



# **CERTIFICATION**

## **Implementation of Sustainable Certifications :**

- 1. The International Sustainability and Carbon Certification: ISCC certified biomass and bioenergy**
- 2. Malaysian Sustainable Palm Oil (MSPO)**

**SOPPOA SUB-COMMITTEE for CERTIFICATION**

**Galau Melayong**



# What is (ISCC / MSPO) Certification



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## What is Certification?

- Basically, it is a system whereby an independent certification body verifies in a written statement that the management system of a defined plantation certification unit is in compliance with a recognized standard (ISCC, MSPO, RSPO P&C NI, ISO's etc..), accepted by relevant stakeholders and the market.
- It is a market driven initiative that promotes positive changes through customer demands



# Keys Players in Certifications



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## **Governing Body -**

- ISCC – EU Parliament, MSPO – MPOB
- Set the standard and certification system
- Forum for members and stakeholders
- Makes announcement on certification activities
- Train the auditors and guide CB
- Review report and agree/disagree with recommendation for certification
- Ensure that market accepts their (ISCC, MSPO) logo



# Keys Players in Certifications



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## **Certification Body**

1. Manage certification system
2. Ensure competency and availability of audit team
3. Carry out evaluation
4. Recommend for certification
5. Managed the certified clients

## **POM and Supply Base (plantations, estates, SH)**

1. Establish management system
2. Consistent compliance to the standard requirement
3. Maintain record of compliance
4. Monitor the system and implement improvement

## **Stakeholders**

1. Participate through stakeholder consultation
2. Continuous monitoring and engagement



# Benefits of (ISCC / MSPO) Certification



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## 1. Corporate reputation and management

- a) Improved corporate image and reputation
- b) P&C as a driver for corporate strategy and management system

## 2. Economics

- a) Better access to international markets, especially Europe
- b) Price premium for CSPO (Certified Sustainable Palm Oil)
- c) Enhanced overall profitability
- d) Improved overall efficiency and/or productivity
- e) Creation and use of Best Management Practices (BMPs)
- f) Better relationship for financiers for ISCC certified Companies

## 3. Social

- a) Changes in mindsets and attitude of Staffs and Workers, better teamwork
- b) Better OHS risk management and reduction in workplace accidents
- c) Improved communication and relationship with workers
- d) More stable or loyal workforce, lower turnover rate
- e) Improved communication and engagement with smallholders
- f) Enhanced productivity and well-being of associated smallholders
- g) Obtaining social license to operate through consultation and engagement of communities



# Benefits of (ISCC / MSPO) Certification



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## 4. Environmental

- a) Reduction in GH emissions through methane capture in effluent treatment plants
- b) Greater awareness of and stewardship for High Conservation Areas
- c) Better assessment, management and monitoring of wastes and pollution (including domestic wastes)
- d) Judicious use of pesticides and implementation of Integrated Pests Management (IPM)

## 5. Governance

- a) More systematic documentation and access to information on operational and non-operational aspects, especially legal requirements
- b) Improved compliance of regulatory requirements
- c) Better understanding of legal and regulatory requirements
- d) Better relationship with local government authority and regulators
- e) Better understanding of stakeholders' engagement





# Overview

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## Sustainable Oil Palm Development



For any development to be sustainable it should be:

- Economically viable
- Environmentally compatible
- Socially acceptable
- Technologically appropriate



# Some Sustainability Indicators



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- Measures taken during planting
  - a) EIA Report
  - b) Terracing for slopes greater than  $6-8^{\circ}$
  - c) Leguminous cover crops
  - d) Livestock Integration to maximise use of land







# Some Sustainability Indicators



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**Integrated pest management is increasingly practised in the plantations**



# Some Sustainability Indicators



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## Waste Management

- Treated palm oil mill effluent (POME) contains high level of plant nutrients that may totally replace inorganic fertilizers
- Treated POME applied to land improves the soil and increases yield





# Some Sustainability Indicators



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- It's the people that matter most in this industry
- The industry has reduced the income gap between the rural have-nots and the more affluent town dwellers
- The rural poor have a new and better way of life through government-backed land-for-landless schemes



## Social/Human Capital





# Some Sustainability Indicators



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- Implementing of Good Agriculture Practices (GAP)
- Recycling of oil palm biomass and optimization of fertilizer inputs
- Adopting Zero Burning & Re-planting Policy: accumulation of soil carbon in the plantation
- Land Management & planting of leguminous cover crops
- High Conservation Value Forest (HCVF)
- Integrated Pest Management
- POME treatment system





# Some Sustainability Indicators



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**Maintain riparian reserve**



**Water management**



**Cover crop**



**Zero burning policy**



**Organic fertilizer (EFB)**



**EFB as compost**





## Overview - ISCC/MSPO Legal Requirements



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- Most of the criteria of the ISCC/MSPO standard listed in the P & C are already covered through national legislation and other control mechanisms.
- ISCC/MSPO has set up equivalence benchmarks for Companies in order to evaluate if certain criteria are already sufficiently covered and monitored through the national legislations and control mechanisms.



# Overview of ISCC/MSPO legal requirements



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The oil palm industry in Malaysia is highly regulated according to the law of the land. These include laws pertaining to;

- **Land Matters:**
  - National Land Code 1965
  - Land Acquisition Act 1960
- **Environmental Matters:**
  - Environmental Land Conservation Act 1960 revised in 1989
  - Quality Act 1974 (Environmental Quality) (Prescribed Premises) (Crude Palm Oil) Regulation 1977
  - Environmental Quality (Clean Air) Regulation 1978
  - Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 1987
- **Labour and Employee Matters:**
  - Labor Law
  - Workers' Minimum Standard of Housing & Amenities Act 1990
  - Occupational Safety & Health Act 1977
- **Pesticide Use:**
  - Pesticides Act 1974 (Pesticides Registration) Rules 1988
  - Pesticides (Licensing for sale & storage) Rules 1988
  - Pesticides (Labeling) Regulations 1984
  - Factories & Machinery (Noise Exposure) Regulations 1989
- **Wildlife Matters:**
  - Protection of Wildlife Act 1972



# General Difference between ISCC / MSPO Certification



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- ***MSPO, like RSPO sets strong, ambitious, well-defined requirements*** across a far-ranging set of issues, ***but has not established itself on the controversial topics of deforestation, peat land development and GHG emissions***—areas where compromise was necessary to bridge among different groups in the Industry.
- ***ISCC*** by contrast puts forth ***very strict provisions on deforestation and peat***, reflecting the intent for ISCC certified plantations to comply with requirements of the EU Renewable Energy Directive.



# General Difference between ISCC / MSPO Certification



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Another *key difference between the two standards* concerns *minimum requirements for compliance to achieve certification*.

- **MSPO require full compliance with all criteria in order to be certified, or an approved time-bound plan for addressing minor non-compliances.**
- ISCC divides its criteria into ‘major’ and ‘minor’ musts, where all major and at least 80% of minor musts must be fulfilled to achieve certification.



# Overview - ISCC



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- ISCC System GmbH (ISCC) operates globally applicable certification systems for evidencing sustainability requirements due to legal regulations or voluntary agreements, in particular the sustainability requirements of the Renewable Energy Directive (2009/28/EC) of the European Union and national rules and systems existing for the national implementation of this directive.

**ISCC Certification System** is a certification system operated by :

- ISCC DE, a certification system recognised by the German *Bundesanstalt für Landwirtschaft und Ernährung (BLE)* [Federal Office for Agriculture and Food], or
- ISCC EU, a certification system recognised by the European Commission, or
- ISCC PLUS, a certification system for food and feed as well as for other technical/chemical or bioenergetic applications.

Source : **ISCC 255 Terms of Use**





# Overview - ISCC



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- ISCC-certified biomass shall not be produced on land with high biodiversity value, high carbon stock and peat land. Areas with high conservation value are also excluded.
- The ISCC seal proves that biomass was produced in an **environmentally friendly way**.
- ISCC also covers **social sustainability principles** and thus provides more security for companies.
- ISCC is operating since the beginning of 2010 and is already used by leading companies in Germany, Europe and on an international scale.



# ISCC - The Path to Certification



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**1** Get registered at ISCC

**2** Prepare for the audit

**3** Audit

**4** Receive certificate



# ISCC - The Path to Certification



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## Prepare for the audit (optional)

1. Set up an audit team
2. Develop an audit preparation plan
3. Identify „white“ spots
4. Implement missing elements
5. Conduct a dry run (“pre-audit”)

### Guidance

Many companies are not familiar with the implications of the Sustainability Ordinances (requirements traceability, mass balance, GHG calculation, document design etc.) . Non compliance may require a second audit if a certificate is rejected in the first place. The upfront study of ISCC checklists, procedures and databases (No-Go-Area) or expert involvement is strongly recommended



# ISCC - The Path to Certification



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## Audit

1. Have all the information, records, documents ready

2. Support the auditors

3. Receive feedback from auditor

### Guidance

Good accessibility to control points on the site, documents, reports etc. will reduce audit time and cost.

Complex conversion units may need aggregated information/documentation



# ISCC - The Path to Certification



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## Receive certificate

1. Receive audit report and if applicable action list of improvement points
2. Work successfully on improvement points (if applicable)
3. Receive certificate which will be published on the ISCC webpage (copy sent to BLE)

### Guidance

The certificate will only be issued after successful completion of the action list. Within 40 days non-conformities must be corrected!





# ISCC Sustainability Requirements – The Six Principles For Biomass Production :



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1. Biomass shall not be produced on land with high biodiversity value or high carbon stock and not from peat land. HCV areas shall be protected;
2. Biomass shall be produced in an environmentally responsible way. This includes the protection of soil, water and air and the application of Good Agricultural Practices;
3. Safe working conditions through training and education, use of protective clothing and proper and timely assistance in the event of accidents;
4. Biomass production shall not violate human rights labour rights or land rights. It shall promote responsible labour conditions and workers' health, safety and welfare and shall be based on responsible community relations;
5. Biomass production shall take place in compliance with all applicable regional and national laws and shall follow relevant international treaties; and
6. Good management practices shall be implemented.



# Overview - MSPO



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Palm oil is an important commodity of Malaysia.

***Sustainable development*** is :-

- a necessity for any industry including the oil palm
- aimed at conserving the agro-ecosystem while improving productivity for economic gains.
- requires traceability and certification. As such, there is a need to quantify the inputs and outputs on a life cycle assessment approach over the whole supply chain.
- to be socially, environmentally and economically responsible.



# Overview - MSPO



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The Malaysian Standard (MS) on Malaysian Sustainable Palm Oil (MSPO) :-

- is a national standard developed by the Malaysian Palm Oil Board (MPOB) together with the oil palm industry and relevant government agencies.
- serves as a kit for the production of sustainable palm oil based on sustainability requirements of people, planet and profit.
- Is known as “The Malaysia Standard MS 2530:2013 under the general title, *Malaysian Sustainable Palm Oil (MSPO)*, contains four parts.



# Overview - MSPO



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The Malaysian Standard (MS) on Malaysian Sustainable Palm Oil (MSPO) contains four parts.

- MS 2530-1:2013 Part 1 is the overall general principles, while the specific requirements are:-
- MS 2530-2:2013 Part 2 General principles for independent smallholders,
- MS 2530-3:2013 Part 3 General principles for plantation and organized smallholders and
- MS 2530-4:2013 Part 4 General principles for the palm oil mill.



# Overview - MSPO



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- The MS on MSPO comprises seven Principles, where each Part of the Standard contains the Criteria and Indicators.
- Guidance on the implementation is provided to harmonise interpretations on requirements of the Standards. MSPO auditing and certification is carried out by an independent Certification Body.
- **MSPO certification is voluntary, and pending consultation with the industry, the government may make it a compulsory standard in stages.**





# Overview - MSPO



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## MSPO Part 1: General principles

This Malaysian Standard :-

- provides general principles for organization to establish maintain and improve the operation practices of a management system,
- enables that organisation to undertake a systematic approach, in order to ensure a sustainable production of palm oil.
- applies to all factors affecting palm oil production and its use which, can be monitored and influenced by the organisation.
- does not prescribe specific performance criteria.
- shall be applied with reference to MPOB Codes of Practice, the Malaysian Standard Good Agricultural Practice (MSGAP) and the Malaysian Standard Good Manufacturing Practice (MSGMP)
- can be used with other management systems, implemented by all organizations dealing with oil palm cultivation and palm oil production.



# Overview - MSPO



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This standard covers the areas of operations of the oil palm industry along the whole supply chain comprising :-

- seed production,
- nursery,
- estate,
- smallholdings,
- mill,
- kernel crushing,
- refinery,
- storage,
- transport,
- distribution, and
- management system development and operations.



# Overview - MSPO



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## **MSPO Part 2: General principles for independent smallholders**

Independent smallholders are individual farmers who own or lease less than 40 hectares of an oil palm farm and manage the farm themselves.

This Malaysian Standard :-

- provides guidance for requirements of Independent smallholders group or Sustainable Palm Oil Cluster (SPOC) to establish,
- maintain and improve the operation practices of a management system which enables SPOC to undertake a systematic approach, in order to ensure sustainable production of palm oil.
- applies to all factors affecting palm oil production and its use, which can be monitored and influenced by the organisation.
- does not prescribe specific performance criteria.
- shall be applied with reference to MPOB Codes of Practice and the Malaysian Standard Good Agricultural Practice (MSGAP) and
- can be used or integrated with other management systems, implemented by all organizations dealing with oil palm cultivation and palm oil production.
- covers the areas of operations of the independent smallholders sector of the oil palm industry, comprising SPOC management systems and operations.



# Overview - MSPO



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## **MSPO Part 3: General principles for oil palm plantations and organised smallholders**

This Malaysian Standard :-

- provides guidance on the requirements for plantations and organised smallholders to establish, maintain and improve their operational practices within a management system framework,
- enables the adoption of a systematic and integrated approach towards attaining sustainable production of palm oil.
- applies to all factors affecting palm oil production and its use can be monitored and influenced by the organisation.
- shall be applied with reference to the MPOB Codes of Practice and the Malaysian Standard Good Agricultural Practice (MS:GAP) and
- can be used or integrated with other management systems and implemented by all plantations dealing with oil palm oil cultivation and the production of FFB.



# Overview - MSPO



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## MSPO Part 4: General principles for Palm Oil Mills

### The scope of this standard

- covers milling operations, one of the areas under the value chain.
- specifies requirements for an organization to establish maintain and improve the operational practices of the management system,
- enables that organization to take a systematic approach, in order to achieve continuous improvement of mill operation to produce good quality crude palm oil.

### This Malaysian Standard :-

- specifies requirements applicable to mill operation in the supply chain and shall include requirements, documentation, reporting, design for processing crude palm oil and its products, using equipment, systems, process and personnel.
- applies to all factors affecting crude palm oil production and its use, which can be monitored and influenced by the organization.
- has been designed to be used independently, but it can also be used or integrated with other management systems implemented by all organizations dealing with oil palm and palm oil production.



# Overview - MSPO



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## Principles of MSPO

- The MSPO covers the general requirements of sustainability Principles and Criteria, applicable to the three sectors of the supply chain.
- The requirements include the development and operation of the three sectors, where all four Parts of MSPO consist the seven Principles.

### ***Principle 1: Management commitment and responsibilities***

- This encompasses policy on the implementation of MSPO, internal audit based on MSPO requirements, management review and continuous improvement.

### ***Principle 2: Transparency***

- Premises shall provide relevant information required under the MSPO principle in a transparent manner and shall also have transparency during communication and consultation. Traceability is to ensure that the product can be traced to sustainable raw materials.

### ***Principle 3: Compliance to legal requirements***

- Premises shall abide to all regulatory requirements, legal land use rights and customary rights.





# Overview - MSPO



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## ***Principle 4: Social Responsibility, Health, Safety and Employment condition.***

- Social impact assessment has to be conducted, complaints and grievances must be addressed, there should be commitment to contribute to local sustainable developments, employees' health and safety, employment conditions and training to enhance competency of the workers.

## ***Principle 5: Environment, natural resources, biodiversity and ecosystem.***

- There should be an environmental management programme, efficiency of energy use and use of renewable energy, waste management and disposal, reduction of pollution and emission, natural water resources, status of rare, threatened or endangered species, high biodiversity value area and zero burning practices. Two issues that most concern the industry are the greenhouse gas emission and zero burning.



# Overview - MSPO



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## ***Principle 6: Best Practices***

- Implementation of best practices is a requirement under this principle. These include site management, economic and financial viability plan, transparent and fair pricing deals and also subcontracting of some of the operations to others.

## ***Principle 7: Development of new planting***

- Some areas are not allowed for planting of agricultural crops. These areas cover high biodiversity values areas, deep peat land and planting on steep terrain and/or on marginal and fragile soils. The company, after conducting social and environmental impact assessment shall ensure that the planting of oil palm does not have negative impact on the surrounding communities; soil survey, carried out, will ensure appropriate agronomic practices are implemented by the plantation; and customary land right demonstrates prior and informed consent.



# Overview – MSPO Road to Certification



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## Certification System

- **Prospective auditee is to submit an application to the MSPO Secretariat**, currently housed at MPOB head office in Bangi, Malaysia. Information from the applicant will be screened for authenticity before auditing.
- **MSPO audit is carried out by an independent Certification Body (CB)** registered with MPOB. The Certification Body must have prior ISO 17021 accreditation (Standards Malaysia, 2011) or other universally acceptable system.
- Following authentication of the applicant's information, the **CB conducts Phase 1 audit and produce a report**. The auditee is to **rectify all non-compliance items**, if any. Next is Phase 2 audit, and the report is submitted to the Evaluation Panel.



# Overview – MSPO Road to Certification



**The Panel will produce an assessment report** to the Certification Committee for certification of the audited premise by the Governing Body.

Process	Activities	Remarks
Apply for Certification	Submit Application	Sustainability team
<b>Stage 1</b>		
Document Audit	Audit document conformance	Certification Body audit Estate / Mill
Face-to-face Audit	Conduct Face-to-face Audit	
System operation Audit	Audit actual operation	
<b>Stage 2</b>		
Site audit at Estate	Checking of evidence	Certification Body audit Estate / Mill
Site audit at Mill		
Evaluation of Audit Report	Review and recommendations	
Award of Certificate	Decision	Governing Body (MPOB)



# Overview - MSPO



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## Conclusion

- This Malaysian Standard (MS) on MSPO provides guidance for the quantification, communication and verification of the sustainability Principles and Criteria.
- Malaysia's regulatory framework governing palm oil is comprehensive in scope and complex in form. It reflects mandates of nearly a dozen Ministries and administrative bodies with authority over land use, business licensing and industry.
- ***By design, MSPO criteria are strongly aligned with existing legal and regulatory requirements, hence like ISPO, it can be referred to as the “legality standard” for palm oil in Malaysia.***



# Pitfalls in Certification Process



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- Areas of weaknesses can be categorised as:
  - 1. General - certification process**
  - 2. Specific - requirements of the P&C and Indicators**





# General Pitfalls - certification process



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- **Understanding on basic of certification**
- ❑ Most mills and plantation management are doing good jobs in standard activities, but some are ***having problem in interpreting and understanding the specific certification requirement.***
- ❑ **Proposal / Recommendations:**
  1. Require improved level of knowledge on certification
  2. Some requirements of the certification process and standard are new things to the industry players – continuous trainings



# General Pitfalls - certification process



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- **Management representative**
  1. The person nominated to handle certification not very knowledgeable
  2. The MR not able to transfer the information down the line
  3. The MR is not in position to make and implement decision
  
- **Proposal / Recommendations: The MR...**
  - Appoint a senior staff /executives
  - Provides intensive training
  - Give unrivalled support



# General Pitfalls - certification process



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## Internal competition among personnel and estates

- It is normal for the estate to try to outdo each other in term of productivity
- Non compliance in one estate/mill will impact the overall performance of the unit
- **Remarks :**
  - Cooperation between personnel, mills and estates are fundamental
  - Consistent implementation of the system is key



# General Pitfalls - certification process



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- **Certification vs consultancy**

1. Auditors are to look for evidence of compliance
2. Auditors not allowed to provide advises
3. CB as an intermediary to communicate compliance to the public

- **Too high expectation on CB**

1. Company expect CB to a one stop agency
2. Many areas of certification activities are beyond the control of a CB, but the companies insisted on commitments on time and schedule for certification.
3. CB's activities are bound by procedures
4. CB and auditors has code of ethic



# Specific weaknesses against P&C requirement



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- **Availability of management documents**

1. Policy statements and commitments
2. Public information
3. Standard operation procedures
4. Poor quality management and record maintenance

- **Land ownership**

1. Legal documents normally available
2. Maps not updated
3. Boundary stones not available
4. Overplanting without clear consultation with the legal owner
5. Use of land without clear permit from authorities



# Specific weaknesses against P&C requirement



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- **Implementation of BMP and IPM**
  1. No proper documentation on BMP and IPM
  2. No monitoring records
  3. Inconsistent implementation through out the unit
  4. No proper justification of activities
- **Environment management including biodiversity**
  1. No environmental impact evaluation
  2. Lack of identification of possible presence of RTE species
  3. Inconsistent identification and protection of buffer zones
  4. Inadequate implementation of solid and liquid waste management



# Specific weaknesses against P&C requirement



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- **High conservation value forest**
  1. Inadequate HCV assessment that include landscape level
  2. Stakeholder consultation
  3. Programme for HCV management include monitoring
  
- **Green house gaseous**
  1. GHG emission is emerging issues that is becoming more important especially for biofuel
  2. Inadequate identification and monitoring of the sources
  3. Mitigation plans not in place





# Specific weaknesses against P&C requirement



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- **Health and safety aspects**
  1. In general good H&S system at mill and plantation
  2. Inconsistent implementation of the requirement
  3. Inconsistent use of PPEs by workers
  4. Inadequate risk evaluation
- **Continuous improvement**
  1. Companies normally monitor economic aspect but not on environment and social elements of the operation
  2. Minimum threshold for key indicators not identified
  3. System to improve practices in line with new knowledge and information not documented



# Moving forward

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- **Plantation company must ensure:**
  1. real and sincere commitment from the top
  2. the responsible personnel's understand specific requirement of the certification scheme and the Principles, Criterion and Indicators
  3. comprehensive preparation across all units, not only one person responsible and knowledgeable
  4. Demonstrate evidence of compliance during the audit



# Moving forward

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- Certification is a market driven mechanism to identify companies that are in compliance with the requirement differentiating it from those that are not.
- While the early companies that have been certified may get tangible immediate benefits, however, in long term, it is about demonstrating good & responsible corporate citizen and getting market share.
- The companies need to always be ready for possible change in the requirement.



# In Summation – Certification can improved overall plantation and mill management

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**Reduced emissions from Mills with increase efficiency / Reduced subsidence with proper water management in the estate.**

**Increase productivity resulted in protection of remaining natural forest ?**





# Endword – Quote from MPOC



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- In the end it is about producing **more on less land** which is vital part of sustainable agriculture





Thank you for your kind attention

