

## **MUSIM MAS ACTION PLAN TO ADDRESS POIG AUDIT COMPLIANCE in 2018**

Musim Mas has engaged Rainforest Alliance (later change its name to NEPCo) to carry out the annual audit against POIG Charter and Indicators (v. March 2016). The verifications were carried out in four mills selected as sample to represent Musim Mas operations. Due to number of samples and different geographical areas, audit was carried out from February – April 2018.

POIG audit report describes evidences of Musim Mas's sustainability performance. Several partial compliance and non-compliances were identified. Below, Musim Mas action plan which was endorsed by Musim Mas management in May 2019 outlines the actions and timelines to close non-compliances.

Indicator	Summary Audit Findings and Auditor Recommendation	Musim Mas Statement
<p>1.1 High Carbon Stock and High Conservation Values</p> <p>Partial Compliance to 1.1.1, 1.1.2, <u>1.1.3</u>, 1.1.4, 1.1.5, 1.1.6</p>	<p>Each of the visited mills is subjected to Musim Mas Sustainability Policy (December 2014) that states Musim Mas commitment to protect HCS forest.</p> <p>However, new planting has been conducted after November 2015 (the time when Musim Mas signed the commitment to the Charter) in supply bases of two visited mills while the HCS assessments that cover these supply bases are still in progress.</p> <p>One mill was not required to conduct HCS assessment because based on document review and field visit, there was no area of native vegetation found in this mill and its supply bases. HCS assessment of three visited mills are still in progress, thus the final HCS forest identification and map is not available yet.</p> <p>It is noted that based on the field observation and land cover changes analysis, there is no area of potential as HCS forest being converted for plantation during those periods. However, since the HCS assessment is still in progress, there is still risk for HCS forest being converted.</p> <p>One mill was not required to conduct participatory mapping to identify and map garden and future farmlands since based on document review and field visit, there was no area where communities have legal, customary or user rights to the land on the HGU of this mill and its supply bases. Three visited mills are still required to conduct participatory mapping and at the time of this verification, participatory mapping has been conducted for each affected village of only two out of three mills. Each participatory mapping identified and mapped garden and future farmlands that are fundamental for the community of the relevant village to meet their basic food needs.</p> <p>Each of the visited mills have the conservation plan of HCV areas (or other conservation areas such as riparian zones and peatland) with the participation of the surrounding communities. MOU regarding the participation of communities to conserve these areas was available. It was also clarified during the stakeholder consultation that the communities were aware of this MOU and its content. However, the whole process is not in accordance yet with the participatory land use planning as required by this indicator. At the time of this verification, participatory land use planning has not been conducted yet at each of the visited mills.</p> <p>The HCS assessment following or equivalent to HCS approach has not been completed yet.</p>	<p>The HCS assessment for the two mills have been submitted to HCSA and completed the peer review process. The summary report for the assessment are available at <a href="http://highcarbonstock.org/wp-content/uploads/2018/11/HCSA-Report-PT.-MAS-131118.pdf">http://highcarbonstock.org/wp-content/uploads/2018/11/HCSA-Report-PT.-MAS-131118.pdf</a> and <a href="http://highcarbonstock.org/wp-content/uploads/2018/10/HCSA-Report-PT.-Unggul-Lestari-221018.pdf">http://highcarbonstock.org/wp-content/uploads/2018/10/HCSA-Report-PT.-Unggul-Lestari-221018.pdf</a></p> <p>The participatory mapping report and Integrated Conservation Land Use Planning (ICLUP) for both sites are completed and formed part of the peer review submission (see above).</p> <p>Participatory mapping of the remaining mill has been completed which showed the area consist of non native vegetation and evidence that no future development due to the communities' unwillingness to relinquish their rights on the land are available (PT BSS).</p> <p>All the records will be verified by the CB in Q3 2019.</p>

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<p>1.2 Peatland</p> <p>Partial compliance to 1.2.3,1.2.4</p> <p>Non compliance to 1.2.7</p>	<p>Musim Mas has engaged the Indonesian Environmental and Forestry Ministry or Kementerian Lingkungan Hidup dan Kehutanan (KLHK) at the end of 2017 for the critical peatland ecosystems assessment in its operations. This includes the critical peatland ecosystems assessment in supply bases of one of the visited mills.</p> <p>At the time of this verification, the assessment for the supply bases of one of the visited mills is still in progress. The company mapped the peatland based on government decision letter or SK. 130/MENLHK/SEKJEN/PKL.0/2/2017 about National Peatland Ecosystem Function Map or Penetapan Peta Fungsi Ekosistem Gambut Nasional, which indicates peatland for protection or restoration. Based on the map, water level and rainfall monitoring plots were set by the government. The company established these monitoring plots on the ground. They also monitored biweekly the water level and rainfall in the relevant monitoring plots. The monitoring records between January 2018 and March 2018 were available. These records will be submitted to KLHK every six months to be reviewed and used by the government as basis for the identification of critical peatland ecosystems and its restoration plan.</p> <p>The map of peatland (of any depth) and planted peatland is available for the supply bases where the peatland exists. However, this map is not available yet for public. In addition, the critical peatland ecosystems assessment is still in progress, thus the map of critical peatland ecosystem and areas for peatland restoration is not available yet.</p>	<p>The progress with KLHK is still ongoing and Musim Mas has reported the progress to KLHK regularly. The critical peat identification process is dependent on third party (KLHK).</p> <p>Peat maps have been published in Musim Mas Sustainability Report. The report is available at <a href="http://www.musimmas.com/news/resources">http://www.musimmas.com/news/resources</a>.</p> <p>All the progress records will be verified by the CB in Q3 2019.</p> <p>This non-conformance is similiar to the non-conformance identified in Musim Mas first POIG verification audit. In the 2018 action verification report conducted by the CB on 8 January 2019, the CB has verified that Musim Mas has carried out its responsibilities, and publish the peat maps, therefore it is concluded Musim Mas has complied with indicators 1.2.3, 1.2.4 and 1.2.7.</p>
<p>1.3 Greenhouse Gas (GHG) Accountability</p> <p>Partial compliance to <u>1.3.3</u></p>	<p>The result of GHG emissions identification and monitoring for each of the visited mills is available in its RSPO audit report, which is available to the public. However, the progress toward the target is not available yet to the public.</p>	<p>The target and progress toward target regarding GHG are reported in Musim Mas Sustainability Report. The report is available at <a href="http://www.musimmas.com/news/resources">http://www.musimmas.com/news/resources</a>. The compliance for this indicator has been verified by the CB during action plan verification of the first report on 8 January 2019. Auditor has noted full compliance for this indicator.</p>

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<p>1.4 Pesticide use minimization</p> <p>Partial compliance to <a href="#">1.4.1</a>, 1.4.3</p>	<p>Each of the visited mills is subjected to Musim Mas's policy to stop the use of paraquat on all of its plantations (2011). Based on document review, interview and field visit, there was no use of paraquat observed at each of the visited mills. However, based on review of pesticides application records (2017 and early 2018) and visits to the chemical storage, each of the visited mills applied coumatetralyl for rat control. Warfarin was also used in some mills as substitute for coumatetralyl. Both pesticides are categorized as WHO Class 1B and Globally Harmonized System GHS Class 1 reproductive toxicity. The current SAN prohibited pesticides list (2017) also refers to WHO and GHS, thus these pesticides are also included in the list.</p> <p>The approval from POIG Organizing Committee is not available yet for the emergency use of prohibited pesticides.</p>	<p>Musim Mas has obtained the approval from POIG for the use and phase out plan of the listed pesticides.</p> <p>The compliance for this indicator has been verified by the CB during action plan verification of the first report on 8 January 2019. Auditor has noted full compliance for this indicator.</p> <p>The use of pesticides and progress of phase out plan will be evaluated by the CB in Q3 2019.</p>
<p>1.5 Chemical Fertilizer</p> <p>Partial Compliance to <a href="#">1.5.2</a>, 1.5.3</p>	<p>At one of the visited mills, the location of all sampling points has been designated and they represented the inlet and outlet position of all available watercourse. However, the monitoring has only been conducted to several of these sampling points (11 out of 19 sampling points). The management clarified that they were not able to complete the analysis prior the submission of environmental reporting in the second semester of 2017, thus it is postponed for the second semester of 2018 reporting.</p> <p>The other three mills have monitored phosphorus and nitrogen levels at all sampling points that represent the inlet and outlet position of each available watercourse. Map that indicates the watercourses and the location of the sampling points and the result of the monitoring for the second semester of 2017 are available and have been reviewed. The result showed that there is no increase of phosphorus and nitrogen levels along the presented watercourses. Phosphorus and nitrogen levels in relevant watercourses will be monitored annually, in which the next monitoring is going to be conducted in the second semester of 2018.</p> <p>Musim Mas also has procedure (2017) that shows measures to be taken if an increased level of phosphorus and nitrogen in the watercourses is identified. The measures include the adjustment of fertilizer rates and procedures.</p> <p>The results of phosphorous and nitrogen monitoring has not been published yet.</p>	<p>Additional 8 sampling points have been taken into account when the company take water sample for water quality monitoring.</p> <p>The records will be verified by the CB in Q3 2019.</p> <p>The result of Phosphorous and Nitrogen have been published in Musim Mas Sustainability Report. The report is available at <a href="http://www.musimmas.com/news/resources">http://www.musimmas.com/news/resources</a>. The compliance for this indicator has been verified by the CB during action plan verification of the first report on 8 January 2019. Auditor has noted full compliance for this indicator.</p>

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<p>1.7 Water Accountability</p> <p>Partial Compliance to 1.7.3, 1.7.4</p>	<p>The information on water use, consumption and pollution by mills and plantations have yet to be included in public reporting.</p> <p>Three of the visited mills have been rewarded “Proper Biru” from the government while one mill is still in progress to obtain it. Part of the qualifications for this award is the national laws and regulations’ full compliance for water management and for wastewater management, which is aligned with the requirement for water stewardship assessment. However, the process to obtain this award has yet to include the involvement of all relevant stakeholders to address water equity issue which is required by this indicator.</p> <p>Each of the visited mills expects to engage the communities and other relevant stakeholders at its vicinity to address the water equity issues in the second semester of 2018.</p>	<p>The information on water use, consumption and pollution by mills and plantations have been reported in Musim Mas Sustainability Report. The report is available at <a href="http://www.musimmas.com/news/resources">http://www.musimmas.com/news/resources</a>. The compliance for this indicator has been verified by the CB during action plan verification of the first report on 8 January 2019. Auditor has noted full compliance for indicator 1.7.3.</p> <p>Musim Mas has engaged the surrounding communities and relevant stakeholders on water equity issues.</p> <p>The records will be verified by the CB in Q3 2019.</p>
<p>2.2 Food security</p> <p>Partial compliance to 2.2.2, 2.2.3</p> <p>Non compliance to 2.2.4</p>	<p>As stated in 1.1.3, new planting has been conducted after March 2014 in supply bases of two visited mills. These two mills have conducted participatory mapping for each affected village in early 2018. Each participatory mapping identified and mapped garden and future farmlands that are fundamental for the community of the relevant village to meet their basic food needs. However, the garden and farmland for each individual have not been identified as required by this indicator, thus it cannot show that a minimum of 0.5 ha of garden or farmland per person has been enclaved to meet food security needs during the new planting after March 2014.</p> <p>Each of the visited mills does have programme to maintain or enhance local food security as stated in 2.2.1. However, it has not been included in participatory land use planning as required by this indicator. At the time of this verification, participatory land use planning has not yet been conducted at each of the visited mills.</p> <p>Participatory land use planning is not available yet at each of the visited mills.</p>	<p>The HCS assessment following HCSA for the two mills have been completed. The summary report for the assessment are available at <a href="http://highcarbonstock.org/wp-content/uploads/2018/11/HCSA-Report-PT.-MAS-131118.pdf">http://highcarbonstock.org/wp-content/uploads/2018/11/HCSA-Report-PT.-MAS-131118.pdf</a> and <a href="http://highcarbonstock.org/wp-content/uploads/2018/10/HCSA-Report-PT.-Unggul-Lestari-221018.pdf">http://highcarbonstock.org/wp-content/uploads/2018/10/HCSA-Report-PT.-Unggul-Lestari-221018.pdf</a></p> <p>The peer review reports for both assessments has indicated there is no issue of food security.</p> <p>The participatory mapping report and Integrated Conservation Land Use Planning (ICLUP) for both sites are completed.</p> <p>A report to show the remaining area in PT BSS are consist of non native vegetation and evidence that PT BSS has no future development due to the communities’ unwillingness to relinquish their rights on the land are available.</p> <p>All the records will be verified by the CB in Q3 2019.</p>
<p>2.5. Workers’ rights</p> <p>Non compliance to 2.5.14</p>	<p>All of the supply bases for three of the visited mills are under direct management of the respective mill, thus the risk assessment as requested by this indicator is not necessary. However, one of the visited mills, at the time of this verification, has independent smallholders in its supply bases. The mill did not conduct risk assessment addressing risk of force labour, human trafficking and child labour for these independent smallholders.</p>	<p>Musim Mas has started to conduct risk assessment for force labour, human trafficking and child labour for independent smallholders. The progress can be verified by the CB in Q3 2019.</p>

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<p>2.6 Support to smallholder</p> <p>Partial compliance to 2.6.4</p>	<p>Observation was made for one of the mills that at the time of this verification, the mill is still purchasing FFB from independent smallholders. Three of the visited mills, at the time of this verification did not have smallholders in their supply bases.</p> <p>As stated in 2.6.1, Musim Mas has a collaboration programme with IFC namely IPODS. The programme has also developed group certification plan (RSPO certification) for smallholders joining the programme. The plan included all activities i.e. socialisation of RSPO to the smallholders, internal audit, and the assessment of SEIA and HCV. For the first stage, it is expected to have a minimum of 500 independent smallholders to be included in RSPO certification audit in Q2 of 2019.</p> <p>The plan was developed by the time IPODS programme started in June 2015, which is within three years since the respective mill obtained its own certification in 2014. However, the plan did not specifically mention the progress towards POIG verification.</p>	<p>Musim Mas has developed program (IPODS program) to assist independent smallholders to achieve RSPO certification. The program was started in 2015 with following steps:</p> <ol style="list-style-type: none"> <li>1. Awareness training program on GAP to the smallholders</li> <li>2. Engagement for interest in RSPO certification</li> <li>3. Socialization of RSPO Smallholder Standard to smallholders</li> <li>4. Conduct HCV, SIA, internal audit for gap assessment</li> <li>5. Apply for RSPO membership</li> <li>6. Undergo RSPO certification audit</li> </ol> <p>Currently Musim Mas has engaged up to 20,000 independent smallholders in this program and about 400 independent smallholders have expressed their interest for RSPO certification. Musim Mas in collaboration with IFC is preparing the smallholders group for the audit by end of 2019.</p> <p>Musim Mas will continue to engage and train the smallholders group towards POIG verification.</p>
<p>3.2. Traceability</p> <p>Non compliance to to <u>3.2.1</u>, 3.2.2, 3.2.3</p>	<p>Each of the visited mills has traceability system in place to identify the location of its plantations and kas desa as its FFB source.</p> <p>However, two of the visited mills have purchased FFB from independent smallholders after November 2016 (12 months after Musim Mas signed the commitment to the Charter). At the time of this verification, these two mills have not completely identified the location (at least GPS coordinate) of these independent smallholders.</p> <p>The plantations and kas desa are known and identified sources of FFB for each of the visited mills.</p> <p>However, two of the visited mills have purchased FFB from independent smallholders after November 2017 (24 months after Musim Mas signed the commitment to the Charter). At the time of this verification, these two mills have not identified these independent smallholders completely and have not ensured that they are illegal sources.</p> <p>The plantations and kas desa are included in the scope of this verification. While for smallholders, there is yet to have a time-bound plan to bring them into compliance with the POIG indicators.</p>	<p>Musim Mas has completed traceability to plantation and obtain all GPS coordinates and relevant information to show they are not from illegal area for all FFB suppliers of PT Siringo Ringo in 2018. Detail records for the FFB suppliers can be verified by the CB in Q3 2019.</p> <p>Musim Mas has developed program (IPODS program) to assist independent smallholders to achieve RSPO certification (see above). The program was started in 2015 and currently Musim Mas has engaged up to 20,000 independent smallholders in this program and about 400 independent smallholders have expressed their interest for RSPO certification. Musim Mas in collaboration with IFC is preparing the smallholders group for the audit by end of 2019.</p> <p>Musim Mas will continue to engage and train the smallholders group towards POIG verification.</p>

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<p>3.3 Report on social, labour and environmental performance</p> <p>Partial compliance to <u>3.3.1</u></p> <p>Non compliance to 3.3.2</p>	<p>Musim Mas has a Sustainability Policy Progress Report that is available for public (most recent report for January 2017 – December 2017). The report covers several issues related to POIG including Musim Mas smallholder support programme and traceability. However, this report has yet to include all issues requested by this indicator.</p> <p>Report consistent with GRI Sustainability Reporting Guidelines or equivalent approach was not yet available.</p>	<p>Musim Mas has published Sustainability Report in November 2018. The report is available at <a href="http://www.musimmas.com/news/resources">http://www.musimmas.com/news/resources</a>. The compliance for this indicator has verified by the CB during action plan verification of the first report on 8 January 2019. Auditor has noted full compliance for this indicator.</p>
<p>3.4 RSPO certification and company operations</p> <p>Non compliance to 3.4.4</p>	<p>Musim Mas has a policy stating its commitment for purchasing 100% RSPO certified FFB with the exception for FFB supply from independent smallholders. However, the policy was signed in April 2018 (prior to the visit of the last sampled mill) which has passed 24 months after Musim Mas signed the commitment to the charter.</p>	<p>POIG has given clarification for the compliance to this indicator through its letter dated 20 December 2018.</p>
<p>3.5 Responsible supply chain</p> <p>Non compliance to <u>3.5.1</u>, 3.5.3</p>	<p>Musim Mas signed the commitment to the Charter in November 2015. Following the approval, Musim Mas undertook labour assessment in August 2016 which is a pre-requisite by POIG before the initial POIG verification audit. The length of time required for the labour assessment and for the arrangement for POIG approved assessor has caused the delay for conducting the first verification up to December 2016 (the start of the verification) which is more than 12 months after the signing date.</p> <p>At the time of this second year of POIG verification, the report for the first POIG verification for 2016/2017 period was not publicly available yet on the POIG website. The report was finalised on 3 November 2017. Musim Mas is in discussion with POIG about the publication of the report.</p>	<p>POIG has given clarification for the compliance to this indicator through its letter dated 20 December 2018.</p> <p>POIG verification audit report for Musim Mas is publicly available at POIG website <a href="http://poig.org/the-poig-charter/poig-verification-assessments-reports-2/">http://poig.org/the-poig-charter/poig-verification-assessments-reports-2/</a></p>