowiratama	Agrowiratama	C813182CU-RSPO-01.2010	17 June 2010 ASA 1 : Audited 03 - 05 May 2011	46,539	11,635	-	-
PT Sukajadi Sawit Mekar	Sukajadi Sawit Mekar 1	C814844CU-RSPO-01.2010	28 August 2010	99,109	22,440	-	-
PT Maju Aneka Sawit PT Globalindo Alam Perkasa	Maju Aneka Sawit	C817193CU-RSPO-01.2011	17 June 2011	36,028	7,494	-	-
PT Agrowiratama - Sambas	-	RSPO Public Consultation 07 January - 05 February 2011	NPP Audit : Audited 05 - 06 January 2011	-	-	-	-
TOTAL				388,152	90,569	16,606	18,718

* In MT



THROUGH THE LENS OF WWF

SUSTAINABLE PALM OIL PRODUCTION

BY LOOKING OUT for products with the RSPO certified label for sustainable palm oil, consumers can rest assured that they are not contributing to rainforest destruction, according to the latest video uploaded by WWF.

“The RSPO certification is a step in the right direction but it will only be successful with the support of consumers,” WWF pointed out.

“The RSPO certifies companies and smallholders working to produce palm oil in ways that do not harm people or the



environment,” said WWF. Growers have to use the best plantation practices to keep soil and water supplies healthy, reduce pollution and carbon emissions whilst paying a decent wage and respecting the rights of workers and communities.

PT Musim Mas is the first company in Indonesia to achieve RSPO certification. It also ensures its affiliated smallholders are RSPO certified based on standards specially developed for them.

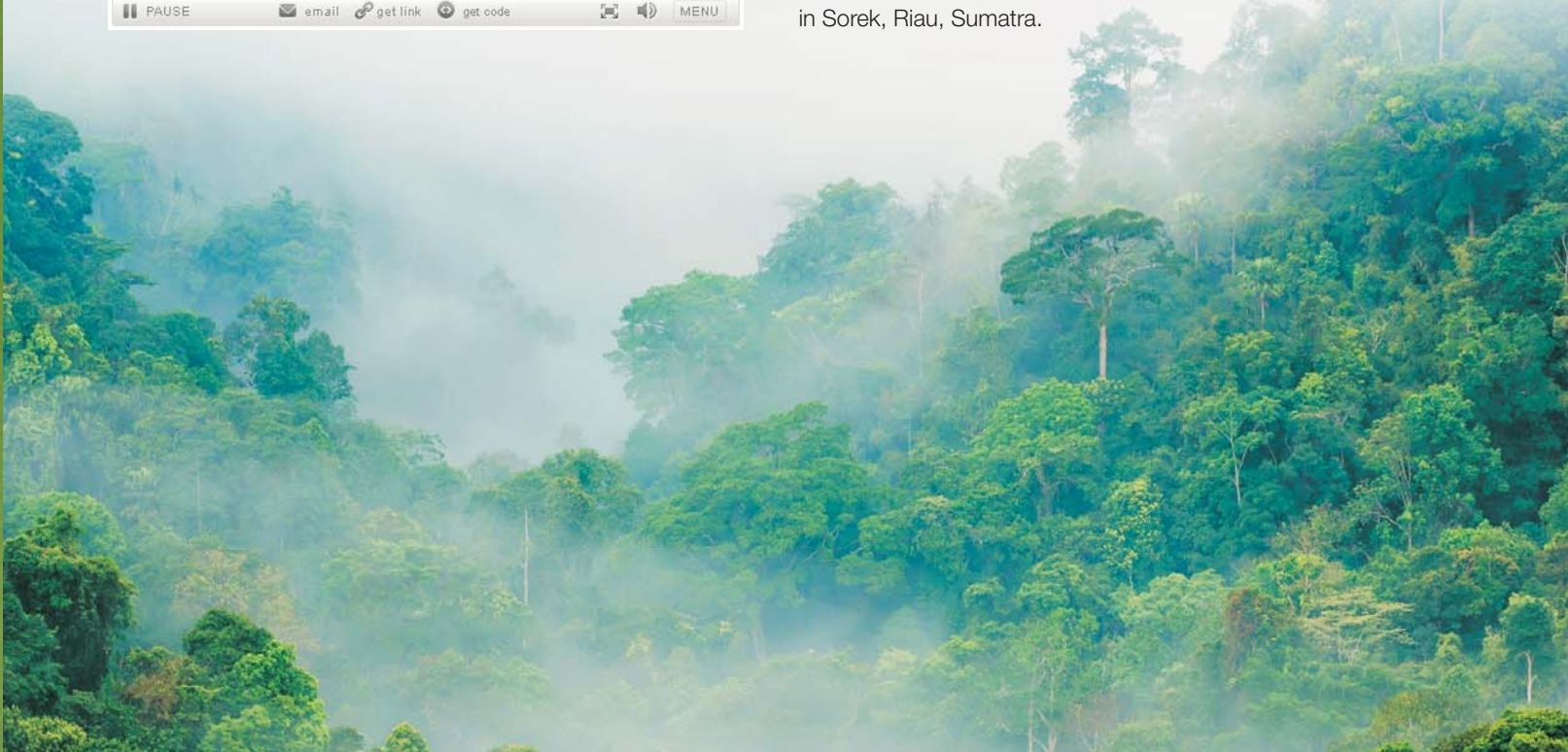
The video, which can be viewed at <http://vimeo.com/22587902> or <http://www.youtube.com/watch?v=7BRGjODwYwA>, says that WWF is working with companies such as PT Musim Mas to train smallholders so that they can attain the RSPO certification.

45% of palm oil in Indonesia, the largest producer in the world, is produced by smallholders who rely on the industry to lift them out of poverty.

“The RSPO certification process brings immediate environmental benefits like a reduction in the use of chemicals and the protection of valuable eco systems,” according to WWF.

It said that RSPO methods enabled plantations to produce higher yields which lead to higher profits so that there would be no need to expand in pristine forests.

WWF team spent four days in March 2011 covering various Musim Mas estates, mills and its high conservation value area in Sorek, Riau, Sumatra.



“SAY NO TO PARAQUAT”

A DIFFICULT BUT NECESSARY DECISION

MUSIM MAS GROUP has voluntarily stopped the use of Paraquat on all its plantations (including affiliated smallholders) with effect from 1 January 2011.

“BANNING PARAQUAT WAS INDEED A DIFFICULT DECISION. PARAQUAT HAS BEEN THE FASTEST AND MOST COST EFFECTIVE WAY TO ERADICATE WEEDS,”

said Dr Gan Lian Tiong, Head of Sustainability Department, Musim Mas Group.

He pointed out that the voluntary Paraquat ban is in line with RSPO principles on sustainable palm oil in providing a safe working environment for workers.

The “Say No to Paraquat” campaign was launched at several locations. At PT Sukajadi Sawit Mekar, Central Kalimantan, the campaign was in collaboration with Kota Waringin Timur’s Labour Department and Department of Agriculture whose head, Mr Jakatan, officiated the launch.

Dr Gan stated that PT Sukajadi Sawit was one of the first palm oil plantations in Kalimantan to ban the use of Paraquat. “We are doing this to protect the health of our workers,” he explained.

Paraquat is one of the most widely used herbicides in the world for controlling weeds in more than 100 crops, including soy beans and oil palm.

Although leaching into water sources is not generally a problem as Paraquat can be absorbed and bound quickly in the soil, the major health concern centers on accidental and deliberate ingestion where even small quantities can be fatal.

According to the Centres for Disease Control and Prevention in the US, ingesting Paraquat may cause symptoms leading to organ failures (liver, lung, heart, kidney) within days.

Countries that have banned Paraquat include Austria, Cambodia, Denmark, European Union, Finland, Ivory Coast, Kuwait, Slovenia, Sri Lanka, Sweden and Syria. Even though the use of Paraquat is not prohibited in Indonesia, the Group has taken the voluntary initiative to abolish its use to further emphasize the importance of safety.



TURNING METHANE INTO ELECTRICITY

INDONESIA'S FIRST BIOGAS PLANT OF ITS KIND

MUSIM MAS GROUP has again set the trend for sustainable development by installing the first of its many planned biogas plants that will capture methane from palm oil mill effluent (POME) to generate electricity. Each of these plants reduces emission by some 49,000 metric tonnes of CO₂ per annum.

The biogas plant installed at its palm oil mill in Pangkalan Lesung, Riau, Sumatra, represents the commitment of the Group to the Green House Gas (GHG) emission reduction initiative under the Clean Development Mechanism (CDM) of the Kyoto Protocol.

“The project, costing US\$3 million each, involves the installation of an in-ground anaerobic digester to treat raw mill effluent. Our biogas plant using this technology is a first in Indonesia,” explained Mr Tan Tian Sang, Director of Strategy & Planning, Musim Mas Group. The biogas captured is used to generate electricity to run the kernel crushing plant, mill, offices and dormitories.

While CDM allows emission reduction projects in developing countries to earn Certified Emission Reduction (CER) or carbon credits which can be traded and sold, the income so derived is often not enough to make the projects financially attractive. Despite this, Musim Mas Group remains undeterred in its aim to complete more CDM projects.

“We are committed to GHG emission reduction in our pursuit of sustainable palm oil production,” said Mr Tan.

Previously, the effluent was treated in large open lagoons where methane and carbon dioxide were released into the atmosphere. Methane has a global warming potential 21 times more potent than CO₂.

On 4 October 2010, Musim Mas signed an Emission Reduction Purchase Agreement with the government of Denmark, whereby Musim Mas will sell to Denmark an amount of carbon credits corresponding to its GHG emission reduction.



Signing of Emission Reduction Purchase Agreement on 4 October 2010 in Jakarta. Danish Ambassador, His Excellency Mr Børge Petersen (right) and Mr Tan Tian Sang, Director of Strategy and Planning, Musim Mas Group





Musim Mas Holdings Pte. Ltd.

150 Beach Road, #15-01 Gateway West
Singapore 189720
Tel: +65 6353 6563
Fax: +65 6259 5613

PT Musim Mas

Jalan KL. Yos Sudarso Km. 7,8 Tanjung Mulia,
Medan 20241, North Sumatera, Indonesia
Tel: +62 61 6619866
Fax: +62 61 6613060

Musim Mas is a fully integrated palm oil corporation with operations spanning the entire palm oil value chain from upstream oil palm plantations to midstream and downstream operations such as kernel crushing, refining and manufacturing of specialty fats, biodiesel, oleochemicals including fatty acids, fatty alcohols and glycerine, soap, palm wax and fine chemicals. Its supply chain is managed through strategically located bulking installations and transportation assets to provide efficient logistics solutions. 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 Dr Gan Lian Tiong at email: liantiong.gan@musimmas.com or visit our website at: www.musimmas.com

